BELDEN INC.
Form 4
May 28, 2008

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
CRESSEY BRYAN C

(Last) (First) (Middle)

C/O THOMA CRESSEY PARTNERS, 4460 SEARS TOWER

(Street)

CHICAGO, IL 60606

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BELDEN INC. [BDC]

3. Date of Earliest Transaction (Month/Day/Year)
05/23/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Restricted Stock Units	05/23/2008		A		2,978	A	(1)	106,700	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CRESSEY BRYAN C C/O THOMA CRESSEY PARTNERS 4460 SEARS TOWER CHICAGO, IL 60606	X			

Signatures

/s/Bryan C. Cressey	05/23/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Grant of Restricted Share Units (RSUs) under the 2001 Cable Design Technologies Corporation Long-Term Performance Incentive Plan. RSUs generally vest one year after the date of award, but are subject to accelerated vesting under certain circumstances, including death, disability and retirement.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. bank subsidiary, Centennial Bank. As of September 30, 2012, we had, on a consolidated basis, total assets of $3.89 billion, loans receivable of $2.43 billion, total deposits of $3.13 billion, and stockholders equity of $510.0 million.

We generate most of our revenue from interest on loans and investments, service charges, and mortgage banking income. Deposits and FHLB borrowed funds are our primary sources of funding. Our largest expenses are interest on our funding sources and salaries and related employee benefits. We measure our performance by calculating our return on average common equity, return on average assets, and net interest margin. We also measure our performance by our efficiency ratio, which is calculated by dividing non-interest expense less amortization of core deposit intangibles by the sum of net interest income on a tax equivalent basis and non-interest income.

Key Financial Measures

	As of or for the Three Months Ended September 30,		As of or for the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Dollars in thousands, except per share data)			
Total assets	$ 3,887,909	$ 3,622,166	$ 3,887,909	$ 3,622,166
Loans receivable not covered by loss share	2,076,248	1,826,373	2,076,248	1,826,373
Loans receivable covered by FDIC loss share	407,416	511,326	407,416	511,326
FDIC claims receivable	24,580	33,844	24,580	33,844
Total deposits	3,132,469	2,885,049	3,132,469	2,885,049
Total stockholders equity	509,978	463,139	509,978	463,139
Net income	16,095	14,312	46,083	40,574
Net income available to common stockholders	16,095	13,824	46,083	38,746
Basic earnings per common share	0.58	0.48	1.64	1.36
Diluted earnings per common share	0.57	0.48	1.63	1.35
Diluted earnings per common share excluding intangible amortization (1)	0.58	0.50	1.67	1.40
Annualized net interest margin FTE	4.65%	4.75%	4.65%	4.68%
Efficiency ratio	46.24	49.23	47.35	50.09
Annualized return on average assets	1.61	1.56	1.56	1.48
Annualized return on average common equity	12.78	12.00	12.60	11.67

(1) See Table 17 Diluted Earnings Per Common Share Excluding Intangible Amortization for a reconciliation to GAAP for diluted earnings per common share excluding intangible amortization.

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Overview

Results of Operations for Three Months Ended September 30, 2012 and 2011

Our net income increased 12.5% to $16.1 million for the three-month period ended September 30, 2012, from $14.3 million for the same period in 2011. On a diluted earnings per common share basis, our earnings were $0.57 and $0.48 for the three-month periods ended September 30, 2012 and 2011, respectively. The $1.8 million increase in net income is primarily associated with additional net income and other non-interest income resulting from our 2012 Vision acquisition offset by the expected reduction in income from FDIC indemnification accretion. Additionally, the new costs associated with the asset growth from the Vision acquisition were offset by reductions in assessment fees and advertising expense. The total provision for loan losses was approximately $167,000 and zero for the three-month periods ended September 2012 and 2011, respectively. Merger and acquisition expenses were $296,000 compared to zero for the three-month periods ended September 2012 and 2011, respectively.

Our annualized return on average assets was 1.61% for the three months ended September 30, 2012, compared to 1.56% for the same period in 2011. Our annualized return on average common equity was 12.78% for the three months ended September 30, 2012, compared to 12.00% for the same period in 2011, respectively. The improvements in our ratios from 2011 to 2012 are consistent with the previously discussed changes in earnings for the three months ended September 30, 2012, compared to the same period in 2011.

Our annualized net interest margin, on a fully taxable equivalent basis, was 4.65% for the three months ended September 30, 2012, compared to 4.75% for the same period in 2011. Our ability to improve pricing on interest bearing deposits to offset the lowering of interest rates in the loan portfolio during this lower rate environment allowed the Company to maintain a solid net interest margin. Our FDIC-assisted acquisitions have helped improve the yield on the loan portfolio. For the three months ended September 30, 2012 the effective yield on non-covered loans and covered loans was 6.05% and 7.84%, respectively.

Our efficiency ratio was 46.24% for the three months ended September 30, 2012, compared to 49.23% for the same period in 2011. The improvement in the efficiency ratio is primarily associated with increased net interest income and non-interest income resulting from our 2012 Vision acquisition offset by the expected reduction in income from FDIC indemnification accretion. Additionally, the new costs associated with the asset growth from the Vision acquisition were offset by reductions in assessment fees and advertising expense.

Results of Operations for Nine Months Ended September 30, 2012 and 2011

Our net income increased 13.6% to $46.1 million for the nine-month period ended September 30, 2012, from $40.6 million for the same period in 2011. On a diluted earnings per common share basis, our earnings were $1.63 and $1.35 for the nine-month periods ended September 30, 2012 and 2011, respectively. The $5.5 million increase in net income is primarily associated with additional net income and other non-interest income resulting from our 2012 Vision acquisition combined with non-recurring gains during 2012 versus losses during 2011 offset by $2.0 million of merger expenses and the expected reduction in income from FDIC indemnification accretion. Additionally, the new costs associated with the asset growth from the Vision acquisition were offset by reductions in assessment fees and advertising expense. The total provision for loan losses was approximately $1.5 million and $1.3 million for the nine-month periods ended September 2012 and 2011, respectively.

Our annualized return on average assets was 1.56% for the nine months ended September 30, 2012, compared to 1.48% for the same period in 2011. Our annualized return on average common equity was 12.60% for the nine months ended September 30, 2012, compared to 11.67% for the same period in 2011, respectively. The improvements in our ratios from 2011 to 2012 are consistent with the previously discussed changes in earnings for the nine months ended September 30, 2012, compared to the same period in 2011.

Our annualized net interest margin, on a fully taxable equivalent basis, was 4.65% for the nine months ended September 30, 2012, equal to the 4.68% for the same period in 2011. Our ability to improve pricing on interest bearing deposits to offset the lowering of interest rates in the loan portfolio during this lower rate environment allowed the Company to maintain a solid net interest margin. Our FDIC-assisted acquisitions have helped improve the yield on the loan portfolio. For the nine months ended September 30, 2012 the effective yield on non-covered loans and covered loans was 6.16% and 7.84%, respectively.

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Our efficiency ratio was 47.35% for the nine months ended September 30, 2012, compared to 50.09% for the same period in 2011. The improvement in the efficiency ratio is primarily associated with increased net interest income and non-interest income resulting from our 2012 Vision acquisition combined with non-recurring gains during 2012 versus losses during 2011 offset by merger expenses, the expected reduction in income from FDIC indemnification accretion. Additionally, the new costs associated with the asset growth from the Vision acquisition were offset by reductions in assessment fees and advertising expense.

Financial Condition as of and for the Period Ended September 30, 2012 and December 31, 2011

Our total assets as of September 30, 2012 increased $283.8 million to $3.89 billion from the $3.60 billion reported as of December 31, 2011. Excluding the $529.5 million of assets acquired from our 2012 acquisition of Vision, our total assets as of September 30, 2012 decreased $245.7 million, an annualized decline of 9.1%. Our loan portfolio not covered by loss share increased by $316.2 million to $2.08 billion as of September 30, 2012, from $1.76 billion as of December 31, 2011. Excluding the $340.3 million of loans acquired from our 2012 acquisition of Vision, our loan portfolio not covered by loss share decreased by $24.1 million, an annualized reduction of 1.8%. Our loan portfolio covered by loss share decreased by $74.3 million, an annualized reduction of 20.6%, to $407.4 million as of September 30, 2012, from $481.7 million as of December 31, 2011. Stockholders equity increased $35.9 million to $510.0 million as of September 30, 2012, compared to $474.1 million as of December 31, 2011. The annualized improvement in stockholders equity for the first nine months of 2012 was 10.1%. The decrease in loans is primarily associated with historically low loan demand and payoffs in our non-covered and covered loan portfolios. The increase in stockholders equity is primarily associated with the $50.0 million of comprehensive income less the $9.0 million of dividends paid for 2012 and $6.6 million used to repurchase 252,044 shares of common stock.

As of September 30, 2012, our non-performing non-covered loans decreased to $22.6 million, or 1.09%, of total non-covered loans from $27.5 million, or 1.56%, of total non-covered loans as of December 31, 2011. The allowance for loan losses for non-covered loans as a percent of non-performing non-covered loans increased to 209.2% as of September 30, 2012, compared to 189.6% as of December 31, 2011. Non-performing non-covered loans in Arkansas were $8.6 million at September 30, 2012 compared to $7.8 million as of December 31, 2011. Non-performing non-covered loans in Florida were $14.0 million at September 30, 2012 compared to $19.7 million as of December 31, 2011. As of September 30, 2012, no loans in Alabama were non-performing.

As of September 30, 2012, our non-performing non-covered assets improved to $37.6 million, or 1.14%, of total non-covered assets from $44.2 million, or 1.53%, of total non-covered assets as of December 31, 2011. Non-performing non-covered assets in Arkansas were $20.6 million at September 30, 2012 compared to $20.0 million as of December 31, 2011. Non-performing non-covered assets in Florida were $17.0 million at September 30, 2012 compared to $24.2 million as of December 31, 2011. As of September 30, 2012, no assets in Alabama were non-performing.

Critical Accounting Policies

Overview. We prepare our consolidated financial statements based on the selection of certain accounting policies, generally accepted accounting principles and customary practices in the banking industry. These policies, in certain areas, require us to make significant estimates and assumptions. Our accounting policies are described in detail in the notes to our consolidated financial statements in Note 1 of the audited consolidated financial statements included in our Form 10-K, filed with the Securities and Exchange Commission.

We consider a policy critical if (i) the accounting estimate requires assumptions about matters that are highly uncertain at the time of the accounting estimate; and (ii) different estimates that could reasonably have been used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial statements. Using these criteria, we believe that the accounting policies most critical to us are those associated with our lending practices, including the accounting for the allowance for loan losses, acquisition accounting for covered loans and related indemnification asset, investments, foreclosed assets held for sale, intangible assets, income taxes and stock options.

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Investments. Securities available for sale are reported at fair value with unrealized holding gains and losses reported as a separate component of stockholders equity and other comprehensive income (loss), net of taxes. Securities that are held as available for sale are used as a part of our asset/liability management strategy. Securities that may be sold in response to interest rate changes, changes in prepayment risk, the need to increase regulatory capital, and other similar factors are classified as available for sale.

Loans Receivable Not Covered by Loss Share and Allowance for Loan Losses. Substantially all of our loans receivable not covered by loss share are reported at their outstanding principal balance adjusted for any charge-offs, as it is management s intent to hold them for the foreseeable future or until maturity or payoff, except for mortgage loans held for sale. Interest income on loans is accrued over the term of the loans based on the principal balance outstanding.

The allowance for loan losses is established through a provision for loan losses charged against income. The allowance represents an amount that, in management s judgment, will be adequate to absorb probable credit losses on identifiable loans that may become uncollectible and probable credit losses inherent in the remainder of the loan portfolio. The amounts of provisions for loan losses are based on management s analysis and evaluation of the loan portfolio for identification of problem credits, internal and external factors that may affect collectability, relevant credit exposure, particular risks inherent in different kinds of lending, current collateral values and other relevant factors.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows, or collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected loss given default derived from the Bank s internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risking rating data.

Loans considered impaired, under FASB ASC 310-10-35, are loans for which, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company applies this policy even if delays or shortfalls in payment are expected to be insignificant. The aggregate amount of impairment of loans is utilized in evaluating the adequacy of the allowance for loan losses and amount of provisions thereto. Losses on impaired loans are charged against the allowance for loan losses when in the process of collection it appears likely that such losses will be realized. The accrual of interest on impaired loans is discontinued when, in management s opinion the collection of interest is doubtful, or generally when loans are 90 days or more past due. When accrual of interest is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group s historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans.

