# Simmons Reports 2017 Second Quarter Earnings - July 19, 2017

Pine Bluff, AR – Simmons First National Corp. (NASDAQ-GS: SFNC) today announced net income available to common shareholders of $23.1 million, or $0.72 per diluted share, for the quarter ended June 30, 2017, compared to $22.9 million, or $0.75 per diluted share, for the quarter ended June 30, 2016. Included in second quarter 2017 results were $3.7 million in net after-tax merger-related and branch right-sizing costs. Excluding the impact of these items, core earnings were $26.8 million, or $0.84 per diluted share, for the quarter ended June 30, 2017, compared to $25.1 million, or $0.82 per diluted share, for the quarter ended June 30, 2016. Year-to-date net income was $45.2 million, or $1.42 diluted core earnings per share. Excluding $4.1 million in net after-tax merger-related and branch right-sizing costs, year-to-date core earnings were $49.3 million, or $1.55 diluted core earnings per share.

On May 15, 2017, Simmons First National Corp. completed the acquisition of Hardeman County Investment Company, Inc., headquartered in Jackson, Tenn., including its wholly-owned bank subsidiary, First South Bank. The systems conversion will take place on September 5, 2017, at which time the First South Bank will be merged into Simmons Bank.

“We welcome our newest associates from the First South Bank merger into the Simmons family. We look forward to continued growth in our Tennessee markets,” said George A. Makris Jr., Chairman and CEO of Simmons First National Corp. “We are also very excited about our previously announced mergers with Southwest Bancorp, Inc. (Bank SNB) and First Texas BHC, Inc. (Southwest Bank) and the new and attractive markets they serve.”

“We had solid results in the second quarter. Our loan growth continues to be strong. We are experiencing some upward pressure on cost of funds which is currently prohibiting an expansion in the net interest margin. We continue to expand our risk management programs in anticipation of surpassing $10 billion in assets within the next few months. All-in-all, we feel we are well-prepared for continued growth both organically and through acquisitions,” Makris said.

| Selected Highlights | 2nd Quarter 2017 | 1st Quarter 2017 | 2nd Quarter 2016 |
|---|---|---|---|
| Net income | $23.1 million | $22.1 million | $22.9 million |
| Diluted earnings per share | $.72 | $.70 | $.75 |
| Return on avg assets | 1.05% | 1.07% | 1.22% |
| Return on avg common equity | 7.65% | 7.69% | 8.48% |
| Return on tangible common equity | 12.13% | 12.22% | 13.52% |
| Net interest margin* | 4.04% | 4.04% | 4.14% |
| Core earnings** | $26.8 million | $22.5 million | $25.1 million |
| Diluted core earnings per share** | $.84 | $.71 | $.82 |
| Core return on avg assets** | 1.22% | 1.09% | 1.34% |
| Core return on avg common equity** | 8.87% | 7.83% | 9.29% |
| Core return on tangible common equity** | 13.99% | 12.44% | 14.76% |
| Core net interest margin* ** | 3.79% | 3.80% | 3.86% |
| Efficiency ratio | 56.04% | 60.92% | 57.33% |

* Fully tax equivalent.

** Core earning excludes non-core items, which is a non-GAAP measurement.

Loans

Total loans, including those acquired, were $6.2 billion at June 30, 2017, an increase of $1.2 billion, or 24.2% from June 30, 2016. Legacy loans (all loans excluding acquired loans) were $5.0 billion at June 30, 2017, an increase of $1.3 billion, or 34.2% from June 30, 2016. Acquired loans were $1.2 billion at June 30, 2017, a decrease of $63.7 million, or 4.9% from June 30, 2016.

On a linked-quarter basis (June 30, 2017 compared to March 31, 2017), total loans increased $448 million, or

7.8%. The increase was due to:

- $253 million increase from loans acquired from the First South Bank acquisition
- $26 million decrease in liquidating portfolio (indirect lending and consumer finance)
- $35 million increase from participations purchased from Southwest Bank
- $270 million in legacy loan growth (strong growth in Springfield, Northwest Arkansas, Kansas City, St. Louis and Little Rock)
- $84 million decrease in the existing acquired loan portfolio due to migration (acquired to legacy), normal loan paydowns and loan sales

Deposits

At June 30, 2017, total deposits were $7.1 billion, an increase of $1.1 billion, or 17.8%, compared with the same period in 2016. The majority of this increase is from deposits acquired in acquisitions. Total non-time deposits were $5.8 billion, an increase of $1.0 billion, or 20.1% compared to the same period in 2016, and comprised 82% of total deposits.

Net Interest Income

The Company’s net interest income for the second quarter of 2017 was $76.8 million, an increase of $10.2 million, or 15.4%, from the same period of 2016. Included in interest income was the yield accretion recognized on acquired loans of $4.8 million and $4.7 million for the second quarter of 2017 and 2016, respectively. Net interest margin was 4.04% for the quarter ended June 30, 2017, a 10 basis point decline from the same quarter of 2016. The Company’s core net interest margin, excluding the accretion, was 3.79% for the second quarter of 2017, a 7 basis point decline from June 30, 2016 and a 1 basis point decrease from March 31, 2017. Cost of interest bearing deposits were 0.36% for the second quarter of 2017, a 4 basis point increase from June 30, 2016 and a 3 basis point increase from March 31, 2017.

Provision for Loan Losses

Provision for loan losses for the second quarter of 2017 was $7.0 million, an increase of $2.4 million compared with June 30, 2016. The increase was a result of a provision of $714,000 for acquired loans due to a loan sale during the quarter and a provision due to much higher than expected loan growth during the quarter.

