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PRESENTATION

Operator

Good morning, and welcome to the Simmons First National Corporation Fourth Quarter 2022 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Ed Bilek, Director of Investor Relations. Please go ahead.

Edward J. Bilek - *Simmons First National Corporation - Executive VP & Director of IR*

Good morning, and welcome to Simmons First National Corporation's Fourth Quarter 2022 Earnings Call. Joining me today are several members of our executive management team, including our Executive Chairman, George Makris, and our CEO, Bob Fehlman. Before we begin the Q&A, I would like to remind you that our fourth quarter earnings materials, including the release and presentation deck, are available on our website at simmonsbank.com under the Investor Relations tab.

During today's call, we will make forward-looking statements about our future plans, goals, expectations, estimates, projections and outlook, including, among others, our outlook regarding future economic conditions, interest rates, lending and deposit activity, credit quality and net interest margin. These statements involve risks and uncertainties, and you should therefore not place undue reliance on any forward-looking statement as actual results might differ materially from those expressed in or implied by the forward-looking statements due to a variety of factors.

Additional information concerning some of these factors is contained in our earnings release and investor presentation furnished with our Form 8-K today, our most recent Form 10-Qs and our Form 10-K for the year ended December 31, 2021, including the risk factors contained in that Form 10-K. These forward-looking statements speak only as of the date they are made, and Simmons assumes no obligation to update or revise any forward-looking statements or other information.

Finally, in this presentation, we will discuss certain non-GAAP financial metrics we believe provide useful information to investors. Additional disclosures regarding non-GAAP metrics, including the reconciliations of these non-GAAP metrics to GAAP, are contained in our earnings release and investor presentation, which are included as exhibits to the Form 8-K we filed with the SEC and are also available on the Investor Relations page of our website, simmonsbank.com. Operator, we are ready to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from Brady Gailey of KBW.

Brady Matthew Gailey - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

I wanted to start with the tax rate. The tax rate has been a little volatile this year, and it was abnormally low in the fourth quarter. Where should we expect kind of the forward tax rate to be? Any color on why it was lower in 4Q?

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

Brady, this is Jay. Let me jump in on that and give a couple of initial remarks. First of all, you're exactly right. The effective tax rate came in low in the fourth quarter. I'll speak to that latter question first. A couple of drivers there. But really, the biggest one we call it out in our materials is a tax credit that we were able to sort of complete the project and recognize in the fourth quarter.

As a result, we're able to take a full year of that credit. The way that works from an accounting perspective is you get the tax benefit sort of grossed up down in the tax line item and then there's an amortization of that tax credit up in the noninterest expense area. And we call both those out there. So sort of that full year benefit recorded in the fourth quarter was the biggest driver to the tax rate sort of being below expectation in the quarter. I think going forward, to your initial question, I think I would think of 2023 tax rate sort of ranging in that 18% to 19% area.

Brady Matthew Gailey - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Okay. That's helpful. And then I noticed you guys were pretty active in the share buyback for the first 3 quarters of the year, but no buybacks in the fourth quarter. So any color there? And how we should think about you guys potentially repurchasing stock in 2023?

Robert A. Fehlman - *Simmons First National Corporation - CEO*

Brady, this is Bob. I'll go ahead and take that one. You're right. Early in the year, we did a lot of stock buyback. Our focus really right now is growing tangible book value per share through EPS and organic growth. It doesn't mean we won't do stock buyback if the timing is right. But right now, we're really focused on building our capital position going into '23.

So, as you saw, we really did -- we did very little to no purchases in Q3. And in Q4, we did none at all. We're going to be very selective going forward in this environment we're in. Just uncertainty of just holding on to capital and building tangible book value per share.

Brady Matthew Gailey - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

All right. And then another good quarter of double-digit loan growth, which I know you guys kind of messaged on the conference call last quarter. But I think I remember after that, you guys expect loan growth to really slow down in 2023. Is that still the right way to think about that? And where do you expect loan growth to be this year?