Loans are placed on non-accrual status when management believes that the borrower s financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful, or generally when loans are 90 days or more past due. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. Accrued interest related to non-accrual loans is generally charged against the allowance for loan losses when accrued in prior years and reversed from interest income if accrued in the current year. Interest income on non-accrual loans may be recognized to the extent cash payments are received, although the majority of payments received are usually applied to principal. Non-accrual loans are generally returned to accrual status when principal and interest payments are less than 90 days past due, the customer has made required payments for at least six months, and we reasonably expect to collect all principal and interest.

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Acquisition Accounting, Covered Loans and Related Indemnification Asset. The Company accounts for its acquisitions under ASC Topic 805, *Business Combinations*, which requires the use of the purchase method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the acquired loans is recorded on the acquisition date as the fair value of the loans acquired incorporates assumptions regarding credit risk. Loans acquired are recorded at fair value in accordance with the fair value methodology prescribed in ASC Topic 820, exclusive of the shared-loss agreements with the Federal Deposit Insurance Corporation (FDIC). The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

Over the life of the acquired loans, the Company continues to estimate cash flows expected to be collected on pools of loans sharing common risk characteristics, which are treated in the aggregate when applying various valuation techniques. The Company evaluates at each balance sheet date whether the present value of its pools of loans determined using the effective interest rates has decreased and if so, recognizes a provision for loan loss in its consolidated statement of income. For any increases in cash flows expected to be collected, the Company adjusts the amount of accretable yield recognized on a prospective basis over the pool s remaining life.

Because the FDIC will reimburse the Company for certain acquired loans should the Company experience a loss, an indemnification asset is recorded at fair value at the acquisition date. The indemnification asset is recognized at the same time as the indemnified loans, and measured on the same basis, subject to collectability or contractual limitations. The shared-loss agreements on the acquisition date reflect the reimbursements expected to be received from the FDIC, using an appropriate discount rate, which reflects counterparty credit risk and other uncertainties.

For our FDIC-assisted transactions, shared-loss agreements continue to be measured on the same basis as the related indemnified loans. Because the acquired loans are subject to the accounting prescribed by ASC Topic 310, subsequent changes to the basis of the shared-loss agreements also follow that model. Deterioration in the credit quality of the loans (immediately recorded as an adjustment to the allowance for loan losses) would immediately increase the basis of the shared-loss agreements, with the offset recorded through the consolidated statement of income as a reduction of the provision for loan losses. Increases in the credit quality or cash flows of loans (reflected as an adjustment to yield and accreted into income over the weighted-average remaining life of the loans) decrease the basis of the shared-loss agreements, with such decrease being amortized into income over 1) the same period or 2) the life of the shared-loss agreements, whichever is shorter. Loss assumptions used in the basis of the indemnified loans are consistent with the loss assumptions used to measure the indemnification asset. Fair value accounting incorporates into the fair value of the indemnification asset an element of the time value of money, which is accreted back into income over the life of the shared-loss agreements.

Upon the determination of an incurred loss the indemnification asset will be reduced by the amount owed by the FDIC. A corresponding claim receivable is recorded until cash is received from the FDIC.

Foreclosed Assets Held for Sale. Real estate and personal properties acquired through or in lieu of loan foreclosure are to be sold and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Valuations are periodically performed by management, and the real estate and personal properties are carried at fair value less cost to sell. Gains and losses from the sale of other real estate and personal properties are recorded in non-interest income, and expenses used to maintain the properties are included in non-interest expenses.

Intangible Assets. Intangible assets consist of goodwill and core deposit intangibles. Goodwill represents the excess purchase price over the fair value of net assets acquired in business acquisitions. The core deposit intangible represents the excess intangible value of acquired deposit customer relationships as determined by valuation specialists. The core deposit intangibles are being amortized over 48 to 114 months on a straight-line basis. Goodwill is not amortized but rather is evaluated for impairment on at least an annual basis. We perform an annual impairment test of goodwill and core deposit intangibles as required by FASB ASC 350, *Intangibles - Goodwill and Other* in the fourth quarter.

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Income Taxes. The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to the management s judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company and its subsidiary file consolidated tax returns. Its subsidiary provides for income taxes on a separate return basis, and remits to the Company amounts determined to be currently payable.

Stock Options. In accordance with FASB ASC 718, *Compensation - Stock Compensation* and FASB ASC 505-50, *Equity-Based Payments to Non-Employees*, the fair value of each option award is estimated on the date of grant. The Company recognizes compensation expense for the grant-date fair value of the option award over the vesting period of the award.

Acquisitions

Acquisition Premier Bank

On August 14, 2012, Home BancShares, Inc. entered into an Asset Purchase Agreement with Premier Bank Holding Company, a Florida corporation and bank holding company. Pursuant to the terms of and subject to the conditions set forth in the Premier Agreement, HBI has agreed to purchase all of the issued and outstanding shares of common stock of PBHC s wholly-owned subsidiary, Premier Bank, a Florida state-chartered bank that operates in the Tallahassee, Florida area for a cash purchase price of $1,415,000. Immediately following the Premier Acquisition, HBI intends to merge Premier with and into HBI s wholly-owned subsidiary, Centennial Bank, an Arkansas state-chartered bank.

See Note 2 Business Combinations to the Condensed Notes to Consolidated Financial Statements for an additional discussion for the acquisition of Premier Bank.

Acquisition Vision Bank

As of February 16, 2012, we acquired seventeen branch locations in the Gulf Coast communities of Baldwin County, Alabama, and the Florida Panhandle through the acquisition of Vision Bank. Including the effects of purchase accounting adjustments, we acquired total assets of $529.5 million, total performing loans (after discount) of $340.3 million, cash and due from banks of $140.2 million, goodwill of $17.4 million, fixed assets of $12.5 million, deferred taxes of $11.2 million, core deposit intangible of $3.2 million and total deposits of $524.4 million. The fair value discount on the $355.8 of gross loans was $15.5 million. We did not purchase certain of Vision s performing loans nor any of its non-performing loans or other real estate owned.

See Note 2 Business Combinations to the Condensed Notes to Consolidated Financial Statements for an additional discussion for the acquisition of Vision Bank.

Future Acquisitions

In our continuing evaluation of our growth plans for the Company, we believe properly priced bank acquisitions can complement our organic growth and de novo branching growth strategies. In the near term, our principal acquisition focus will be to expand our presence in Florida, Arkansas, Southern Alabama and other nearby markets through pursuing additional FDIC-assisted acquisition opportunities and non FDIC-assisted bank acquisitions. While we seek to be a successful bidder to the FDIC on one or more additional failed depository institutions within our targeted markets, there is no assurance that we will be the winning bidder on other FDIC-assisted transactions.

We will continue evaluating all types of potential bank acquisitions to determine what is in the best interest of our Company. Our goal in making these decisions is to maximize the return to our investors.

Branches

We intend to continue opening new (commonly referred to as de novo) branches in our current markets and in other attractive market areas if opportunities arise. Presently, we are evaluating additional opportunities but have no firm commitments for any additional de novo branch locations. During July, we closed two branches acquired in the Vision acquisition. These branch closures were completed to eliminate repetitive branches and maximize profitability from the Vision transaction. After these closures the Company now has 47 branches in Arkansas, 46 branches in Florida and 8 branches in Alabama.

Results of Operations

For Three Months Ended September 30, 2012 and 2011

Our net income increased 12.5% to $16.1 million for the three-month period ended September 30, 2012, from $14.3 million for the same period in 2011. On a diluted earnings per common share basis, our earnings were $0.57 and $0.48 for the three-month periods ended September 30, 2012 and 2011, respectively. The $1.8 million increase in net income is primarily associated with additional net income and other non-interest income resulting from our 2012 Vision acquisition offset by the expected reduction in income from FDIC indemnification accretion. Additionally, the new costs associated with the asset growth from the Vision acquisition were offset by reductions in assessment fees and advertising expense. The total provision for loan losses was approximately $167,000 and zero for the three-month periods ended September 2012 and 2011, respectively. Merger and acquisition expenses were $296,000 compared to zero for the three-month periods ended September 2012 and 2011, respectively.

For Nine Months Ended September 30, 2012 and 2011

Our net income increased 13.6% to $46.1 million for the nine-month period ended September 30, 2012, from $40.6 million for the same period in 2011. On a diluted earnings per common share basis, our earnings were $1.63 and $1.35 for the nine-month periods ended September 30, 2012 and 2011, respectively. The $5.5 million increase in net income is primarily associated with additional net income and other non-interest income resulting from our 2012 Vision acquisition combined with non-recurring gains during 2012 versus losses during 2011 offset by $2.0 million of merger expenses and the expected reduction in income from FDIC indemnification accretion. Additionally, the new costs associated with the asset growth from the Vision acquisition were offset by reductions in assessment fees and advertising expense. The total provision for loan losses was approximately $1.5 million and $1.3 million for the nine-month periods ended September 2012 and 2011, respectively.

Net Interest Income

Net interest income, our principal source of earnings, is the difference between the interest income generated by earning assets and the total interest cost of the deposits and borrowings obtained to fund those assets. Factors affecting the level of net interest income include the volume of earning assets and interest-bearing liabilities, yields earned on loans and investments and rates paid on deposits and other borrowings, the level of non-performing loans and the amount of non-interest-bearing liabilities supporting earning assets. Net interest income is analyzed in the discussion and tables below on a fully taxable equivalent basis. The adjustment to convert certain income to a fully taxable equivalent basis consists of dividing tax-exempt income by one minus the combined federal and state income tax rate.

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The Federal Reserve Board sets various benchmark rates, including the Federal Funds rate, and thereby influences the general market rates of interest, including the deposit and loan rates offered by financial institutions. The Federal Funds rate, which is the cost to banks of immediately available overnight funds, began in 2008 at 4.25%. During 2008, the rate decreased 400 to 425 basis points to a low of 0.25% to 0% on December 16, 2008, where the rate has remained.

Net interest income on a fully taxable equivalent basis increased $2.9 million, or 7.9%, to $39.7 million for the three-month period ended September 30, 2012, from $36.8 million for the same period in 2011. This increase in net interest income was the result of a $283,000 increase in interest income combined with a $2.6 million decrease in interest expense. The $283,000 increase in interest income was primarily the result of a higher level of earning assets offset by the repricing of our earning assets. The higher level of earning assets resulted in an increase in interest income of $2.9 million, while the repricing of our earning assets resulted in a $2.6 million decrease in interest income for the three-month period ended September 30, 2012. The $2.6 million decrease in interest expense for the three-month period ended September 30, 2012, is primarily the result of our interest bearing liabilities repricing in the lower interest rate environment offset by an increase in our interest bearing liabilities. The repricing of our interest bearing liabilities in the lower interest rate environment resulted in a $2.2 million decrease in interest expense. The change in the level of our interest bearing liabilities resulted in a reduction in interest expense of $427,000.

Net interest income on a fully taxable equivalent basis increased $8.4 million, or 7.7%, to $117.7 million for the nine-month period ended September 30, 2012, from $109.3 million for the same period in 2011. This increase in net interest income was the result of a $2.0 million increase in interest income combined with a $6.4 million decrease in interest expense. The $2.0 million increase in interest income was primarily the result of a higher level of earning assets offset by the repricing of our earning assets. The higher level of earning assets resulted in an increase in interest income of $6.2 million, while the repricing of our earning assets resulted in a $4.2 million decrease in interest income for the nine-month period ended September 30, 2012. The $6.4 million decrease in interest expense for the nine-month period ended September 30, 2012, is primarily the result of our interest bearing liabilities repricing in the lower interest rate environment offset by an increase in our interest bearing liabilities. The repricing of our interest bearing liabilities in the lower interest rate environment resulted in a $5.5 million decrease in interest expense. The change in the level of our interest bearing liabilities resulted in a reduction in interest expense of $882,000.

Net interest margin, on a fully taxable equivalent basis, was 4.65% for the three and nine months ended September 30, 2012 compared to 4.75% and 4.68% for the same periods in 2011, respectively. Our ability to improve pricing on interest bearing deposits to offset the lowering of interest rates in the loan portfolio during this lower rate environment allowed the Company to maintain net interest margin at a level consistent with most recent quarterly performance. The effective yield on non-covered loans for the three months ended September 30, 2012 and 2011 was 6.05% and 6.49%, respectively. The effective yield on covered loans for the three months ended September 30, 2012 and 2011 was 7.84% and 7.20%, respectively. The effective yield on non-covered loans for the nine months ended September 30, 2012 and 2011 was 6.16% and 6.49%, respectively. The effective yield on covered loans for the nine months ended September 30, 2012 and 2011 was 7.84% and 7.02%, respectively.