Non-Interest Income

Non-interest income for the second quarter was $35.7 million, a decrease of $1.1 million compared with the second quarter of 2016. The decrease was driven primarily by the net of the following:

- $835,000 decrease in mortgage revenue due to decline in demand in the industry. SBA revenue was flat compared to 2016, but increased $912,000 from the first quarter 2017.
- $544,000 decrease in investment banking revenue, due to the exit from the institutional division of the broker dealer line of business in the third quarter of 2016.
- $1.5 million decrease in gain on sale of securities. During the quarter, the Company sold approximate $150 million in securities to provide liquidity for the strong loan demand. The sale resulted in a $2.2 million pre-tax gain.
- Trust income, service charges on deposits and debit card fees increased from organic growth and the impact from our recent acquisitions.

Non-Interest Expense

Non-interest expense for the second quarter of 2017 was $71.4 million, an increase of $7.3 million compared to the second quarter of 2016. Included in this quarter were $6.7 million of merger-related expenses and branch rightsizing costs. Excluding these expenses, core non-interest expense was $64.7 million.

Included in the second quarter of 2017 expenses were operating expenses related to the additions of First South Bank which closed during the quarter and Citizens Bank which closed in September 2016. The increase in other operating expense was primarily driven by increased professional services. Professional services increased $1 million, which was primarily related to the continued preparations for crossing the $10 billion asset threshold. The efficiency ratio for the second quarter was 56.04%.

Asset Quality

All acquired loans are recorded at their discounted net present value; therefore, they are excluded from the computations of the asset quality ratios for the legacy loan portfolio, except for their inclusion in total assets.

At June 30, 2017, the allowance for loan losses for legacy loans was $41.4 million. The Company's allowance for loan losses on legacy loans at June 30, 2017 was 0.83% of total loans and 72% of non-performing loans. In the legacy portfolio, non-performing loans as a percent of total loans were 1.15%.

The allowance for loan losses for acquired loans was $391,000 and the acquired loan discount credit mark was $28.4 million. The allowances for loan losses and credit marks provide a total of $70.2 million of coverage, which equates to a total coverage ratio of 1.1% of gross loans. The ratio of credit mark and related allowance to acquired loans was 2.3%.

The 2017 annualized net charge-off ratio was 21 basis points. Excluding credit cards, the net charge-off ratio was 15 basis points.

Loan Sale

During the quarter, 35 classified loans were sold with a discounted principal balance of $13.8 million, which included $7.3 million of legacy loans and $6.5 million of acquired loans. The acquired loan portion of the sale resulted in a benefit of $1.4 million accretion income and a $714,000 increase in provision expense for acquired loans, resulting in a net benefit of approximately $700,000.

Capital

At June 30, 2017, common stockholders' equity was $1.2 billion, book value per share was $38.31 and tangible book value per share was $24.71. The Company's ratio of stockholders' equity to total assets was 13.6% and its ratio of tangible common equity to tangible assets was 9.2%. Regulatory tier 1 leverage ratio was 10.8% and regulatory total risk-based capital ratio was 13.7%.

Pending Acquisition Update

The Company previously announced the acquisition of Southwest Bancorp, Inc. (NASDAQ-GS: OKSB) in Stillwater, OK and First Texas BHC, Inc. in Ft. Worth, TX. The merger applications for these transactions were filed on July 14, 2017. Conversion and integration plans are in process. Subject to regulatory approval and the satisfaction of other closing conditions, the Company anticipates a closing date as early as October 2017 or as late as January 2018.

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Simmons First National Corporation

Simmons First National Corp. is a financial holding company, headquartered in Pine Bluff, Ark., with total assets of $9.1 billion conducting financial operations throughout Arkansas, Kansas, Missouri and Tennessee. The Company, through its subsidiaries, offers comprehensive financial solutions delivered with a client-centric approach. The Company’s common stock trades on the NASDAQ Global Select Market under the symbol “SFNC.”

Conference Call

Management will conduct a live conference call to review this information beginning at 11 a.m. CDT on Thursday, July 20, 2017. Interested persons can listen to this call by dialing toll-free 1-866-298-7926 (United States and Canada only) and asking for the Simmons First National Corp. conference call, conference ID 40252860. In addition, the call will be available live or in recorded version on the Company’s website at www.simmonsbank.com.

Non-GAAP Financial Measures

This press release contains financial information determined by methods other than in accordance with generally accepted accounting principles (GAAP). The Company’s management uses these non-GAAP financial measures in their analysis of the Company’s performance. These measures typically adjust GAAP performance measures to include the tax benefit associated with revenue items that are tax-exempt, as well as adjust income available to common shareholders for certain significant non-core activities or nonrecurring transactions. Since the presentation of these GAAP performance measures and their impact differ between companies, management believes presentations of these non-GAAP financial measures provide useful supplemental information that is essential to a proper understanding of the operating results of the Company’s core businesses. These non-GAAP disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in the tables of this release.

Forward-Looking Statements

Statements in this news release that are not historical facts should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any forward-looking statement speaks only as of the date of this news release, and we undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date of this news release. By nature, forward-looking statements involve inherent risk and uncertainties. Various factors, including, but not limited to, economic conditions, credit quality, interest rates, loan demand, changes in the assumptions used in making the forward-looking statements, and the Company's ability to obtain regulatory approvals and meet other closing conditions associated with the above-described mergers and acquisitions could cause actual results to differ materially from those contemplated by the forward-looking statements. Additional information on factors that might affect Simmons First National Corp.'s financial results is included in its Form 10-K filing with the Securities and Exchange Commission.

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