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

Brady, this is Matt. I'll jump in first. Yes, we had a nice fourth quarter, good diversified loan growth throughout our footprint. As you can see in the material in our pipeline just economic conditions. The rates are in the pipeline is slowing. We still see moderate loan growth. A lot of that is through our unfunded commitment. Still seeing demand, But kind of that mid-single digits is what we're seeing 2023 so far, but it is an uncertain kind of an economic environment.

Robert A. Fehlman - *Simmons First National Corporation - CEO*

Also, Brady, just like the rest of the industry, we have slower paydowns in this environment with rates going up. So you have less cash flows going out on paydowns and refinancing. And so that helps all of us in the industry build there, but it really bodes well for the unfunded commitment pipeline we had earlier in the year, too, that we're still funding those over a period of time.

Brady Matthew Gailey - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

All right. And then finally for me, the net interest margin was stable, if not down, a few basis points linked quarter. How are you thinking about the trajectory of the net interest margin into 2023?

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

So Brady, Jay, again here. Let me jump in with some initial remarks there as well. I think the thing to point to here for Q4, we had some deposit leakage, I'll call it late in the quarter. We've had what I felt like was a good third quarter on the deposit side and candidly, early in the fourth quarter as well. You may recall in Q3, [NIBs] actually grew. We gave some of that back in the fourth quarter, kind of fell more in line with the industry in the fourth quarter.

You couple that with some strong loan growth continued in the fourth quarter, and we increased the reliance on wholesale funding. I think that's sort of cash flow timing as much as anything. I sort of think that the thesis for us from a margin perspective, from an NII perspective remains fully intact candidly.

So when I think about sort of go-forward expectation for margin, some of that wholesale funding reliance, in fact, came late in the fourth quarter. That will be a bit of a headwind early in 2023 for us from a margin perspective. But as we continue to expand our loan-to-deposit ratio, sort of reinvestment of investment and other cash flows back into loans, which we think we've got plenty of loan demand in the foreseeable future to do. Some of that moderation in loan growth that Matt spoke to that we expect that will help sort of reduce any reliance on wholesale funding going forward.

And so I think that all is kind of sort of tailwinds for us in 2023 from sort of a built-in margin perspective as time moves on. I'm going to mention one other item. We called this out in our slides, but just one thing that is important as we move later into 2023, I remind you all that we have about $1 billion of our bond portfolio fixed rate that is swapped. And that was on a 2-year forward contract, and that will come into play in September of this year, sort of late September.

And so that basically goes from fixed to variable late in the year and the current rates would certainly be a boost to margin at that point as well.

Operator

The next question is from David Feaster of Raymond James.

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

I was hoping that maybe we could touch on the deposits that we were just talking about. Maybe talk about some of the competitive dynamics and some of the drivers of the core outflows, I mean how much do you think is surge deposits versus seasonal dynamics versus clients just using excess cash to pay down higher cost debt? And are you seeing any differences from a geographic or regional perspective where competition is more intense? And do you think most of the surge deposits, if you will, are out at this point?

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

So let me again jump in, David, on that, and Bob or Matt may also or others may have some comments here. But I do think that there is likely some seasonal impact for us in Q4. I don't think there's any doubt about that. And again, we saw some of the outflows pretty late in the quarter, which would kind of sync up with that outcome or that expectation. When I think about -- and I've spoken about this in prior quarterly calls. We -- when I think about excess funds, that surge deposits, funds that we're laying around, whether they're consumer or commercial or otherwise, I think most of that moved out of the bank earlier in the year last year.

What it feels to me like when I'm looking at our data sort of daily, weekly, monthly right now, it feels more like just an overall competitive dynamic. That's why I used the word leakage earlier. I don't see sort of wholesale shifts out of deposits, certainly I don't see sort of customer loss. It's really just more kind of that retail leakage out there across the footprint from a competitive dynamic or alternative opportunity for funds. So those are some perspectives I have. But Matt, if you've got anything or Bob, you'd like to layer in, you may have some additional comments there.

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

No, Jay, you hit that right on. I think we're -- the only anecdotal piece I'd add to that just on the retail linkages, what we're seeing also alternative opportunities, money markets with Smith Barney or somebody to that affect Charles Swab. But also we're seeing in the small community markets, rural markets, that is getting very competitive and seeing some really irrational pricing, and that's where we're also seeing small retail customers kind of leak out. Not customer loss, as Jay said, but just real competitive especially on the time positive.