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Tables 1 and 2 reflect an analysis of net interest income on a fully taxable equivalent basis for the three-month and nine-month periods ended September 30, 2012 and 2011, as well as changes in fully taxable equivalent net interest margin for the three-month and nine-month periods ended September 30, 2012, compared to the same periods in 2011.

Table 1: Analysis of Net Interest Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Dollars in thousands)			
Interest income	$ 43,542	$ 43,259	$ 131,619	$ 129,594
Fully taxable equivalent adjustment	1,112	1,112	3,353	3,337
Interest income fully taxable equivalent	44,654	44,371	134,972	132,931
Interest expense	4,917	7,547	17,301	23,656
Net interest income fully taxable equivalent	$ 39,737	$ 36,824	$ 117,671	$ 109,275
Yield on earning assets fully taxable equivalent	5.23%	5.72%	5.33%	5.70%
Cost of interest-bearing liabilities	0.68	1.12	0.80	1.16
Net interest spread fully taxable equivalent	4.55	4.60	4.53	4.54
Net interest margin fully taxable equivalent	4.65	4.75	4.65	4.68

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

	Three Months Ended September 30, 2012 vs. 2011	Nine Months Ended September 30, 2012 vs. 2011
	(In thousands)	
Increase (decrease) in interest income due to change in earning assets	$ 2,894	$ 6,218
Increase (decrease) in interest income due to change in earning asset yields	(2,611)	(4,177)
(Increase) decrease in interest expense due to change in interest-bearing liabilities	427	882
(Increase) decrease in interest expense due to change in interest rates paid on interest-bearing liabilities	2,203	5,473
Increase (decrease) in net interest income	$ 2,913	$ 8,396

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Table 3 shows, for each major category of earning assets and interest-bearing liabilities, the average amount outstanding, the interest income or expense on that amount and the average rate earned or expensed for the three-month and nine-month periods ended September 30, 2012 and 2011. The table also shows the average rate earned on all earning assets, the average rate expensed on all interest-bearing liabilities, the net interest spread and the net interest margin for the same periods. The analysis is presented on a fully taxable equivalent basis. Non-accrual loans were included in average loans for the purpose of calculating the rate earned on total loans.

Table 3: Average Balance Sheets and Net Interest Income Analysis

	Three Months Ended September 30,					
	2012			2011		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
	(Dollars in thousands)					
ASSETS						
Earnings assets						
Interest-bearing balances due from banks	$ 192,192	$ 115	0.24%	$ 147,296	$ 84	0.23%
Federal funds sold	3,749	3	0.32	1,895	1	0.21
Investment securities taxable	573,083	2,598	1.80	431,913	2,429	2.23
Investment securities non-taxable	160,252	2,512	6.24	148,995	2,506	6.67
Loans receivable	2,468,151	39,426	6.35	2,346,663	39,351	6.65
Total interest-earning assets	3,397,427	44,654	5.23	3,076,762	44,371	5.72
Non-earning assets	578,519			551,584		
Total assets	$ 3,975,946			$ 3,628,346		
LIABILITIES AND STOCKHOLDERS EQUITY						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	$ 1,523,346	$ 774	0.20%	$ 1,126,746	$ 1,214	0.43%
Time deposits	1,095,268	2,514	0.91	1,288,919	4,424	1.36
Total interest-bearing deposits	2,618,614	3,288	0.50	2,415,665	5,638	0.93
Federal funds purchased	15		0.00			0.00
Securities sold under agreement to repurchase	64,779	107	0.66	66,562	120	0.72
FHLB borrowed funds	131,599	1,040	3.14	148,641	1,250	3.34
Subordinated debentures	41,978	482	4.57	44,331	539	4.82
Total interest-bearing liabilities	2,856,985	4,917	0.68	2,675,199	7,547	1.12
Non-interest bearing liabilities						
Non-interest bearing deposits	597,287			464,760		
Other liabilities	20,695			28,823		
Total liabilities	3,474,967			3,168,782		
Stockholders equity	500,979			459,564		
Total liabilities and stockholders equity	$ 3,975,946			$ 3,628,346		
Net interest spread			4.55%			4.60%
Net interest income and margin		$ 39,737	4.65%		$ 36,824	4.75%

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Table 3: Average Balance Sheets and Net Interest Income Analysis

	Nine Months Ended September 30,					
	2012			2011		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
	(Dollars in thousands)					
ASSETS						
Earnings assets						
Interest-bearing balances due from banks	$ 188,874	$ 327	0.23%	$ 188,456	$ 331	0.23%
Federal funds sold	4,527	8	0.24	6,735	9	0.18
Investment securities taxable	580,492	8,518	1.96	382,011	6,793	2.38
Investment securities non-taxable	155,636	7,505	6.44	150,587	7,480	6.64
Loans receivable	2,451,553	118,614	6.46	2,392,102	118,318	6.61
Total interest-earning assets	3,381,082	134,972	5.33	3,119,891	132,931	5.70
Non-earning assets	577,227			555,009		
Total assets	$ 3,958,309			$ 3,674,900		
LIABILITIES AND STOCKHOLDERS EQUITY						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	$ 1,457,121	$ 2,788	0.26%	$ 1,120,279	$ 4,045	0.48%
Time deposits	1,188,074	9,324	1.05	1,346,247	13,839	1.37
Total interest-bearing deposits	2,645,195	12,112	0.61	2,466,526	17,884	0.97
Federal funds purchased	232		0.00			0.00
Securities sold under agreement to repurchase	68,425	328	0.64	68,601	384	0.75
FHLB borrowed funds	138,288	3,334	3.22	152,619	3,768	3.30
Subordinated debentures	43,541	1,527	4.68	44,331	1,620	4.89
Total interest-bearing liabilities	2,895,681	17,301	0.80	2,732,077	23,656	1.16
Non-interest bearing liabilities						
Non-interest bearing deposits	551,628			437,964		
Other liabilities	22,563			27,385		
Total liabilities	3,469,872			3,197,426		
Stockholders equity	488,437			477,474		
Total liabilities and stockholders equity	$ 3,958,309			$ 3,674,900		
Net interest spread			4.53%			4.54%
Net interest income and margin		$ 117,671	4.65%		$ 109,275	4.68%

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Table 4 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three-month and nine-month periods ended September 30, 2012 compared to the same periods in 2011, on a fully taxable basis. The changes in interest rate and volume have been allocated to changes in average volume and changes in average rates, in proportion to the relationship of absolute dollar amounts of the changes in rates and volume.

Table 4: Volume/Rate Analysis

	Three Months Ended September 30, 2012 over 2011			Nine Months Ended September 30, 2012 over 2011		
	Volume	Yield/Rate	Total	Volume	Yield/Rate	Total
			(In thousands)			
Increase (decrease) in:						
Interest income:						
Interest-bearing balances due from banks	$ 27	$ 4	$ 31	$ 1	$ (5)	$ (4)
Federal funds sold	1	1	2	(3)	2	(1)
Investment securities taxable	697	(528)	169	3,067	(1,342)	1,725
Investment securities non-taxable	182	(176)	6	247	(222)	25
Loans receivable	1,987	(1,912)	75	2,906	(2,610)	296
Total interest income	2,894	(2,611)	283	6,218	(4,177)	2,041
Interest expense:						
Interest-bearing transaction and savings deposits	338	(778)	(440)	994	(2,251)	(1,257)
Time deposits	(596)	(1,314)	(1,910)	(1,498)	(3,017)	(4,515)
Federal funds purchased						
Securities sold under agreement to repurchase	(3)	(10)	(13)	(1)	(55)	(56)
FHLB borrowed funds	(138)	(72)	(210)	(348)	(86)	(434)
Subordinated debentures	(28)	(29)	(57)	(29)	(64)	(93)
Total interest expense	(427)	(2,203)	(2,630)	(882)	(5,473)	(6,355)
Increase (decrease) in net interest income	$ 3,321	$ (408)	$ 2,913	$ 7,100	$ 1,296	$ 8,396

Provision for Loan Losses

Our management assesses the adequacy of the allowance for loan losses by applying the provisions of FASB ASC 310-10-35. Specific allocations are determined for loans considered to be impaired and loss factors are assigned to the remainder of the loan portfolio to determine an appropriate level in the allowance for loan losses. The allowance is increased, as necessary, by making a provision for loan losses. The specific allocations for impaired loans are assigned based on an estimated net realizable value after a thorough review of the credit relationship. The potential loss factors associated with the remainder of the loan portfolio are based on an internal net loss experience, as well as management s review of trends within the portfolio and related industries.

During these tough economic times, the Company continues to follow our historical conservative procedures for lending and evaluating the provision and allowance for loan losses. We have not and do not participate in higher risk lending such as subprime. Our practice continues to be primarily traditional real estate lending with strong loan-to-value ratios. While there have been declines in our collateral value, particularly in Florida, these declines have been addressed in our assessment of the adequacy of the allowance for loan losses.

Generally, commercial, commercial real estate, and residential real estate loans are assigned a level of risk at origination. Thereafter, these loans are reviewed on a regular basis. The periodic reviews generally include loan payment and collateral status, the borrowers financial data, and key ratios such as cash flows, operating income, liquidity, and leverage. A material change in the borrower s credit analysis can result in an increase or decrease in the loan s assigned risk grade. Aggregate dollar volume by risk grade is monitored on an on-going basis.

Our management reviews certain key loan quality indicators on a monthly basis, including current economic conditions, delinquency trends and ratios, portfolio mix changes, and other information management deems necessary. This review process provides a degree of objective measurement that is used in conjunction with periodic internal evaluations. To the extent that this review process yields differences between estimated and actual observed losses, adjustments are made to the loss factors used to determine the appropriate level of the allowance for loan losses.

Our Company is primarily a real estate lender in Arkansas and Florida. As such we are subject to declines in asset quality when real estate prices fall during a recession. The current recession has harshly impacted the real estate market in Florida. During 2008, many real estate values declined in the 20 plus percent range in Florida. The Florida real estate prices continue to be significantly below the historical levels but for now the rate of decline has not been as dramatic. The Arkansas economy in our markets has been more stable over the past several years with no boom or bust. As a result, the Arkansas economy did fare better with its real estate values.

During the first quarter of 2008, we began to experience a decline in our asset quality, particularly in the Florida market. In 2008, non-performing non-covered loans started the year at $3.3 million but ended the year at $29.9 million. As of December 31, 2009 and 2010, non-performing non-covered loans were $39.9 million and $49.5 million, respectively. During 2011, we decreased the balance in non-performing non-covered loans $22.0 million to $27.5 million at December 31, 2011. Non-performing non-covered loans at September 30, 2012 were $22.6 million.

The provision for loan losses represents management s determination of the amount necessary to be charged against the current period s earnings, to maintain the allowance for loan losses at a level that is considered adequate in relation to the estimated risk inherent in the loan portfolio. The total provision was $167,000 for the three months ended September 30, 2012 and zero for the same period in 2011 for an increase of $167,000. The total provision for loan losses was approximately $1.5 million and $1.3 million for the nine month periods ended September 30, 2012 and 2011, respectively.

Impairment testing on the estimated cash flows of the covered loans during the third quarter of 2012 established that two pools evaluated had experienced projected credit deterioration. As a result of this projection, we recorded an $837,000 provision for loan losses to the allowance for loan losses related to the purchased impaired loans during the three-month period ended September 30, 2012. Since these loans are covered by loss share with the FDIC, we were able to increase its indemnification asset by $670,000 resulting in a net provision for loan losses of $167,000.

Impairment testing on the estimated cash flows of the covered loans during the second quarter of 2012 established that two pools evaluated had experienced material projected credit deterioration. As a result of this projection, we recorded a $6.6 million provision for loan losses to the allowance for loan losses related to the purchased impaired loans during the three-month period ended June 30, 2012. Since these loans are covered by loss share with the FDIC, we were able to increase its indemnification asset by $5.3 million resulting in a net provision for loan losses of $1.3 million.

Impairment testing on the estimated cash flows of the covered loans during the first quarter of 2012 did not reveal any pools with projected credit deterioration.

The combined effect of these quarterly analysis results in the provision for loan losses being $1.5 million for the nine months ended September 30, 2012.

The net loans charged off for non-covered loans for the three and nine-month periods ended September 30, 2012 were $2.6 million and $4.8 million compared to $2.3 million and $90,000 for the same periods in 2011, respectively. The allowance for loan losses to total non-covered loans was 2.28% and 2.96% at September 30, 2012 and December 31, 2011, respectively. Excluding the acquisition of solely performing loans from Vision during the first quarter, our allowance for loan losses to total non-covered loans would have been 2.71% at September 30, 2012. The allowance for loan losses for non-covered loans was deemed adequate for the third quarter of 2012 without a provision for loan loss.

