HOME BANCSHARES INC
Form 10-Q
May 08, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended March 31, 2012

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition period from to

Commission File Number: 000-51904

HOME BANCSHARES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Arkansas	**71-0682831**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
719 Harkrider, Suite 100, Conway, Arkansas	**72032**
(Address of principal executive offices)	**(Zip Code)**

(501) 328-4770

(Registrant s telephone number, including area code)

Not Applicable

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practical date.

Common Stock Issued and Outstanding: 28,104,511 shares as of May 1, 2012.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of our statements contained in this document, including matters discussed under the caption Management s Discussion and Analysis of Financial Condition and Results of Operation are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements relate to future events or our future financial performance and include statements about the competitiveness of the banking industry, potential regulatory obligations, our entrance and expansion into other markets, our other business strategies and other statements that are not historical facts. Forward-looking statements are not guarantees of performance or results. When we use words like may, plan, contemplate, anticipate, believe, intend, con expect, project, predict, estimate, could, should, would, and similar expressions, you should consider them as identifying forward-look statements, although we may use other phrasing. These forward-looking statements involve risks and uncertainties and are based on our beliefs and assumptions, and on the information available to us at the time that these disclosures were prepared. These forward-looking statements involve risks and uncertainties and may not be realized due to a variety of factors, including, but not limited to, the following:

- the effects of future economic conditions, including inflation or a continued decrease in commercial real estate and residential housing values;
- governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- the impact of the Dodd-Frank financial regulatory reform act and regulations to be issued thereunder;
- the risks of changes in interest rates or the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities;
- the effects of terrorism and efforts to combat it;
- credit risks;
- the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with competitors offering banking products and services by mail, telephone and the Internet;
- the effect of any mergers, acquisitions or other transactions to which we or our subsidiaries may from time to time be a party, including our ability to successfully integrate any businesses that we acquire;
- the failure of assumptions underlying the establishment of our allowance for loan losses; and
- the failure of assumptions underlying the estimates of the fair values for our covered assets and FDIC indemnification receivable.

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this Cautionary Note. Our actual results may differ significantly from those we discuss in these forward-looking statements. For other factors, risks and uncertainties that could cause our actual results to differ materially from estimates and projections contained in these forward-looking statements, see the Risk Factors section of our Form 10-K filed with the Securities and Exchange Commission on March 5, 2012.

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PART I: FINANCIAL INFORMATION

Item 1: Financial Statements

Home BancShares, Inc.

Consolidated Balance Sheets

(In thousands, except share data)	March 31, 2012 (Unaudited)	December 31, 2011
Assets		
Cash and due from banks	$ 76,837	$ 57,337
Interest-bearing deposits with other banks	269,401	126,967
Cash and cash equivalents	346,238	184,304
Federal funds sold	1,375	1,100
Investment securities available for sale	759,959	671,221
Loans receivable not covered by loss share	2,046,108	1,760,086
Loans receivable covered by FDIC loss share	455,435	481,739
Allowance for loan losses	(51,014)	(52,129)
Loans receivable, net	2,450,529	2,189,696
Bank premises and equipment, net	100,674	88,465
Foreclosed assets held for sale not covered by loss share	14,634	16,660
Foreclosed assets held for sale covered by FDIC loss share	39,744	35,178
FDIC indemnification asset	181,884	193,856
Cash value of life insurance	52,955	52,700
Accrued interest receivable	15,845	15,551
Deferred tax asset, net	34,680	22,850
Goodwill	77,090	59,663
Core deposit and other intangibles	11,180	8,620
Other assets	61,165	64,253
Total assets	$ 4,147,952	$ 3,604,117
Liabilities and Stockholders Equity		
Deposits:		
Demand and non-interest-bearing	$ 583,951	$ 464,581
Savings and interest-bearing transaction accounts	1,514,812	1,189,098
Time deposits	1,281,636	1,204,352
Total deposits	3,380,399	2,858,031
Securities sold under agreements to repurchase	72,531	62,319
FHLB borrowed funds	142,753	142,777
Accrued interest payable and other liabilities	27,403	22,593
Subordinated debentures	44,331	44,331
Total liabilities	3,667,417	3,130,051
Stockholders equity:		
Common stock, par value $0.01; shares authorized 50,000,000; shares issued and outstanding 28,090,959 in 2012 and 28,275,507 in 2011	281	283

Capital surplus	421,006	425,649
Retained earnings	51,800	40,130
Accumulated other comprehensive income	7,448	8,004
Total stockholders equity	480,535	474,066
Total liabilities and stockholders equity	$ 4,147,952	$ 3,604,117

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.