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

Okay. And then I guess if we -- how do we think about funding loan growth? And if there are additional pressures, I guess, how do you think about funding that? I mean it looks like this quarter was primarily CDs. But how do you think about CDs versus borrowings and even potential securities sales? And if you could just remind us of the cash flows off the securities book that would be helpful as well.

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

Yes. So on the cash flow piece, David, we've -- I think we've guided to $160 million to $180 million per quarter of principal roll-off. I'll tell you, Q4 that statistic was $185 million, so sort of toward the high end, slightly above that guide. So I think that guide kind of rings true as we go forward in terms of quarterly cash flow. Not a lot of appetite to sort of do a broader balance sheet restructure in my mind right now with the securities portfolio or otherwise.

I think we've got adequate cash flow, particularly relative to what we expect is moderating, again continued loan growth, but moderating loan growth throughout the year. And so that's sort of the expectation from a funding perspective. You asked a bit about just sort of alternative funding out there. To us, right now, the most advantageous funding from a cost perspective to the extent we're relying on wholesale has been in the brokered CD market or brokered market, a little more advantageous rates there than FHLBs or otherwise.

We've got plenty of capacity there, certainly not our first option. We can fund it off our own balance sheet. That's what we'll do. But those are sort of the relative opportunities and costs that are out there right now.

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

Okay. And then maybe just circling back to kind of the loan discussion. Just wanted to touch on the pipeline. It's still healthy, down a bit, kind of fits with the dynamics that you've talked about. But just -- maybe could you talk to us a bit about the pulse of your markets from a demand perspective? What geographies and segments are you still seeing healthy demand? And what's your appetite for credit here, just kind of given the economic backdrop and funding challenges? And where do you still see good risk-adjusted returns at this point?

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

David, great question. I'll start there. I'm sure we may have comments. But first, kind of top of the house on our pipeline, it is stable. And I think we're very focused on pricing discipline in these conditions and also credit conditions. And what on the resulting pipeline due to those disciplines is well diversified across all of our segments. It's not concentrated in any specific product type. You want to see good middle market C&I. You want to see public sector banking. You want to see selective long-term CRE client. Across the board, it's very diversified right now.

Your comment on is we're just staying to our knitting around credit fundamentals is -- and to your question, is there a demand in the marketplace? Yes, moderated for sure with these -- in fact, with this yield curve it can make it a challenge. But yes, people are doing business. But we're going to be taking care of relationships every day, bringing in new deposits with those relationships. I think that's indicated what the pipeline looks like for us moving forward. But there is demand, but it is moderated.

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

Are there any segments or geographies that you're seeing more demand? And conversely, the ones that have maybe pulled back the most?

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

As always -- not as always, but our usual suspects on where even in this climate, DFW, the Texas market overall, we've had a lot of success with our integration of Spirit in Texas. They've done over $1 billion, $1.3 billion in new originations since April. So that Texas market community to Metro is continuing to see demand, but still moderated. You're seeing demand in Northwest Arkansas. You're seeing demand in Nashville.

But really, honestly, David, all of our metros are still seeing demand just moderated. And there's no one market that I'm saying, hey, it's -- they're completely pulled out of the game. I would say the contraction that we're experiencing due to interest rates and inflation is similar throughout all of our markets.

Operator

The next question is from Stephen Scouten of Piper Sandler.

Stephen Kendall Scouten - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

I guess, if we could talk a little bit further about some of the inner workings behind like the funding duration extension strategy you guys have referenced in your release and kind of what you're having to price CDs at on a lot of that, it was nearly $1 billion in growth in the quarter. And just kind of what sort of duration you're taking? Most importantly, thinking about could that really relieve pressure over the next couple of quarters as a result of what you did this quarter?

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

Yes. Thanks, Stephen. So a couple of remarks on that. First thing I'd say is don't read it as sort of going out multiyear in strategy or anything in terms of extending duration. I think we extended duration and kind of laddered out in the fourth quarter over sort of think of like 3-, 6-, 9- and 12-month type basis. And so I think our -- I think we disclosed this, the duration went from something like the end of the third quarter, 6.8 months to 8.4 months.