Our current or historical provision levels should not be relied upon as a predictor or indicator of future levels going forward.

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Non-Interest Income

Total non-interest income was $10.6 million and $31.8 million for the three-month and nine-month periods ended September 30, 2012 compared to $10.0 million and $29.1 million for the same periods in 2011, respectively. Our recurring non-interest income includes service charges on deposit accounts, other service charges and fees, mortgage lending, insurance, title fees, increase in cash value of life insurance, dividends and FDIC indemnification accretion.

Table 5 measures the various components of our non-interest income for the three-month and nine-month periods ended September 30, 2012 and 2011, respectively, as well as changes for the three-month and nine-month periods ended September 30, 2012 compared to the same periods in 2011.

Table 5: Non-Interest Income

	Three Months Ended September 30,		2012 Change from 2011		Nine Months Ended September 30,		2012 Change from 2011	
	2012	2011			2012	2011		
	(Dollars in thousands)							
Service charges on deposit accounts	$ 3,834	$ 3,638	$ 196	5.4%	$ 11,007	$ 10,428	$ 579	5.6%
Other service charges and fees	3,119	2,489	630	25.3	9,366	7,375	1,991	27.0
Mortgage lending income	1,550	783	767	98.0	3,731	2,089	1,642	78.6
Insurance commissions	512	428	84	19.6	1,501	1,505	(4)	(0.3)
Income from title services	112	126	(14)	(11.1)	329	327	2	0.6
Increase in cash value of life insurance	200	323	(123)	(38.1)	671	849	(178)	(21.0)
Dividends from FHLB, FRB & bankers bank	182	184	(2)	(1.1)	532	506	26	5.1
Gain on sale of SBA loans	206		206	100.0	404	259	145	56.0
Gain (loss) on sale of premises and equipment, net	(5)	6	(11)	(183.3)	354	79	275	348.1
Gain (loss) on OREO, net	(222)	69	(291)	(421.7)	(170)	(1,032)	862	(83.5)
Gain (loss) on securities, net		5	(5)	(100.0)	10	5	5	100.0
FDIC indemnification accretion	373	1,314	(941)	(71.6)	1,492	4,614	(3,122)	(67.7)
Other income	765	595	170	28.6	2,555	2,123	432	20.3
Total non-interest income	$ 10,626	$ 9,960	$ 666	6.7%	$ 31,782	$ 29,127	$ 2,655	9.1%

Non-interest income increased $666,000, or 6.7%, to $10.6 million for the three-month period ended September 30, 2012 from $10.0 million for the same period in 2011. Non-interest income increased $2.7 million, or 9.1%, to $31.8 million for the nine-month period ended September 30, 2012 from $29.1 million for the same period in 2011.

The primary factors that resulted in this increase were improvements related to service charges on deposits, other service charges and fees, mortgage lending income, changes in OREO gains and losses, gain on sales and other income offset by the expected reduction in income from FDIC indemnification accretion.

Additional details on some of the more significant changes are as follows:

The increase in service charges on deposit accounts and other service charges and fees are primarily from our acquisition of Vision Bank plus increased inter-change transaction activity.

The increase in mortgage lending income is primarily related to increased mortgage lending activities resulting from the historically low rate environment during 2012 plus additional volume from the acquisition of Vision.

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The increase in other income is primarily from our acquisition of Vision plus new rental income. In the Florida Keys we were able to lease out part of our excess facilities capacity. This lease is expected to produce approximately $246,000 of rental income during 2012.

A $359,000 gain was realized on the sale of an adjacent property next to one of our existing branch locations during the second quarter of 2012.

Because the FDIC will reimburse us for certain acquired loans should we experience a loss, an indemnification asset was recorded at fair value at the acquisition date. The difference between the fair value recorded at the acquisition date and the gross reimbursements expected to be received from the FDIC are accreted into income over the life of the indemnification asset using an appropriate discount rate, which reflects counterparty credit risk and other uncertainties. Because of this time value of money type accretion, the accretion amounts are expected to be higher in initial periods and decline during future periods. In addition, we will see further reductions as pools evaluated by the Company are determined to have a materially projected credit improvement. Improvements in credit quality decrease the basis in the related indemnification assets. This positive event will reduce the indemnification asset. This reduction will be amortized over the weighted average life of the loans or the life of the shared-loss agreements, whichever is shorter. The amortization will be shown as a reduction to FDIC indemnification non-interest income going forward. During future periods, the amortization could offset the accretion in its entirety.

Non-Interest Expense

Non-interest expense consists of salaries and employee benefits, occupancy and equipment, data processing, and other expenses such as advertising, amortization of intangibles, amortization of mortgage servicing rights, electronic banking expense, FDIC and state assessment, mortgage servicing and legal and accounting fees.

Table 6 below sets forth a summary of non-interest expense for the three-month and nine-month periods ended September 30, 2012 and 2011, as well as changes for the three-month and nine-month periods ended September 30, 2012 compared to the same periods in 2011.

Table 6: Non-Interest Expense

	Three Months Ended September 30,		2012 Change from 2011		Nine Months Ended September 30,		2012 Change from 2011	
	2012	2011			2012	2011		
	(Dollars in thousands)							
Salaries and employee benefits	$ 11,652	$ 10,691	$ 961	9.0%	$ 34,941	$ 32,449	$ 2,492	7.7%
Occupancy and equipment	3,805	3,562	243	6.8	10,788	10,923	(135)	(1.2)
Data processing expense	1,137	1,185	(48)	(4.1)	3,599	3,607	(8)	(0.2)
Other operating expenses:								
Advertising	534	1,033	(499)	(48.3)	1,898	3,046	(1,148)	(37.7)
Merger and acquisition expenses	296		296	100.0	1,988	11	1,977	17,972.7
Amortization of intangibles	694	705	(11)	(1.6)	2,018	2,122	(104)	(4.9)
Electronic banking expense	809	682	127	18.6	2,330	2,038	292	14.3
Directors fees	206	230	(24)	(10.4)	611	594	17	2.9
Due from bank service charges	137	119	18	15.1	412	378	34	9.0
FDIC and state assessment	588	1,062	(474)	(44.6)	1,742	3,213	(1,471)	(45.8)
Insurance	448	447	1	0.2	1,273	1,226	47	3.8
Legal and accounting	231	367	(136)	(37.1)	840	1,276	(436)	(34.2)
Other professional fees	411	522	(111)	(21.3)	1,263	1,504	(241)	(16.0)
Operating supplies	280	260	20	7.7	835	871	(36)	(4.1)
Postage	219	243	(24)	(9.9)	680	730	(50)	(6.8)
Telephone	270	234	36	15.4	792	756	36	4.8
Other expense	2,264	2,394	(130)	(5.4)	6,781	6,709	72	1.1
Total non-interest expense	$ 23,981	$ 23,736	$ 245	1.0%	$ 72,791	$ 71,453	$ 1,338	1.9%

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Non-interest expense increased $245,000, or 1.0%, to $24.0 million for the three-month period ended September 30, 2012, from $23.7 million for the same period in 2011. Non-interest expense increased $1.3 million, or 1.9%, to $72.8 million for the nine-month period ended September 30, 2012, from $71.5 million for the same period in 2011. The primary factors that resulted in the some of the more significant changes include:

An increase in personnel costs primarily resulting from additional expense associated with the acquisition of Vision on February 16, 2012.

The decrease in advertising is primarily the result of management at its discretion deciding to spend a reduced amount of advertising during 2012.

The decrease in FDIC and state assessment is primarily a result of our successful efforts to decrease net charge-offs during 2011 as compared to the prior year. The FDIC and state assessment is calculated in part based upon our level of net charge-offs during the prior year.

$2.0 million of merger expenses during the nine-month period ended September 30, 2012 related to our acquisition of Vision anticipated acquisition of Premier.

Income Taxes

The provision for income taxes increased $1.4 million, or 18.2%, to $9.0 million for the three-month period ended September 30, 2012, from $7.6 million as of September 30, 2011. The provision for income taxes increased $3.9 million, or 18.1%, to $25.7 million for the nine-month period ended September 30, 2012, from $21.8 million as of September 30, 2011. The effective income tax rate was 35.9% and 35.8% for the three-month and nine-month periods ended September 30, 2012, compared to 34.8% and 34.9% for the same periods in 2011. The primary cause of the increase in taxes is the result of our higher earnings combined with our marginal tax rate of 39.225%.

Financial Condition as of and for the Period Ended September 30, 2012 and December 31, 2011

Our total assets as of September 30, 2012 increased $283.8 million to $3.89 billion from the $3.60 billion reported as of December 31, 2011. Excluding the $529.5 million of assets acquired from our 2012 acquisition of Vision, our total assets as of September 30, 2012 decreased $245.7 million, an annualized decline of 9.1%. Our loan portfolio not covered by loss share increased by $316.2 million to $2.08 billion as of September 30, 2012, from $1.76 billion as of December 31, 2011. Excluding the $340.3 million of loans acquired from our 2012 acquisition of Vision, our loan portfolio not covered by loss share decreased by $24.1 million, an annualized reduction of 1.8%. Our loan portfolio covered by loss share decreased by $74.3 million, an annualized reduction of 20.6%, to $407.4 million as of September 30, 2012, from $481.7 million as of December 31, 2011. Stockholders equity increased $35.9 million to $510.0 million as of September 30, 2012, compared to $474.1 million as of December 31, 2011. The annualized improvement in stockholders equity for the first nine months of 2012 was 10.1%. The decrease in loans is primarily associated with historically low loan demand and payoffs in our non-covered and covered loan portfolios. The increase in stockholders equity is primarily associated with the $50.0 million of comprehensive income less the $9.0 million of dividends paid for 2012 and $6.6 million used to repurchase 252,044 shares of common stock.

Loans Receivable Not Covered by Loss Share

Our non-covered loan portfolio averaged $2.05 billion and $1.81 billion during the three-month periods ended September 30, 2012 and 2011, respectively. Our non-covered loan portfolio averaged $2.00 billion and $1.84 billion during the nine-month periods ended September 30, 2012 and 2011, respectively. Non-covered loans were $2.08 billion as of September 30, 2012, compared to $1.76 billion as of December 31, 2011. Excluding the $340.3 million of loans acquired from our 2012 acquisition of Vision, our loan portfolio not covered by loss share decreased by $24.1 million, an annualized reduction of 1.6%. The decline in the legacy loan portfolio from our historical expansion rates was not unexpected. The decrease in loans is primarily associated with historically low loan demand and payoffs in our non-covered and covered loan portfolios as our customers have grown more cautious in this weaker economy.

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The most significant components of the non-covered loan portfolio were commercial real estate, residential real estate, consumer, and commercial and industrial loans. These non-covered loans are primarily originated within our market areas of central Arkansas, north central Arkansas, southern Arkansas, the Florida Keys, southwestern Florida, central Florida, the Florida Panhandle and south Alabama, and are generally secured by residential or commercial real estate or business or personal property within our market areas.

As of September 30, 2012, we had $152.8 million of construction land development loans which were collateralized by land. This consisted of $94.5 million for raw land and $58.3 million for land with commercial and or residential lots.

Certain of our credit markets have experienced difficult conditions and volatility, particularly Florida. Excluding the acquisition of Vision, our legacy Florida market currently is approximately 14.6% of our loan portfolio not covered by loss share.

Table 7 presents our loan balances not covered by loss share by category as of the dates indicated.

Table 7: Loan Portfolio Not Covered by Loss Share

	As of September 30, 2012	As of December 31, 2011
	(In thousands)	
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	$ 887,895	$ 698,986
Construction/land development	282,269	361,846
Agricultural	28,403	28,535
Residential real estate loans:		
Residential 1-4 family	473,412	349,543
Multifamily residential	105,369	56,909
Total real estate	1,777,348	1,495,819
Consumer	35,433	37,923
Commercial and industrial	200,160	176,276
Agricultural	36,239	21,784
Other	27,068	28,284
Loans receivable not covered by loss share	$ 2,076,248	$ 1,760,086

Non-Covered Commercial Real Estate Loans. We originate non-farm and non-residential loans (primarily secured by commercial real estate), construction/land development loans, and agricultural loans, which are generally secured by real estate located in our market areas. Our commercial mortgage loans are generally collateralized by first liens on real estate and amortized over a 15 to 25 year period with balloon payments due at the end of one to five years. These loans are generally underwritten by assessing cash flow (debt service coverage), primary and secondary source of repayment, the financial strength of any guarantor, the strength of the tenant (if any), the borrower s liquidity and leverage, management experience, ownership structure, economic conditions and industry specific trends and collateral. Generally, we will loan up to 85% of the value of improved property, 65% of the value of raw land and 75% of the value of land to be acquired and developed. A first lien on the property and assignment of lease is required if the collateral is rental property, with second lien positions considered on a case-by-case basis.

