

# Simmons Reports Second Quarter Net Income of \$22.9 Million, or \$0.75 per share

Included in second quarter 2016 results were \$2.2 million of after-tax expenses related to noncore items. Excluding the impact of these items, core earnings were \$25.1 million for the second quarter of 2016, an increase of \$2.6 million, or 11.8 percent, compared with the same quarter last year. Diluted core earnings per share were \$0.82, an increase of \$0.07, or 9.3 percent.

Year-to-date net income was \$46.4 million, an increase of \$17.7 million, or 61.5 percent, compared with the same period of 2015. Year-to-date diluted earnings per share was \$1.52, an increase of \$0.42, or 38.2 percent. Year-to-date core earnings were \$48.3 million, or \$1.59 diluted core earnings per share.

"We are pleased with the results from the second quarter as we continue to absorb the acquisitions from the previous two years. Competitive pressures and artificially low interest rates continue to put pressure on our net interest income but we have done a good job of diversifying our revenue through other lines of business such as our trust operations, mortgage lending, credit card services, and other wealth management offerings. We will continue to focus on improving our efficiency throughout the remainder of the year," said George A. Makris, Jr., chairman and CEO. "We also look forward to the completion of the merger with Citizens Bank in Athens, Tenn. later this year and the opportunity to welcome them to the Simmons family."

## Loans

Total loans, including those acquired, were \$5.0 billion at June 30, 2016, an increase of \$201 million, or 4.2 percent, compared with the same period in 2015. Legacy loans (all loans excluding acquired loans) grew \$1.1 billion, or 42.7 percent. On a linked quarter basis, total loan growth was \$83.8 million.

## Deposits

At June 30, 2016, total deposits were \$6.0 billion, a decrease of \$142 million, or 2.3 percent, compared with the same period in 2015. Total non-time deposits were \$4.8 billion, an increase of \$100 million, or 2.1 percent, and comprised 80% of total deposits.

## Net Interest Income

The company's net interest income for the second quarter of 2016 was \$66.6 million, a decrease of \$6.6 million, or 9.0 percent, from the same period of 2015. This decrease was primarily driven by a \$5.4 million decline in yield accretion on acquired loans. Included in interest income was the yield accretion recognized on acquired loans of \$4.7 million and \$10.1 million for the second quarter of 2016 and 2015, respectively. Net interest margin was 4.17 percent for the quarter ended June 30, 2016, a 30 basis-point decline from the same quarter of 2015. The company's core net interest margin, excluding the accretion, was 3.88 percent for the second quarter of 2016, a 1 basis-point increase from the same quarter of 2015.

## Non-Interest Income

Non-interest income for the second quarter was \$36.9 million, an increase of \$11.9 million compared with the second quarter of 2015. The increase in non-interest income was primarily due to gains recorded on the sale of securities that totaled \$3.4 million as part of the bond portfolio rebalancing strategy.

The elimination of indemnification asset amortization due to the company's 2015 termination of loss-sharing agreements with the FDIC resulted in a decrease of \$3.1 million in losses on FDIC-covered assets in the second quarter compared with the same period in 2015. The remaining increase in non-interest income was due to additional mortgage lending, trust income and investment banking revenue.

## Non-Interest Expense

Non-interest expense for the second quarter of 2016 was \$64.1 million, a decrease of \$667,000 compared with the second quarter of 2015. Included in the quarter were \$372,000 of merger-related expenses and \$3.2 million of branch right-sizing expenses related to the closure of ten underperforming branches during the second quarter of 2016.

Salaries and benefits decreased by \$2.0 million to \$33.1 million in the current quarter of 2016, compared with \$35.1 million in the same quarter of 2015. This decrease of 5.7% is a result of the company's ongoing efficiency initiatives around expense

control. This decrease was partially offset by an increase of \$836,000 in furniture and equipment expense primarily related to maintenance contracts and equipment rent.

## 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, 2016, the allowance for loan losses for legacy loans was \$33.5 million. The company's allowance for loan losses on legacy loans at June 30, 2016 was 0.90 percent of total loans and 77 percent of non-performing loans. In the legacy portfolio, non-performing loans as a percent of total loans were 1.17 percent.

The allowance for loan losses for acquired loans was \$1.0 million and the acquired loan discount credit mark was \$38.3 million. The allowances for loan losses and credit marks provide a total of \$72.8 million of coverage, which equates to a total coverage ratio of 1.4 percent of gross loans. The ratio of credit mark and related allowance to acquired loans was 3.0 percent.

The 2016 year-to-date net charge-off ratio, excluding credit cards, was 24 basis points, and the year-to-date credit card charge-off ratio was 1.25 percent.

## Capital

At June 30, 2016, common stockholders' equity was \$1.1 billion, book value per share was \$35.86 and tangible book value per share was \$23.43. The company's ratio of stockholders' equity to total assets was 14.48 percent and its ratio of tangible common equity to tangible assets was 10.0 percent.

## Simmons First National Corporation

Simmons First National Corporation is a financial holding company headquartered in Pine Bluff, Arkansas, with total assets of \$7.5 billion. The company conducts financial operations in Arkansas, Kansas, Missouri and Tennessee. The company's wholly owned subsidiary, Simmons Bank, offers comprehensive financial solutions delivered with 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 conference call to review this information beginning at 3 p.m. CDT on Thursday, July 21, 2016. 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 Corporation conference call, conference ID 42603491. In addition, the call will be available live or in recorded version on the company's website at [www.simmonsfirst.com](http://www.simmonsfirst.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 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 and changes in the assumptions used in making the forward-looking statements, 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 Corporation's financial results is included in its Form 10-K filing with the Securities and Exchange Commission.

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