So again, still a ladder of cash flows on the wholesale side, but a bit of an extended ladder relative to where we were late in the year. We had done the same thing earlier in the year last year. Just a lot of that kind of repriced in the fourth quarter, again, particularly later in the fourth quarter. And you're seeing handles -- 4 handles on that in a lot of instances in terms of your questions around cost on the wholesale side right now. And that's kind of all across that ladder is where we're seeing costs.

Stephen Kendall Scouten - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Okay. That's helpful, Jay. And is the -- are the costs on the wholesale -- based on what you guys are saying, the costs in the wholesale better than what you're seeing in your markets and in your branches on the CD side? Or is it just that in terms of filling the gap in terms of the volume that you need that brokered CDs are better than the FHLB?

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

Yes. It's really -- certainly, anything we're doing on the CD side, whether it's what I'll call core versus brokered, is more advantageous than anything we could do FHLB or otherwise right now. And so our first preference and priority is always on the core side. And that's where we're focused. Again, to Matt's earlier comments, the competition across all of our geographies is pretty fierce there. And so to the extent we need to fill the bucket further that's where we go wholesale.

Stephen Kendall Scouten - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

And Matt's comment was really interesting, and I think something we've been seeing a lot, maybe to my surprise this quarter, especially is in the more rural markets. Where are you seeing that? Is that like a lot of credit union competition that's popping up? Or what's driving maybe more competition in rural markets than I feel like we've seen in the past [upgrade] cycle?

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

Stephen, this is -- I'll give you what we're seeing, and I can't speak to what other competitors are seeing. But -- and really throughout our community markets, not in specific state, what we're seeing is a result of [Landmark] Community Bank's balance sheet and there's somewhat maybe potentially not be able to (inaudible) but from their bond for investment portfolio. And so they're having to fund in a new way that they're not used to laser-focused on funding right now and resulting in what we're seeing on the -- especially on the deposit side, where we're seeing the most interesting rates they're offering.

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

Yes. And I'd say something we've talked about too on that. It's been -- it's certainly been other community banks. Stephen, I think you called out one we're seeing. I mean, we were looking at a flyer. I think late last week that we saw from a credit union and footprint and one of our footprints with really aggressive CD rates. So it's across the board from a competitive point of view in that area.

Stephen Kendall Scouten - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Yes. That's interesting. And maybe brings up another point too, there is stress on some smaller community banks, I think, in particular, on their balance sheet, on TCE, on the funding side of things. I mean you guys have been a little less, I don't know, aggressive in terms of your commentary around potential M&A. But is that something you guys have a greater appetite for in '23, if there's some, I don't know, weakness in potential targets?

Robert A. Fehlman - *Simmons First National Corporation - CEO*

George, you want to...

George A. Makris - *Simmons First National Corporation - Executive Chairman*

Sure, Bob. I'll take that. Stephen, we would always consider a strategic opportunity with regard to M&A, but we are not actively pursuing that at this point in time. You'll hear a lot more going forward about our Better Bank Initiative. And I think it may be an appropriate time just to talk about where we are in that regard. And in the fourth quarter, we announced some management changes and that is very specific to our next 3- to 5-year plan. Bob Fehlman is now our CEO, congratulations, Bob; and Jay is our President and CFO, congratulations to Jay.

We're in a period of time where we hobbled together over the last 10 years, 14 acquisitions. And I would say those have been very, very successful, and our financial metrics sort of bear that out. We're at a point in time now where we need to step back, further integrate processes, systems and take a look at our people across our entire footprint to make sure that we position ourselves for success over the next 3 to 5 years on what we can control, and that is organic growth.

So that's our primary focus today. As we go forward, you'll hear a lot more about our technology plans, our process plans and so forth. But we would never say that we would never consider another acquisition. We're just not aggressively pursuing that today. When you take a look at our footprint and our potential for growth, within that footprint from an organic perspective, I think it is just tremendous.

So we've spent the last 10 years positioning this company for today. And I'm very confident that under Bob and Jay's leadership and their expertise in the areas that we need focus, we're going to be very, very successful.