As of September 30, 2012, non-covered commercial real estate loans totaled $1.20 billion, or 57.7% of our non-covered loan portfolio, compared to $1.09 billion, or 61.9% of our non-covered loan portfolio, as of December 31, 2011. Excluding the approximately $159.6 million of non-covered commercial real estate loans acquired from Vision, non-covered commercial real estate loans decreased by approximately $50.4 million. This decrease is primarily related to the reclassification of $61.2 million of non-covered construction/land development loans to permanent financing of residential real estate during the second quarter of 2012. The remaining change is associated with a slight increase in loan demand for these types of loans offset by normal loan pay downs. Our Florida and Alabama non-covered commercial real estate loans are approximately 12.8% and 3.7% of our non-covered loan portfolio, respectively.

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Non-Covered Residential Real Estate Loans. We originate one to four family, owner occupied residential mortgage loans generally secured by property located in our primary market areas. The majority of our non-covered residential mortgage loans consist of loans secured by owner occupied, single family residences. Non-covered residential real estate loans generally have a loan-to-value ratio of up to 90%. These loans are underwritten by giving consideration to the borrower s ability to pay, stability of employment or source of income, debt-to-income ratio, credit history and loan-to-value ratio.

As of September 30, 2012, non-covered residential real estate loans totaled $578.8 million, or 27.9% of our non-covered loan portfolio, compared to $406.5 million, or 23.1% of our non-covered loan portfolio, as of December 31, 2011. Excluding the approximately $142.9 million of non-covered residential real estate loans acquired from Vision, non-covered residential real estate loans increased by approximately $29.4 million. This increase is primarily related to the reclassification of $61.2 million of non-covered construction/land development loans offset by normal payoffs and pay downs combined with limited loan demand for these types of loans. Our Florida and Alabama non-covered residential real estate loans are approximately 8.1% and 2.8% of our non-covered loan portfolio, respectively.

Non-Covered Consumer Loans. Our non-covered consumer loan portfolio is composed of secured and unsecured loans originated by our banks. The performance of consumer loans will be affected by the local and regional economies as well as the rates of personal bankruptcies, job loss, divorce and other individual-specific characteristics.

As of September 30, 2012, our non-covered consumer loan portfolio totaled $35.4 million, or 1.7% of our total non-covered loan portfolio, compared to the $37.9 million, or 2.2% of our non-covered loan portfolio as of December 31, 2011. Excluding the approximately $3.4 million of non-covered consumer loans acquired from Vision, non-covered consumer loans decreased by approximately $5.9 million. This decrease is associated with normal payoffs and pay downs combined with limited loan demand. Our Florida and Alabama non-covered consumer loans are approximately 0.8% and 0.1% of our non-covered loan portfolio, respectively.

Non-Covered Commercial and Industrial Loans. Commercial and industrial loans are made for a variety of business purposes, including working capital, inventory, equipment and capital expansion. The terms for commercial loans are generally one to seven years. Commercial loan applications must be supported by current financial information on the borrower and, where appropriate, by adequate collateral. Commercial loans are generally underwritten by addressing cash flow (debt service coverage), primary and secondary sources of repayment, the financial strength of any guarantor, the borrower s liquidity and leverage, management experience, ownership structure, economic conditions and industry specific trends and collateral. The loan to value ratio depends on the type of collateral. Generally speaking, accounts receivable are financed at between 50% and 80% of accounts receivable less than 60 days past due. Inventory financing will range between 50% and 60% (with no work in process) depending on the borrower and nature of inventory. We require a first lien position for those loans.

As of September 30, 2012, non-covered commercial and industrial loans outstanding totaled $200.2 million, or 9.6% of our non-covered loan portfolio, compared to $176.3 million, or 10.0% of our non-covered loan portfolio, as of December 31, 2011. Excluding the approximately $29.9 million of non-covered commercial and industrial loans acquired from Vision, non-covered commercial and industrial loans decreased by approximately $6.0 million. This decrease is primarily related to normal loan pay downs combined with limited loan demand. Our Florida and Alabama non-covered commercial and industrial loans are approximately 1.0% and 0.9% of our non-covered loan portfolio, respectively.

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Total Loans Receivable

Table 8 presents total loans receivable by category.

Table 8: Total Loans Receivable

As of September 30, 2012

	Loans Receivable Not Covered by Loss Share	Loans Receivable Covered by FDIC Loss Share (In thousands)	Total Loans Receivable
Real estate:			
Commercial real estate loans			
Non-farm/non-residential	$ 887,895	$ 175,195	$ 1,063,090
Construction/land development	282,269	71,958	354,227
Agricultural	28,403	2,289	30,692
Residential real estate loans			
Residential 1-4 family	473,412	130,425	603,837
Multifamily residential	105,369	10,062	115,431
Total real estate	1,777,348	389,929	2,167,277
Consumer	35,433	70	35,503
Commercial and industrial	200,160	16,878	217,038
Agricultural	36,239		36,239
Other	27,068	539	27,607
Total	$ 2,076,248	$ 407,416	$ 2,483,664

Non-Performing Assets Not Covered by Loss Share

We classify our non-covered problem loans into three categories: past due loans, special mention loans and classified loans (accruing and non-accruing).

When management determines that a loan is no longer performing, and that collection of interest appears doubtful, the loan is placed on non-accrual status. Loans that are 90 days past due are placed on non-accrual status unless they are adequately secured and there is reasonable assurance of full collection of both principal and interest. Our management closely monitors all loans that are contractually 90 days past due, treated as special mention or otherwise classified or on non-accrual status.

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Table 9 sets forth information with respect to our non-performing non-covered assets as of September 30, 2012 and December 31, 2011. As of these dates, all non-performing non-covered restructured loans are included in non-accrual non-covered loans.

Table 9: Non-performing Assets Not Covered by Loss Share

	As of September 30, 2012	As of December 31, 2011
	(Dollars in thousands)	
Non-accrual non-covered loans	$ 20,183	$ 26,496
Non-covered loans past due 90 days or more (principal or interest payments)	2,424	993
Total non-performing non-covered loans	22,607	27,489
Other non-performing non-covered assets		
Non-covered foreclosed assets held for sale, net	14,942	16,660
Other non-performing non-covered assets	1	8
Total other non-performing non-covered assets	14,943	16,668
Total non-performing non-covered assets	$ 37,550	$ 44,157
Allowance for loan losses for non-covered loans to non- performing non-covered loans	209.19%	189.64%
Non-performing non-covered loans to total non-covered loans	1.09	1.56
Non-performing non-covered assets to total non-covered assets	1.14	1.53

Our non-performing non-covered loans are comprised of non-accrual non-covered loans and accruing non-covered loans that are contractually past due 90 days. Our bank subsidiary recognizes income principally on the accrual basis of accounting. When loans are classified as non-accrual, the accrued interest is charged off and no further interest is accrued, unless the credit characteristics of the loan improve. If a loan is determined by management to be uncollectible, the portion of the loan determined to be uncollectible is then charged to the allowance for loan losses.

Total non-performing non-covered loans were $22.6 million as of September 30, 2012, compared to $27.5 million as of December 31, 2011 for a decrease of $4.9 million. Of the $4.9 million decrease in non-performing loans, $779,000 is from an increase in non-performing loans in our Arkansas market, a $5.7 million from a decrease in non-performing loans in our Florida market and no change in non-performing loans in Alabama from our Vision acquisition. Non-performing loans at September 30, 2012 are $8.6 million and $14.0 million in the Arkansas and Florida markets, respectively. Alabama had zero non-performing loans at September 30, 2012.

Since December 31, 2007, the weakened real estate market, particularly in Florida, has and may continue to impact our level of non-performing non-covered loans. While we believe our allowance for loan losses is adequate at September 30, 2012, as additional facts become known about relevant internal and external factors that affect loan collectability and our assumptions, it may result in us making additions to the provision for loan losses during the remainder of 2012 and or 2013. Our current or historical provision levels should not be relied upon as a predictor or indicator of future levels going forward.

Troubled debt restructurings (TDR) generally occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near term. As a result, the Bank will work with the borrower to prevent further difficulties, and ultimately to improve the likelihood of recovery on the loan.

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In this current real estate crisis, for the Nation in general and Florida in particular, it has become more common to restructure or modify the terms of certain loans under certain conditions. In those circumstances it may be beneficial to restructure the terms of a loan and work with the borrower for the benefit of both parties, versus forcing the property into foreclosure and having to dispose of it in an unfavorable and depressed real estate market. When we have modified the terms of a loan, we usually either reduce the monthly payment and/or interest rate for generally about three to twelve months. For our troubled debt restructurings that accrue interest at the time the loan is restructured, it would be a rare exception to have charged-off any portion of the loan. Only non-performing restructured loans are included in our non-performing non-covered loans. As of September 30, 2012, we had $59.0 million of non-covered restructured loans that are in compliance with the modified terms and are not reported as past due or non-accrual in Table 9. Our Florida market contains $31.7 million of these non-covered restructured loans.

To facilitate this process, a loan modification that might not otherwise be considered may be granted resulting in classification as a troubled debt restructuring. These loans can involve loans remaining on non-accrual, moving to non-accrual, or continuing on an accrual status, depending on the individual facts and circumstances of the borrower. Generally, a non-accrual loan that is restructured remains on non-accrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, performance prior to the restructuring, or significant events that coincide with the restructuring, are considered in assessing whether the borrower can pay the new terms and may result in the loan being returned to an accrual status after a shorter performance period. If the borrower s ability to meet the revised payment schedule is not reasonably assured, the loan will remain in a nonaccrual status.

The majority of the Bank s loan modifications relate to commercial lending and involve reducing the interest rate, changing from a principal and interest payment to interest-only, a lengthening of the amortization period, or a combination of some or all of the three. In addition, it is common for the Bank to seek additional collateral or guarantor support when modifying a loan. The amount of troubled debt restructurings has increased during 2012 as the Bank continues to work with borrowers who are experiencing financial difficulties. The amount of troubled debt restructurings has increased by 20.8% from $53.3 million at December 31, 2011 to $64.3 million at September 30, 2012. 91.8% and 88.6% of all restructured loans were performing to the terms of the restructure as of September 30, 2012 and December 31, 2011, respectively.

Total foreclosed assets held for sale not covered by loss share were $14.9 million as of September 30, 2012, compared to $16.7 million as of December 31, 2011 for a decrease of $1.7 million. The foreclosed assets held for sale not covered by loss share are comprised of $3.0 million of assets located in Florida with the remaining $11.9 million of assets located in Arkansas.

During the first nine months of 2012, we had one non-covered foreclosed property greater than $1.0 million. This large development loan in northwest Arkansas was moved into foreclosed assets during the first quarter of 2011 with no additional charge-off required at the time of foreclosure. The carrying value was $3.7 million at September 30, 2012. The losses on this loan were addressed during the fourth quarter of 2010 and the Company does not currently anticipate any additional losses on this property. No other foreclosed assets held for sale not covered by loss share have a carrying value greater than $1.0 million.

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At September 30, 2012, total foreclosed assets held for sale were $46.7 million. Table 10 shows the summary of foreclosed assets held for sale as of September 30, 2012 and December 31, 2011.

Table 10: Total Foreclosed Assets Held For Sale

	As of September 30, 2012			As of December 31, 2011		
	Not Covered by Loss Share	Covered by FDIC Loss Share	Total	Not Covered by Loss Share	Covered by FDIC Loss Share	Total
	(In thousands)					
Commercial real estate loans						
Non-farm/non-residential	$ 7,035	$ 6,542	$ 13,577	$ 8,159	$ 10,166	$ 18,325
Construction/land development	3,677	16,503	20,180	4,822	14,796	19,618
Agricultural		599	599	525	599	1,124
Residential real estate loans						
Residential 1-4 family	4,230	8,155	12,385	3,154	9,617	12,771
Total foreclosed assets held for sale	$ 14,942	$ 31,799	$ 46,741	$ 16,660	$ 35,178	$ 51,838

A loan is considered impaired when it is probable that we will not receive all amounts due according to the contracted terms of the loans. Impaired loans may include non-performing loans (loans past due 90 days or more and non-accrual loans) and certain other loans identified by management that are still performing. As of September 30, 2012, average non-covered impaired loans were $135.1 million compared to $111.8 million as of December 31, 2011. The adoption of ASU No. 2011-02 during the third quarter of 2011 which required troubled debt restructurings to be classified as impaired loans was primarily the reason for the increase in average non-covered impaired loans. As of September 30, 2012, non-covered impaired loans were $136.1 million compared to $138.0 million as of December 31, 2011 for a decrease of $2.0 million. A $13.0 million reduction in loan balances for impaired loans not classified as TDR s offset by an $11.0 million increase in impaired loans classified as TDRs as of September 30, 2012 when compared to December 31, 2011 accounted for this decrease. As of September 30, 2012, our Florida and Alabama markets accounted for $70.0 million and $2.2 million of the non-covered impaired loans, respectively.