Consolidated Statements of Income

(In thousands, except per share data)	Three Months Ended March 31, 2012	2011
	(Unaudited)	
Interest income:		
Loans	$ 38,506	$ 38,955
Investment securities		
Taxable	2,860	2,160
Tax-exempt	1,535	1,528
Deposits other banks	85	105
Federal funds sold	2	7
Total interest income	42,988	42,755
Interest expense:		
Interest on deposits	4,660	6,260
FHLB borrowed funds	1,160	1,291
Securities sold under agreements to repurchase	110	139
Subordinated debentures	524	538
Total interest expense	6,454	8,228
Net interest income	36,534	34,527
Provision for loan losses		1,250
Net interest income after provision for loan losses	36,534	33,277
Non-interest income:		
Service charges on deposit accounts	3,505	3,151
Other service charges and fees	3,024	2,284
Mortgage lending income	904	645
Insurance commissions	551	607
Income from title services	88	91
Increase in cash value of life insurance	257	239
Dividends from FHLB, FRB & bankers bank	175	141
Gain on sale of SBA loans		259
Gain (loss) on sale of premises and equipment, net		(4)
Gain (loss) on OREO, net	(107)	(94)
Gain (loss) on securities, net	19	
FDIC indemnification asset	670	1,837
Other income	1,017	884
Total non-interest income	10,103	10,040
Non-interest expense:		
Salaries and employee benefits	11,386	11,078
Occupancy and equipment	3,431	3,713
Data processing expense	1,091	1,285
Other operating expenses	8,478	7,785

Total non-interest expense	24,386	23,861
Income before income taxes	22,251	19,456
Income tax expense	7,753	6,740
Net income available to all stockholders	14,498	12,716
Preferred stock dividends and accretion of discount on preferred stock		670
Net income available to common stockholders	$ 14,498	$ 12,046
Basic earnings per common share	$ 0.51	$ 0.42
Diluted earnings per common share	$ 0.51	$ 0.42

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.

Condensed Consolidated Statements of Comprehensive Income

(In thousands, except per share data)	Three Months Ended March 31, 2012	2011
Net income	$ 14,498	$ 12,716
Net unrealized gain (loss) on available-for-sale securities	(896)	1,118
Less: reclassification adjustment for realized (gains) losses included in income	(19)	
Other comprehensive (loss) income, before tax effect	(915)	1,118
Tax effect	359	(439)
Other comprehensive (loss) income	(556)	679
Comprehensive income	$ 13,942	$ 13,395

Home BancShares, Inc.

Consolidated Statements of Stockholders Equity

Three Months Ended March 31, 2012 and 2011

(In thousands, except share data)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2011	$ 49,456	$ 285	$ 432,962	$ (6,079)	$ 301	$ 476,925
Comprehensive income:						
Net income				12,716		12,716
Other comprehensive income:						
Unrealized gain on investment securities available for sale, net of tax effect of $439					679	679
Comprehensive income						13,395
Accretion of discount on preferred stock	46			(46)		
Net issuance of 6,851 shares of common stock from exercise of stock options			59			59
Tax benefit from stock options exercised			35			35
Share-based compensation			74			74
Cash dividends Preferred stock 5%				(625)		(625)
Cash dividends Common Stock, $0.054 per share				(1,538)		(1,538)
Balances at March 31, 2011 (unaudited)	49,502	285	433,130	4,428	980	488,325
Comprehensive income:						
Net income				42,025		42,025
Other comprehensive income:						
Unrealized gain on investment securities available for sale, net of tax effect of $4,534					7,024	7,024

Comprehensive income						49,049
Repurchase of 50,000 shares of preferred stock and common stock warrant	(50,000)		(2,206)	906		(51,300)
Accretion of discount on preferred stock	498			(498)		
Net issuance of 84,089 shares of common stock from exercise of stock options		1	655			656
Repurchase of 300,000 shares of common stock		(3)	(6,765)			(6,768)
Tax benefit from stock options exercised			527			527
Share-based compensation			308			308
Cash dividends Preferred stock 5%				(661)		(661)
Cash dividends Common Stock, $0.214 per share				(6,070)		(6,070)
Balances at December 31, 2011		283	425,649	40,130	8,004	474,066

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.

Consolidated Statements of Stockholders Equity Continued

Three Months Ended March 31, 2012 and 2011

Consolidated Statements of Stockholders' Equity

(In thousands, except share data)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
Comprehensive income:						
Net income				14,498		14,498
Other comprehensive income:						
Unrealized loss on investment securities available for sale, net of tax effect of $(359)					(556)	(556)
Comprehensive income						13,942
Net issuance of 16,291 shares of common stock from exercise of stock options plus issuance of 4,761 bonus shares of unrestricted common stock			394			394
Repurchase of 205,600 shares of common stock		(2)	(5,204)			(5,206)
Tax benefit from stock options exercised			51			51
Share-based compensation			116			116
Cash dividends Common Stock, $0.10 per share				(2,828)		(2,828)
Balances at March 31, 2012 (unaudited)	$	$ 281	$ 421,006	$ 51,800	$ 7,448	$ 480,535

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.