Robert A. Fehlman - *Simmons First National Corporation - CEO*

Stephen, this is Bob. Just to kind of add on to that. If you look at our slide deck on Page 3, it really tells the story of what we've done over the last 10 years. And you go back to 2012 when George came on as CEO. We were really focused on Arkansas was our footprint primarily. In fact, we had $2.6 billion and 94% of our deposits were in Arkansas. And we really had a focus on growing the bank so we can make additional investments, whether it's in the IT area, whether it's in people, whether it's in our market, outside in branding.

And over that period of time, as George said, we've had 14 bank acquisitions. And today, at the end of the year in '22, we have $22.2 billion, and the geographic diversification over that period of time is significant. And now in Arkansas, 35% of the deposits are here and 22% are in Missouri, Tennessee, and so forth. We have a really good diversification in some really good growth markets in Middle America. So we're very pleased with where we're going.

And as George said, we, again, will not turn away from an acquisition if it is the right one. But our focus today is what we have called as a Better Bank Initiative and is really focusing on people, processes and systems. And that is what we're focused on. And our end result is really focused on growing earnings per share and tangible book value per share.

Stephen Kendall Scouten - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Great. That's a lot of helpful color and thanks for the call out on that pie chart. That's a pretty aggressive transformation. It's nice to see it there visually.

Operator

The next question is from Gary Tenner of D.A. Davidson.

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

I wanted to just ask one more question on the funding side. It looks like a good bit of the wholesale time deposits that came on were later in the quarter, unless I missed it. Had you provided or could you provide the kind of 12/31 spot rate on deposits?

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

I don't have that number off the -- right off the [help] here for you, Gary. But I think even suffice it to say, I think to maybe get to the point of your question, if you unpack the quarter, certainly, as we layered in on the wholesale side and made a decision to extend maturities, margin or cost of deposits, cost deposits was higher, margin was lower late in the quarter compared to early in the quarter.

I think that, as I tried to say earlier, as I did say earlier, is a headwind early in the year and a tailwind as we continue to move through the year next year.

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

Okay. And then just to be clear, again to make sure I understand it, the decision to kind of layer on some of that is more of an issue with timing of funding in that. You didn't really have a lot of excess liquidity that was -- even though you have a low loan deposit ratio, you were pretty well invested in securities portfolio. So that shows in the cash flow [dip] on the loan growth that stayed strong in the quarter. Is that kind of the thought for the fourth quarter?

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

I'd say it's twofold. That's a part of it. And the other part, again, if we had the same sort of third -- same sort of fourth quarter as we had third quarter in terms of some -- on the core deposit trend side, we wouldn't have had near the reliance. I think that's part of it as well. But it is timing and cash flows. We knew we were going to have at least a decent loan growth fourth quarter. It candidly came in better than expected. Maybe some seasonality and other headwinds that impacted us on the core deposit side. That's all a moment in time to me.

The cash flow off the securities portfolio sort of it is what it is day in and day out, quarter in and quarter out. And so I think as time moves on, again, all things being equal with the deposit portfolio on the core side, our reliance on wholesale funding should diminish overtime as well.

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

Great. I appreciate that. And then just to go on the credit side for a second. It looks like you're waiting in terms of the Moody's scenarios. The S2 is about 30%. And I think even later in the year, S2 has not become kind of the Moody's baseline forecast. Can you give us a sense of the sensitivity of your ACL as that kind of maybe if S2 waiting were to increase?

Robert A. Fehlman - *Simmons First National Corporation - CEO*

I'll just say a couple of comments. This is just our management's input. Keep in mind, we're doing -- we're putting the scenarios in for the markets we serve. This is not on a national basis. So we really look at the markets we serve. And over time, Moody's changes there is the baseline changes. At one point, the baseline was more positive. Now it's turned a little more negative.

So I would say I feel very comfortable. It wasn't a lot of change in what we did from Q3 to Q4. We all feel really good about where we are today. But we all have a little bit of concern on the economy just because the rates have continued to go up, and we just don't know where it's going to go. But asset quality continues to be at its best level historically. It's just we just continue to look at the market, the macro environment we're in and our markets more specifically.