We evaluated loans purchased in conjunction with the FDIC-assisted acquisitions for impairment in accordance with the provisions of FASB ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased covered loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected. All covered loans acquired in these transactions were deemed to be covered impaired loans. These loans were not classified as non-performing assets at September 30, 2012 and 2011, as the loans are accounted for on a pooled basis and the pools are considered to be performing. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased impaired loans.

Non-performing loans and impaired loans are defined differently. Some loans may be included in both categories.

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Past Due and Non-Accrual Loans

Table 11 shows the summary non-accrual loans as of September 30, 2012 and December 31, 2011:

Table 11: Total Non-Accrual Loans

	As of September 30, 2012			As of December 31, 2011		
	Not Covered by Loss Share	Covered by FDIC Loss Share	Total	Not Covered by Loss Share	Covered by FDIC Loss Share	Total
	(In thousands)					
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	$ 3,246	$	$ 3,246	$ 7,055	$	$ 7,055
Construction/land development	1,762		1,762	2,226		2,226
Agricultural	149		149	178		178
Residential real estate loans						
Residential 1-4 family	10,337		10,337	12,867		12,867
Multifamily residential	1,619		1,619			
Total real estate	17,113		17,113	22,326		22,326
Consumer	410		410	1,369		1,369
Commercial and industrial	1,264		1,264	1,598		1,598
Other	1,396		1,396	1,203		1,203
Total non-accrual loans	$ 20,183	$	$ 20,183	$ 26,496	$	$ 26,496

If the non-accrual non-covered loans had been accruing interest in accordance with the original terms of their respective agreements, interest income of approximately $359,000 and $462,000 for the three-month periods ended September 30, 2012 and 2011, would have been recorded. If the non-accrual non-covered loans had been accruing interest in accordance with the original terms of their respective agreements, interest income of approximately $1.1 million and $1.8 million for the nine-month periods ended September 30, 2012 and 2011, would have been recorded. The interest income recognized on the non-covered non-accrual loans for the three-month and nine-month periods ended September 30, 2012 and 2011 was considered immaterial.

Table 12 shows the summary of accruing past due loans 90 days or more as of September 30, 2012 and December 31, 2011:

Table 12: Total Loans Accruing Past Due 90 Days or More

	As of September 30, 2012			As of December 31, 2011		
	Not Covered by Loss Share	Covered by FDIC Loss Share	Total	Not Covered by Loss Share	Covered by FDIC Loss Share	Total
	(In thousands)					
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	$ 45	$ 31,455	$ 31,500	$	$ 34,765	$ 34,765
Construction/land development	1	15,163	15,164		42,808	42,808
Agricultural		455	455		328	328
Residential real estate loans						

Residential 1-4 family	2,337	21,963	24,300	750	35,452	36,202
Multifamily residential				92		92
Total real estate	2,383	69,036	71,419	842	113,353	114,195
Consumer	29	25	54	132	265	397
Commercial and industrial	12	3,728	3,740	19	4,995	5,014
Total loans accruing past due 90 days or more	$ 2,424	$ 72,789	$ 75,213	$ 993	$ 118,613	$ 119,606

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The Company s total past due and non-accrual covered loans to total covered loans was 17.9% and 24.6% as of September 30, 2012 and December 31, 2011, respectively.

Allowance for Loan Losses

Overview. The allowance for loan losses is maintained at a level which our management believes is adequate to absorb all probable losses on loans in the loan portfolio. The amount of the allowance is affected by: (i) loan charge-offs, which decrease the allowance; (ii) recoveries on loans previously charged off, which increase the allowance; and (iii) the provision of possible loan losses charged to income, which increases the allowance. In determining the provision for possible loan losses, it is necessary for our management to monitor fluctuations in the allowance resulting from actual charge-offs and recoveries and to periodically review the size and composition of the loan portfolio in light of current and anticipated economic conditions. If actual losses exceed the amount of allowance for loan losses, our earnings could be adversely affected.

As we evaluate the allowance for loan losses, we categorize it as follows: (i) specific allocations; (ii) allocations for criticized and classified assets with no specific allocation; (iii) general allocations for each major loan category; and (iv) miscellaneous allocations.

Specific Allocations. As a general rule, if a specific allocation is warranted, it is the result of an analysis of a previously classified credit or relationship. Typically, when it becomes evident through the payment history or a financial statement review that a loan or relationship is no longer supported by the cash flows of the asset and/or borrower and has become collateral dependent, we will use appraisals or other collateral analysis to determine if collateral impairment has occurred. The amount or likelihood of loss on this credit may not yet be evident, so a charge-off would not be prudent. However, if the analysis indicates that an impairment has occurred, then a specific allocation will be determined for this loan. If our existing appraisal is outdated or the collateral has been subject to significant market changes, we will obtain a new appraisal for this impairment analysis. The majority of the Company s impaired loans are collateral dependent at the present time, so third-party appraisals were used to determine the necessary impairment for these loans. Cash flow available to service debt was used for the other impaired loans. This analysis is performed each quarter in connection with the preparation of the analysis of the adequacy of the allowance for loan losses, and if necessary, adjustments are made to the specific allocation provided for a particular loan.

For collateral dependent loans, we do not consider an appraisal outdated simply due to the passage of time. However, if market or other conditions have deteriorated and we believe that the current market value of the property is not within approximately 20% of the appraised value, we will consider the appraisal outdated and order a new appraisal for the impairment analysis. The recognition of any provision or related charge-off on a collateral dependent loan is either through annual credit analysis or, many times, when the relationship becomes delinquent. If the borrower is not current, we will update our credit and cash flow analysis to determine the borrower s repayment ability. If we determine this ability does not exist and it appears that the collection of the entire principal and interest is not likely, then the loan could be placed on non-accrual status. In any case, loans are classified as non-accrual no later than 105 days past due. If the loan requires a quarterly impairment analysis, this analysis is completed in conjunction with the completion of the analysis of the adequacy of the allowance for loan losses. Any exposure identified through the impairment analysis is shown as a specific reserve on the individual impairment. If it is determined that a new appraisal is required, it is ordered and will be taken into consideration during the next completion of the impairment analysis.

Between the receipt of the original appraisal and the updated appraisal, we monitor the loan s repayment history and subject the loan to examination by our internal loan review. If the loan is over $1.0 million, our policy requires an annual credit review. In addition, we update all financial information and calculate the global repayment ability of the borrower/guarantors.

In estimating the net realizable value of the collateral, management may deem it appropriate to discount the appraisal based on the applicable circumstances. In such case, the amount charged off may result in loan principal outstanding being below fair value as presented in the appraisal.

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As a general rule, when it becomes evident that the full principal and accrued interest of a loan may not be collected, or by law at 105 days past due, we will reflect that loan as nonperforming. It will remain nonperforming until it performs in a manner that it is reasonable to expect that we will collect the full principal and accrued interest.

When the amount or likelihood of a loss on a loan has been determined, a charge-off should be taken in the period it is determined. If a partial charge-off occurs, the quarterly impairment analysis will determine if the loan is still impaired, and thus continues to require a specific allocation.

Allocations for Criticized and Classified Assets not Individually Evaluated for Impairment. We establish allocations for loans rated special mention through loss in accordance with the guidelines established by the regulatory agencies. A percentage rate is applied to each loan category to determine the level of dollar allocation.

General Allocations. We establish general allocations for each major loan category. This section also includes allocations to loans, which are collectively evaluated for loss such as residential real estate, commercial real estate, consumer loans and commercial and industrial loans. The allocations in this section are based on a historical review of loan loss experience and past due accounts. We give consideration to trends, changes in loan mix, delinquencies, prior losses, and other related information.

Miscellaneous Allocations. Allowance allocations other than specific, classified, and general are included in our miscellaneous section.

Charge-offs and Recoveries. Total charge-offs decreased to $4.0 million for the three months ended September 30, 2012, compared to $6.4 million for the same period in 2011. Total charge-offs decreased to $7.1 million for the nine months ended September 30, 2012, compared to $9.6 million for the same period in 2011. Total recoveries decreased to $1.4 million for the three months ended September 30, 2012, compared to $4.1 million for the same period in 2011. Total recoveries decreased to $2.2 million for the nine months ended September 30, 2012, compared to $9.5 million for the same period in 2011. For the three months ended September 30, 2012, the net charge-offs were $1.1 million for Arkansas and $1.5 million for Florida, respectively, equaling a net charge-off position of $2.6 million. For the nine months ended September 30, 2012, the net charge-offs were $2.2 million for Arkansas and $2.6 million for Florida, respectively, equaling a net charge-off position of $4.8 million.

During the third quarter of 2012, there were $4.0 million in charge-offs and $1.4 million in recoveries. During the first nine months of 2012, there were $7.1 million in charge-offs and $2.2 million in recoveries. While the charge-offs and recoveries consisted of many relationships, there were no individual relationships consisting of charge-offs greater than $1.0 million

We have not charged off an amount less than what was determined to be the fair value of the collateral as presented in the appraisal (for collateral dependent loans) for any period presented. Loans partially charged-off are placed on non-accrual status until it is proven that the borrower s repayment ability with respect to the remaining principal balance can be reasonably assured. This is usually established over a period of 6-12 months of timely payment performance.

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Table 13 shows the allowance for loan losses, charge-offs and recoveries for non-covered loans as of and for the three-month and nine-month periods ended September 30, 2012 and 2011.

Table 13: Analysis of Allowance for Loan Losses for Non-Covered Loans

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Dollars in thousands)			
Balance, beginning of period	$ 49,846	$ 56,784	$ 52,129	$ 53,348
Loans charged off				
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	1,041	645	1,312	665
Construction/land development	525	3,166	838	3,397
Agricultural				
Residential real estate loans:				
Residential 1-4 family	1,475	784	2,575	1,268
Multifamily residential		994	95	1,294
Total real estate	3,041	5,589	4,820	6,624
Consumer	47	641	618	2,167
Commercial and industrial	549	140	758	292
Agricultural				
Other	347		858	469
Total loans charged off	3,984	6,370	7,054	9,552
Recoveries of loans previously charged off				
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	856	24	895	154
Construction/land development		741	7	747
Agricultural		17	233	50
Residential real estate loans:				
Residential 1-4 family	430	71	535	319
Multifamily residential		1,959	3	1,959
Total real estate	1,286	2,812	1,673	3,229
Consumer	28	121	96	164
Commercial and industrial	20	1,161	107	5,777
Agricultural				
Other	96		341	292
Total recoveries	1,430	4,094	2,217	9,462
Net loans charged off (recovered)	2,554	2,276	4,837	90
Provision for loan losses for non-covered loans				1,250
Balance, September 30	$ 47,292	$ 54,508	$ 47,292	$ 54,508
Discount on non-covered loans acquired	14,712	3,596	14,712	3,596
Net charge-offs (recoveries) to average non-covered loans	0.50%	0.50%	0.32%	0.01%
	2.28	2.98	2.28	2.98

Allowance for loan losses for non-covered loans to period end non-covered loans				
Allowance for loan losses for non-covered loans plus acquisition discount to period end total non-covered loans plus acquisition discount	2.97	3.18	2.97	3.18
Allowance for loan losses for non-covered loans to net charge-offs (recoveries)	465	604	732	45,299

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Allocated Allowance for Loan Losses. We use a risk rating and specific reserve methodology in the calculation and allocation of our allowance for loan losses. While the allowance is allocated to various loan categories in assessing and evaluating the level of the allowance, the allowance is available to cover charge-offs incurred in all loan categories. Because a portion of our portfolio has not matured to the degree necessary to obtain reliable loss data from which to calculate estimated future losses, the unallocated portion of the allowance is an integral component of the total allowance. Although unassigned to a particular credit relationship or product segment, this portion of the allowance is vital to safeguard against the imprecision inherent in estimating credit losses.

The changes for the period ended September 30, 2012 and the year ended December 31, 2011 in the allocation of the allowance for loan losses for the individual types of loans are primarily associated with changes in the ASC 310 calculations, both individual and aggregate, and changes in the ASC 450 calculations. These calculations are affected by changes in individual loan impairments, changes in asset quality, net charge-offs during the period and normal changes in the outstanding loan portfolio, as well any changes to the general allocation factors due to changes within the actual characteristics of the loan portfolio.

Table 14 presents the allocation of allowance for loan losses for non-covered loans as of September 30, 2012 and December 31, 2011.

Table 14: Allocation of Allowance for Loan Losses for Non-Covered Loans

	As of September 30, 2012		As of December 31, 2011	
	Allowance Amount	% of loans(1)	Allowance Amount	% of loans(1)
	(Dollars in thousands)			
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	$ 19,708	42.8%	$ 20,160	39.7%
Construction/land development	6,783	13.6	7,945	20.6
Agricultural	178	1.4	208	1.6
Residential real estate loans:				
Residential 1-4 family	9,380	22.8	9,586	19.9
Multifamily residential	3,604	5.1	2,610	3.2
Total real estate	39,653	85.7	40,509	85.0
Consumer	921	1.7	1,780	2.2
Commercial and industrial	4,891	9.6	6,308	10.0
Agricultural	1,587	1.7	1,478	1.2
Other		1.3		1.6
Unallocated	240		2,054	
Total	$ 47,292	100.0%	$ 52,129	100.0%

(1) Percentage of loans in each category to loans receivable not covered by loss share.

Investments and Securities

Our securities portfolio is the second largest component of earning assets and provides a significant source of revenue. Securities within the portfolio are classified as held-to-maturity, available-for-sale, or trading based on the intent and objective of the investment and the ability to hold to maturity. Fair values of securities are based on quoted market prices where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities. As of September 30, 2012, we had no held-to-maturity or trading securities.

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Securities available-for-sale are reported at fair value with unrealized holding gains and losses reported as a separate component of stockholders equity as other comprehensive income. Securities that are held as available-for-sale are used as a part of our asset/liability management strategy. Securities may be sold in response to interest rate changes, changes in prepayment risk, the need to increase regulatory capital, and other similar factors are classified as available for sale. Available-for-sale securities were $755.2 million as of September 30, 2012, compared to $671.2 million as of December 31, 2011. The estimated effective duration of our securities portfolio was 2.6 years as of September 30, 2012.

As of September 30, 2012, $319.7 million, or 42.3%, of our available-for-sale securities were invested in mortgage-backed securities, compared to $142.3 million, or 21.2%, of our available-for-sale securities as of December 31, 2011. To reduce our income tax burden, $185.1 million, or 24.5%, of our available-for-sale securities portfolio as of September 30, 2012, was primarily invested in tax-exempt obligations of state and political subdivisions, compared to $167.1 million, or 24.9%, of our available-for-sale securities as of December 31, 2011. Also, we had approximately $234.0 million, or 31.0%, invested in obligations of U.S. Government-sponsored enterprises as of September 30, 2012, compared to $348.0 million, or 51.8%, of our available-for-sale securities as of December 31, 2011.

Certain investment securities are valued at less than their historical cost. These declines are primarily the result of the rate for these investments yielding less than current market rates. Based on evaluation of available evidence, we believe the declines in fair value for these securities are temporary. It is our intent to hold these securities to recovery. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other than temporary impairment is identified.

See Note 3 Investment Securities to the Condensed Notes to Consolidated Financial Statements for the carrying value and fair value of investment securities.

Deposits

Our deposits averaged $3.22 billion and $3.20 billion for the three-month and nine-month periods ended September 30, 2012, respectively. Total deposits increased $274.4 million, or an increase of 9.6%, to $3.13 billion as of September 30, 2012, from $2.86 billion as of December 31, 2011. Excluding the $524.4 million of deposits acquired from our 2012 acquisition of Vision, our deposits decreased by $250.0 million, an annualized reduction of 11.7%. Deposits are our primary source of funds. We offer a variety of products designed to attract and retain deposit customers. Those products consist of checking accounts, regular savings deposits, NOW accounts, money market accounts and certificates of deposit. Deposits are gathered from individuals, partnerships and corporations in our market areas. In addition, we obtain deposits from state and local entities and, to a lesser extent, U.S. Government and other depository institutions.

Our policy also permits the acceptance of brokered deposits. As of September 30, 2012 and December 31, 2011, brokered deposits were $74.9 million and $103.4 million, respectively. Included in these brokered deposits are $44.7 million and $41.9 million of Certificate of Deposit Account Registry Service (CDARS) as of September 30, 2012 and December 31, 2011, respectively. CDARS are deposits of our customers we have swapped with other institutions. This gives our customers the potential for FDIC insurance of up to $50 million.

The interest rates paid are competitively priced for each particular deposit product and structured to meet our funding requirements. We will continue to manage interest expense through deposit pricing. We may allow higher rate deposits to run off during this current period of limited loan demand. We believe that additional funds can be attracted and deposit growth can be realized through deposit pricing if we experience increased loan demand or other liquidity needs.

The Federal Reserve Board sets various benchmark rates, including the Federal Funds rate, and thereby influences the general market rates of interest, including the deposit and loan rates offered by financial institutions. The Federal Funds rate, which is the cost to banks of immediately available overnight funds, began in 2008 at 4.25%. During 2008, the rate decreased 400 to 425 basis points to a low of 0.25% to 0% on December 16, 2008, where the rate has remained.

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Table 15 reflects the classification of the average deposits and the average rate paid on each deposit category, which is in excess of 10 percent of average total deposits, for the three-month and nine-month periods ended September 30, 2012 and 2011.

Table 15: Average Deposit Balances and Rates

	Three Months Ended September 30,			
	2012		2011	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
	(Dollars in thousands)			
Non-interest-bearing transaction accounts	$ 597,287	%	$ 464,760	%
Interest-bearing transaction accounts	1,351,319	0.28	991,807	0.44
Savings deposits	172,027	0.16	134,939	0.33
Time deposits:				
$100,000 or more	606,410	1.13	758,804	1.33
Other time deposits	488,858	0.64	530,115	1.40
Total	$ 3,215,901	0.44%	$ 2,880,425	0.78%

	Nine Months Ended September 30,			
	2012		2011	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
	(Dollars in thousands)			
Non-interest-bearing transaction accounts	$ 551,628	%	$ 437,964	%
Interest-bearing transaction accounts	1,294,434	0.19	990,613	0.49
Savings deposits	162,687	0.11	129,666	0.40
Time deposits:				
$100,000 or more	665,521	1.27	794,364	1.27
Other time deposits	522,553	0.77	551,883	1.53
Total	$ 3,196,823	0.47%	$ 2,904,490	0.82%

Securities Sold Under Agreements to Repurchase

We enter into short-term purchases of securities under agreements to resell (resale agreements) and sales of securities under agreements to repurchase (repurchase agreements) of substantially identical securities. The amounts advanced under resale agreements and the amounts borrowed under repurchase agreements are carried on the balance sheet at the amount advanced. Interest incurred on repurchase agreements is reported as interest expense. Securities sold under agreements to repurchase decreased $820,000, or 1.3%, from $62.3 million as of December 31, 2011 to $61.5 million as of September 30, 2012.

FHLB Borrowed Funds

Our FHLB borrowed funds were $130.5 million and $142.8 at September 30, 2012 and December 31, 2011, respectively. All of the outstanding balance for September 30, 2012 and December 31, 2011 were issued as long-term advances. Our remaining FHLB borrowing capacity was $414.5 million and $468.8 million as of September 30, 2012 and December 31, 2011, respectively. Expected maturities will differ from contractual maturities, because FHLB may have the right to call or prepay certain obligations.

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Subordinated Debentures

Subordinated debentures, which consist of guaranteed payments on trust preferred securities, were $28.9 million and $44.3 million as of September 30, 2012 and December 31, 2011, respectively.

The trust preferred securities are tax-advantaged issues that qualify for Tier 1 capital treatment subject to certain limitations. Distributions on these securities are included in interest expense. Each of the trusts is a statutory business trust organized for the sole purpose of issuing trust securities and investing the proceeds in our subordinated debentures, the sole asset of each trust. The trust preferred securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the subordinated debentures held by the trust. We wholly own the common securities of each trust. Each trust s ability to pay amounts due on the trust preferred securities is solely dependent upon our making payment on the related subordinated debentures. Our obligations under the subordinated securities and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by us of each respective trust s obligations under the trust securities issued by each respective trust.

Presently, the funds raised from the trust preferred offerings qualify as Tier 1 capital for regulatory purposes, subject to the applicable limit, with the balance qualifying as Tier 2 capital. The Board of Governors of the Federal Reserve System recently announced the planned implementation of Basel III capital rules. Under these rules trust preferred securities will be phased out as Tier 1 capital for future periods.

The Company holds $28.9 million of trust preferred securities which are currently callable without penalty based on the terms of the specific agreements. Since these trust preferred securities are being phased out of Tier 1 capital, we have decided to begin the process of redeeming these instruments. During the third quarter of 2012, we redeemed approximately $15.5 million in trust preferred securities. We are evaluating the remaining subordinated debentures and may pay off part or all of the remaining subordinated debentures during 2013.

Stockholders Equity

Stockholders equity was $510.0 million at September 30, 2012 compared to $474.1 million at December 31, 2011, an increase of 7.6%. As of September 30, 2012 and December 31, 2011 our equity to asset ratio was 13.1% and 13.2%, respectively. Book value per share was $18.10 at September 30, 2012 compared to $16.77 at December 31, 2011.

Common Stock Cash Dividends. We declared cash dividends on our common stock of $0.12 and $0.08 per share for the three-month periods ended September 30, 2012 and 2011 and $0.32 and 0.188 per share for the nine-month periods ended September 30, 2012 and 2011, respectively. The common stock dividend payout ratio for the three months ended September 30, 2012 and 2011 was 21.0% and 15.9%, respectively. The common stock dividend payout ratio for the nine months ended September 30, 2012 and 2011 was 19.6% and 13.2%, respectively. For the fourth quarter of 2012, the Board of Directors declared a regular $0.13 per share quarterly cash dividend payable December 5, 2012, to shareholders of record November 14, 2012.

Stock Repurchase Program. During the first nine months of 2012, the Company utilized a portion of its previously approved stock repurchase program. This program authorized the repurchase of 1,188,000 shares of the Company s common stock. For the first three quarters of 2012, the Company repurchased a total of 252,044 shares with a weighted average stock price of $26.00. For the third quarter of 2012, the Company repurchased a total of 13,810 shares with a weighted average stock price of $32.46. The Company believes the stock repurchased at this price is an excellent investment. The 2012 earnings were used to fund these repurchases. Combining all the shares repurchased to date under the program will bring the total to 552,044 shares. The remaining balance available for repurchase is 635,956 shares at September 30, 2012.

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Liquidity and Capital Adequacy Requirements

Risk-Based Capital. We as well as our bank subsidiary are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and other discretionary actions by regulators that, if enforced, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators as to components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Management believes that, as of September 30, 2012 and December 31, 2011, we met all regulatory capital adequacy requirements to which we were subject.

Table 16 presents our risk-based capital ratios as of September 30, 2012 and December 31, 2011.

Table 16: Risk-Based Capital

	As of September 30, 2012	As of December 31, 2011
	(Dollars in thousands)	
Tier 1 capital		
Stockholders equity	$ 509,978	$ 474,066
Qualifying trust preferred securities	28,000	43,000
Goodwill and core deposit intangibles, net	(85,875)	(67,131)
Unrealized (gain) loss on available-for-sale securities	(11,911)	(8,004)
Total Tier 1 capital	440,192	441,931
Tier 2 capital		
Qualifying allowance for loan losses	35,494	32,670
Total Tier 2 capital	35,494	32,670
Total risk-based capital	$ 475,686	$ 474,601
Average total assets for leverage ratio	$ 3,890,071	$ 3,541,739
Risk weighted assets	$ 2,820,556	$ 2,594,155
Ratios at end of period		
Leverage ratio	11.32%	12.48%
Tier 1 risk-based capital	15.61	17.04
Total risk-based capital	16.86	18.30
Minimum guidelines		
Leverage ratio	4.00%	4.00%
Tier 1 risk-based capital	4.00	4.00
Total risk-based capital	8.00	8.00

As of the most recent notification from regulatory agencies, our bank subsidiary was well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized , our banking subsidiary and we must maintain minimum leverage, Tier 1 risk-based capital, and total risk-based capital ratios as set forth in the table. There are no conditions or events since that notification that we believe have changed the bank subsidiary s category.

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Non-GAAP Financial Measurements

We had $86.9 million, $68.3 million, and $69.0 million total goodwill, core deposit intangibles and other intangible assets as of September 30, 2012, December 31, 2011 and September 30, 2011, respectively. Because of our level of intangible assets and related amortization expenses, management believes diluted earnings per common share excluding intangible amortization, tangible book value per common share, return on average assets excluding intangible amortization, return on average tangible common equity excluding intangible amortization and tangible common equity to tangible assets are useful in evaluating our company. These calculations, which are similar to the GAAP calculation of diluted earnings per common share, book value, return on average assets, return on average common equity, and common equity to assets, are presented in Tables 17 through 21, respectively.