Yes, and don't forget, we also have a pretty large reserve and unfunded commitments that didn't change this quarter. Our unfunded commitment level was relatively close to Q3. So there's a pretty significant reserve in there that when those loans fund over will help -- we'll move over to the ACL.

George A. Makris - *Simmons First National Corporation - Executive Chairman*

Gary, this is George. One other thing. In our presentation on Slide 13, we specifically deal with our portfolios and office, retail and construction. And I think when you take a look at that, you'll find that our portfolio is well diversified, smaller loans, more rural in nature. And those 3 categories seem to be the ones that are top of mind with regard to credit risk.

Our portfolios are a little bit different and very reflective of the conservative underwriting and the community bank nature of our bank. So if you wouldn't mind, just take a look at Slide 13 to understand a little better, the 3 highest areas of credit risk with regard to investors' perception across the country.

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

And just last question on the expense side. The comp line has kind of bounced around a little bit the last couple of quarters, dipped in the third quarter back up here again in the fourth quarter. I think you called out some incentive comp accruals that were recorded in the third quarter, but that comp line moved up higher this quarter.

So had there been reversals in the third quarter that now kind of reset in the fourth quarter? I just want to make sure I understand that clearly.

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

You got it. That's exactly what it was, Gary. So you had reversals in Q3. We called that out in the third quarter and that sort of more normalizing back in the fourth quarter.

Robert A. Fehlman - *Simmons First National Corporation - CEO*

And keep in mind -- Gary, one other point is, we always like to remind people, Q1 is going to be a little higher as we get all the FICA payroll taxes and 401(k)s and all of that is the first quarter is always higher. One other comment we should have said earlier on just on our logistics here, we apologize for the loud banging noise. There's a lot of construction going on in Downtown Little Rock, which is good. But they happen to start the banging just as our call started today, but we apologize for that.

Additionally, not sure if you've noticed, but we have 2 of our staff that is working remotely, trying to isolate and keep everybody else safe, they're all doing good. But we're having to logistically handle that today. So hopefully, none of that interfered with the call today, but just wanted to call that out logistically.

Operator

The next question is from Matt Olney of Stephens.

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

I want to drill down on the construction portfolio, and the funded piece continues to increase. And obviously, it's moving from unfunded to funded. It looks like the unfunded portion moved down slightly. I'm curious if you think that unfunded piece has now peaked, it will move lower. And then if so, do you expect the funded portion to peak here shortly as well.

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

That's really good question. You're correct. And I would say we have peaked on the construction unfunded commitments, not our overall unfunded, but the construction unfunded commitments, I'd say we saw that peak this quarter. Your question on the peak coming on the construction funding [new or no] if not, it's actually due to the equity that is (inaudible) most of our CLD loans are around 40%, if not more, on the occasion. So really, that ramp-up peaks much further out. I would say that's something that we're very focused on analytically of where those peaks arise and when we need to start originating more CLD, always thoughtful on credit force, but you're right at it. We believe it did peak in the fourth quarter, but the outside where it funds up at that peak is farther (inaudible).

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

Okay, Matt and then I guess, Matt, sticking with kind of the loan growth theme. I think you talked about that mid-single-digit growth. Any more thoughts about kind of how we could see that play out during the year if that's more front-half loaded or back-half loaded?

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

I would say it's going to be even to best guess at this point, Matt, there's no kind of I said the unfunded construction that is layered very month over month. We project those draws will come to fruition, but then also we're also doing new business every day. And I'd say it's more even number then versus one front end or back end.

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

Yes. And I think Matt -- Matt, Jay here. Just one -- maybe one footnote there as well. I think it's important Bob or Matt one probably stressed this earlier in the call. But just to remind you, durations on the asset side and our loan side are certainly extending here. And so payoffs are a lot slower in this environment. And I think that's one thing to keep in mind as you think about sort of loan growth throughout the year. We're not in the environment we were a year ago where it was just sort of pay down, pay down, pay down all the time. We've sort of moved beyond that. There's stickiness that sort of builds in that sort of loan growth.

I think we couple that with sort of the timing of the projects that are underway on the C&D side. And it won't be -- there's never going to be even throughout the year, but we don't really see it loaded front or back. We see it more kind of coming in systematically throughout the year.

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

Okay. I appreciate that, Jay. And then I guess kind of a similar discussion on just the loan repricing of the fixed rate loans that you call out in the slide deck. I think you mentioned just over $1 billion, weighted average rate of 4.86%. Any color on kind of those reprice dynamics where we stand today?

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

So in terms...

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

Yes, go ahead, Matt.

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

Matt, just from the standpoint of kind of that $1 billion of what we see kind of [incrementally] definitely much better rate environment to reprice those loans. And we are doing that and we're open to [7] handle in our pipeline now, and that includes better way and fix. And so we're very moving, very disciplined to where rates are overall, but I will also tell you though this yield curve creates a challenging environment with where treasuries are. So we've got to fight for every basis point, and it's all about bringing new deposits to the bank as we do new originations with core clients. Hopefully, that makes sense to you, Matt.

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

Yes. And I guess just lastly on -- George made the comment about the last few years as far as acquisitions and where the bank is today. And it seems like you successfully completed a number of expense initiatives over the last several years. As you step back, I'm curious where the bank is today on the expense side? And are there more opportunities that we could hear about in -- during the year?

Robert A. Fehlman - *Simmons First National Corporation - CEO*

Jay, do you want to take that?

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

So yes, sorry, I was trying to come off mute there, Bob. So yes, I think absolutely, Matt, when George spoke earlier and Bob about our focus going forward, never say never on acquisitions. But our focus is on this Better Bank Initiative, and it's very internally focused. We think we've got a lot of opportunities. Matt, I don't want to overpromise and underdeliver on sort of timing of when we might come out with what some of those initiatives mean.

But I'd tell you, we've got everybody rallied around sort of those initiatives internally. Everyone is excited about where our focus is. The focus on organic growth, making sure we've got the scalability in our business to sort of capture that, and that's absolutely going to lead to a number of efficiencies across the board for us.

These are harder to get efficiencies than sort of that first phase coming out of an acquisition, but they're still very meaningful in my mind. And I think we've got a lot of work to do, and I think there'll be promising efforts ahead in that regard.

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

Okay. I guess just following up on that on the Better Bank Initiative, what are the primary metrics the bank is focused on within the initiative that we should appreciate maybe from our end?

James M. Brogdon - *Simmons First National Corporation - President, CFO & Treasurer*

Well, my answer to that would be, there's probably a lot of internal metrics we're most focused on right now in that regard that will lead to what you're focused on, Matt. But it's not going to be anything you haven't seen before. I mean, to me, at the end of the day, as we optimize our balance sheet, which is sort of priority #1 in my mind is we just kind of continue to do that over time, remix the balance sheet to where we want it to be. That's going to be obviously advantageous to revenue.

We're doing a number of things that I think are going to gain us some additional economies of scale as we execute on that and grow. And so the #1 metric I'd point you to, if you think about both the revenue and the expense side, is going to be the efficiency ratio. And I think we've got a lot of opportunity to continue to drive that down and -- over time to drive that down into the lower 50s. I would love to see us, and this is a more intermediate time frame comment. But optimistically, I'd like to see us put a 4 handle on our efficiency ratio, and that's going to take us executing on both sides of that equation.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to management for closing remarks.

George A. Makris - *Simmons First National Corporation - Executive Chairman*

Well, thanks again for joining us on our quarterly conference call. Once again, I'd like to congratulate Bob, Jay and their teams for recognition that they have a great say into the future of Simmons Bank going forward. I think we're in a great position today as we've talked about with our Better Bank Initiative.

One of the things that I'd like to point out is that as we go through this people process and systems evaluation, our staff has been very busy over the last 10 years with their day jobs and integration of 14 acquisitions. We are currently evaluating what our capacity is without those acquisitions. And I think what you're going to see is a very pleasing result.

So more to come on that. I think Jay hit some high-level metrics that we're taking a look at. I can't remember if it was Bob or Jay that said we're absolutely focused on increasing earnings per share, tangible book value per share. We believe that's really what's going to drive shareholder value going forward and why we spent the last 10 years developing the bank that we are today. So thank you very much for joining us today, and I hope you have a great day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.