Table 17: Diluted Earnings Per Common Share Excluding Intangible Amortization

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)			
GAAP net income available to common stockholders	$ 16,095	$ 13,824	$ 46,083	$ 38,746
Intangible amortization after-tax	421	429	1,226	1,290
Earnings available to common stockholders excluding intangible amortization	$ 16,516	$ 14,253	$ 47,309	$ 40,036
GAAP diluted earnings per common share	$ 0.57	$ 0.48	$ 1.63	$ 1.35
Intangible amortization after-tax	0.01	0.02	0.04	0.05
Diluted earnings per common share excluding intangible amortization	$ 0.58	$ 0.50	$ 1.67	$ 1.40

Table 18: Tangible Book Value Per Share

	As of September 30, 2012	As of December 31, 2011
	(Dollars in thousands, except per share data)	
Book value per common share: A/B	$ 18.10	$ 16.77
Tangible book value per common share: (A-C-D)/B	15.01	14.35
(A) Total common equity	$ 509,978	$ 474,066
(B) Common shares outstanding	28,181	28,276
(C) Goodwill	$ 77,090	$ 59,663
(D) Core deposit and other intangibles	9,792	8,620

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Table 19: Annualized Return on Average Assets Excluding Intangible Amortization

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(Dollars in thousands)			
Return on average assets: A/C	1.61%	1.56%	1.56%	1.48%
Return on average assets excluding intangible amortization: B/(C-D)	1.69	1.64	1.63	1.55
(A) Net income available to all stockholders	$ 16,095	$ 14,312	$ 46,083	$ 40,574
Intangible amortization after-tax	421	429	1,226	1,290
(B) Earnings excluding intangible amortization	$ 16,516	$ 14,741	$ 47,309	$ 41,864
(C) Average assets	$ 3,975,946	$ 3,628,346	$ 3,958,309	$ 3,674,900
(D) Average goodwill, core deposits and other intangible assets	87,213	69,333	84,869	70,031

Table 20: Annualized Return on Average Tangible Common Equity Excluding Intangible Amortization

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(Dollars in thousands)			
Return on average common equity: A/C	12.78%	12.00%	12.60%	11.67%
Return on average tangible common equity excluding intangible amortization: B/(C-D)	15.88	14.59	15.66	14.32
(A) Net income available to common stockholders	$ 16,095	$ 13,824	$ 46,083	$ 38,746
(B) Earnings available to common stockholders excluding intangible amortization after-tax	16,516	14,253	47,309	40,036
(C) Average common equity	500,979	456,974	488,437	443,784
(D) Average goodwill, core deposits and other intangible assets	87,213	69,333	84,869	70,031

Table 21: Tangible Equity to Tangible Assets

	As of September 30, 2012	As of December 31, 2011
	(Dollars in thousands)	
Equity to assets: B/A	13.12%	13.02%
Tangible equity to tangible assets: (B-C-D)/(A-C-D)	11.13	11.36
(A) Total assets	$ 3,887,909	$ 3,604,117
(B) Total equity	509,978	474,066
(C) Goodwill	77,090	59,663
(D) Core deposit and other intangibles	9,792	8,620

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Recently Issued Accounting Pronouncements

See Note 22 to the Condensed Notes to Consolidated Financial Statements for a discussion of certain recently issued and recently adopted accounting pronouncements.

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Liquidity and Market Risk Management

Liquidity Management. Liquidity refers to the ability or the financial flexibility to manage future cash flows to meet the needs of depositors and borrowers and fund operations. Maintaining appropriate levels of liquidity allows us to have sufficient funds available for reserve requirements, customer demand for loans, withdrawal of deposit balances and maturities of deposits and other liabilities. Our primary source of liquidity at our holding company is dividends paid by our bank subsidiary. Applicable statutes and regulations impose restrictions on the amount of dividends that may be declared by our bank subsidiary. Further, any dividend payments are subject to the continuing ability of the bank subsidiary to maintain compliance with minimum federal regulatory capital requirements and to retain its characterization under federal regulations as a well-capitalized institution.

Our bank subsidiary has potential obligations resulting from the issuance of standby letters of credit and commitments to fund future borrowings to our loan customers. Many of these obligations and commitments to fund future borrowings to our loans customers are expected to expire without being drawn upon, therefore the total commitment amounts do not necessarily represent future cash requirements affecting our liquidity position.

Liquidity needs can be met from either assets or liabilities. On the asset side, our primary sources of liquidity include cash and due from banks, federal funds sold, available-for-sale investment securities and scheduled repayments and maturities of loans. We maintain adequate levels of cash and cash equivalents to meet our day-to-day needs. As of September 30, 2012, our cash and cash equivalents were $155.6 million, or 4.0% of total assets, compared to $184.3 million, or 5.1% of total assets, as of December 31, 2011. Our investment securities and federal funds sold were $757.0 million as of September 30, 2012 and $672.3 million as of December 31, 2011.

As of September 30, 2012 and December 31, 2011, $520.3 million and $403.2 million, respectively, of securities were pledged as collateral for various public fund deposits and securities sold under agreements to repurchase.

On the liability side, our principal sources of liquidity are deposits, borrowed funds, and access to capital markets. Customer deposits are our largest sources of funds. As of September 30, 2012, our total deposits were $3.13 billion, or 80.6% of total assets, compared to $2.86 billion, or 79.3% of total assets, as of December 31, 2011. We attract our deposits primarily from individuals, business, and municipalities located in our market areas.

We may occasionally use our Fed funds lines of credit in order to temporarily satisfy short-term liquidity needs. We have Fed funds lines with three other financial institutions pursuant to which we could have borrowed up to $35.0 million on an unsecured basis as of September 30, 2012 and December 31, 2011. These lines may be terminated by the respective lending institutions at any time.

We also maintain lines of credit with the Federal Home Loan Bank. Our FHLB borrowed funds were $130.5 million at September 30, 2012 and $142.8 million at December 31, 2011. All of the outstanding balances at September 30, 2012 and December 31, 2011 were issued as long-term advances. Our FHLB borrowing capacity was $414.5 million and $468.8 million as of September 30, 2012 and December 31, 2011.

We believe that we have sufficient liquidity to satisfy our current operations.

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Market Risk Management. Our primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on a large portion of our assets and liabilities, and the market value of all interest-earning assets and interest-bearing liabilities, other than those which possess a short term to maturity. We do not hold market risk sensitive instruments for trading purposes. The information provided should be read in connection with our audited consolidated financial statements included in our Form 10-K filed with the Securities and Exchange Commission on March 5, 2012.

Asset/Liability Management. Our management actively measures and manages interest rate risk. The asset/liability committees of the boards of directors of our holding company and bank subsidiary are also responsible for approving our asset/liability management policies, overseeing the formulation and implementation of strategies to improve balance sheet positioning and earnings, and reviewing our interest rate sensitivity position.

One of the tools that our management uses to measure short-term interest rate risk is a net interest income simulation model. This analysis calculates the difference between net interest income forecasted using base market rates and using a rising and a falling interest rate scenario. The income simulation model includes various assumptions regarding the re-pricing relationships for each of our products. Many of our assets are floating rate loans, which are assumed to re-price immediately, and proportional to the change in market rates, depending on their contracted index. Some loans and investments include the opportunity of prepayment (embedded options), and accordingly the simulation model uses indexes to estimate these prepayments and reinvest their proceeds at current yields. Our non-term deposit products re-price more slowly, usually changing less than the change in market rates and at our discretion.

This analysis indicates the impact of changes in net interest income for the given set of rate changes and assumptions. It assumes the balance sheet remains static and that its structure does not change over the course of the year. It does not account for all factors that impact this analysis, including changes by management to mitigate the impact of interest rate changes or secondary impacts such as changes to our credit risk profile as interest rates change.

Furthermore, loan prepayment rate estimates and spread relationships change regularly. Interest rate changes create changes in actual loan prepayment rates that will differ from the market estimates incorporated in this analysis. Changes that vary significantly from the assumptions may have significant effects on our net interest income.

Interest Rate Sensitivity. Our primary business is banking and the resulting earnings, primarily net interest income, are susceptible to changes in market interest rates. It is management s goal to maximize net interest income within acceptable levels of interest rate and liquidity risks.

A key element in the financial performance of financial institutions is the level and type of interest rate risk assumed. The single most significant measure of interest rate risk is the relationship of the repricing periods of earning assets and interest-bearing liabilities. The more closely the repricing periods are correlated, the less interest rate risk we assume. We use repricing gap and simulation modeling as the primary methods in analyzing and managing interest rate risk.

Gap analysis attempts to capture the amounts and timing of balances exposed to changes in interest rates at a given point in time. Our gap position as of September 30, 2012 was asset sensitive with a one-year cumulative repricing gap of 7.5%. During these periods, the amount of change our asset base realizes in relation to the total change in market interest rate exceeds that of the liability base.

We have a portion of our securities portfolio invested in mortgage-backed securities. Mortgage-backed securities are included based on their final maturity date. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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Table 22 presents a summary of the repricing schedule of our interest-earning assets and interest-bearing liabilities (gap) as of September 30, 2012.

Table 22: Interest Rate Sensitivity

	Interest Rate Sensitivity Period (Dollars in thousands)							
	0-30 Days	31-90 Days	91-180 Days	181-365 Days	1-2 Years	2-5 Years	Over 5 Years	Total
Earning assets								
Interest-bearing deposits due from banks	$ 69,248	$	$	$	$	$	$	$ 69,248
Federal funds sold	1,775							1,775
Investment securities	39,192	87,625	65,273	88,178	127,443	134,583	212,903	755,197
Loans receivable	601,032	216,492	318,961	451,984	376,026	436,965	27,764	2,429,224
Total earning assets	711,247	304,117	384,234	540,162	503,469	571,548	240,667	3,255,444
Interest-bearing liabilities								
Interest-bearing transaction and savings deposits	65,922	131,844	197,765	395,531	252,319	244,884	239,564	1,527,829
Time deposits	125,985	152,100	203,845	310,694	108,723	106,447	100	1,007,894
Federal funds purchased								
Securities sold under repurchase agreements	52,274				1,230	3,690	4,305	61,499
FHLB borrowed funds	108	17	27	30,150	311	10,580	89,313	130,506
Subordinated debentures	28,867							28,867
Total interest- bearing liabilities	273,156	283,961	401,637	736,375	362,583	365,601	333,282	2,756,595
Interest rate sensitivity gap	$ 438,091	$ 20,156	$ (17,403)	$ (196,213)	$ 140,886	$ 205,947	$ (92,615)	$ 498,849
Cumulative interest rate sensitivity gap	$ 438,091	$ 458,247	$ 440,844	$ 244,631	$ 385,517	$ 591,464	$ 498,849	
Cumulative rate sensitive assets to rate sensitive liabilities	260.4%	182.3%	146.0%	114.4%	118.7%	124.4%	118.1%	
Cumulative gap as a % of total earning assets	13.5%	14.1%	13.5%	7.5%	11.8%	18.2%	15.3%	

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Item 4: CONTROLS AND PROCEDURES

Article I. Evaluation of Disclosure Controls

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Additionally, our disclosure controls and procedures were also effective in ensuring that information required to be disclosed in our Exchange Act report is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosures.

Article II. Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company s internal controls over financial reporting during the quarter ended September 30, 2012, which have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to its business, to which Home BancShares, Inc. or its subsidiaries are a party or of which any of their property is the subject.

Item 1A. Risk Factors

There were no material changes from the risk factors set forth in Part I, Item 1A, Risk Factors, of our Form 10-K for the year ended December 31, 2011. See the discussion of our risk factors in the Form 10-K, as filed with the SEC. The risks described are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3: Defaults Upon Senior Securities

Not applicable.

Item 4: (Reserved)

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Item 5: Other Information

Not applicable.

Item 6: Exhibits

12.1	Computation of Ratios of Earnings to Fixed Charges*
15	Awareness of Independent Registered Public Accounting Firm*
31.1	CEO Certification Pursuant Rule 13a-14(a)/15d-14(a)*
31.2	CFO Certification Pursuant Rule 13a-14(a)/15d-14(a)*
32.1	CEO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002*
32.2	CFO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*

* Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOME BANCSHARES, INC.

(Registrant)

Date: November 7, 2012	/s/ C. Randall Sims C. Randall Sims, Chief Executive Officer
Date: November 7, 2012	/s/ Randy E. Mayor Randy E. Mayor, Chief Financial Officer

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