Consolidated Statements of Cash Flows

(In thousands)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
	(Unaudited)	
Operating Activities		
Net income	$ 14,498	$ 12,716
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,453	1,682
Amortization/(accretion)	1,172	(292)
Share-based compensation	116	74
Tax benefits from stock options exercised	(51)	(35)
(Gain) loss on assets	88	(210)
Provision for loan losses		1,250
Deferred income tax effect	(224)	(3,273)
Increase in cash value of life insurance	(257)	(239)
Originations of mortgage loans held for sale	(28,232)	(26,345)
Proceeds from sales of mortgage loans held for sale	29,530	36,169
Changes in assets and liabilities:		
Accrued interest receivable	(294)	839
Other assets	20,344	9,347
Accrued interest payable and other liabilities	(210)	(3,697)
Net cash provided by (used in) operating activities	37,933	27,986
Investing Activities		
Net (increase) decrease in federal funds sold	(275)	26,673
Net (increase) decrease in loans net, excluding loans acquired	72,037	23,914
Purchases of investment securities available for sale	(162,878)	(79,844)
Proceeds from maturities of investment securities available for sale	70,981	39,975
Proceeds from sale of investment securities available for sale	1,051	
Proceeds from foreclosed assets held for sale	3,482	7,260
Proceeds from sale of SBA loans		4,524
Purchases of premises and equipment, net	(1,166)	(779)
Death benefits received		700
Net cash proceeds received in Vision acquisition	140,234	
Net cash provided by (used in) investing activities	123,466	22,423
Financing Activities		
Net increase (decrease) in deposits, net of deposits acquired	(2,064)	(44,267)
Net increase (decrease) in securities sold under agreements to repurchase	10,212	(4,625)
Net increase (decrease) in FHLB and other borrowed funds, net of acquired	(24)	(27,023)
Proceeds from exercise of stock options plus issuance of bonus shares of unrestricted common stock	394	59
Repurchase of common stock	(5,206)	
Tax benefits from stock options exercised	51	35
Dividends paid on preferred stock		(625)
Dividends paid on common stock	(2,828)	(1,538)
Net cash provided by (used in) financing activities	535	(77,984)

Net change in cash and cash equivalents	161,934	(27,575)
Cash and cash equivalents beginning of year	184,304	287,532
Cash and cash equivalents end of period	$ 346,238	$ 259,957

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.

Condensed Notes to Consolidated Financial Statements

(Unaudited)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Home BancShares, Inc. (the Company or HBI) is a bank holding company headquartered in Conway, Arkansas. The Company is primarily engaged in providing a full range of banking services to individual and corporate customers through its wholly owned community bank subsidiary Centennial Bank (the Bank or Centennial). The Bank has locations in central Arkansas, north central Arkansas, southern Arkansas, the Florida Keys, central Florida, southwestern Florida, the Florida Panhandle and Baldwin County, Alabama. The Company is subject to competition from other financial institutions. The Company also is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

A summary of the significant accounting policies of the Company follows:

Operating Segments

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Bank is the only significant subsidiary upon which management makes decisions regarding how to allocate resources and assess performance. Each of the branches of the Bank provide a group of similar community banking services, including such products and services as commercial, real estate and consumer loans, time deposits, checking and savings accounts. The individual bank branches have similar operating and economic characteristics. While the chief decision maker monitors the revenue streams of the various products, services and branch locations, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the community banking services and branch locations are considered by management to be aggregated into one reportable operating segment, community banking.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the valuation of investment securities, the valuation of foreclosed assets, the valuations of covered loans and the related indemnification asset. In connection with the determination of the allowance for loan losses and the valuation of foreclosed assets, management obtains independent appraisals for significant properties.

Principles of Consolidation

The consolidated financial statements include the accounts of HBI and its subsidiary. Significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Various items within the accompanying consolidated financial statements for previous years have been reclassified to provide more comparative information. These reclassifications had no effect on net earnings or stockholders equity.

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Interim financial information

The accompanying unaudited consolidated financial statements as of March 31, 2012 and 2011 have been prepared in condensed format, and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The information furnished in these interim statements reflects all adjustments, which are, in the opinion of management, necessary for a fair statement of the results for each respective period presented. Such adjustments are of a normal recurring nature. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for any other quarter or for the full year. The interim financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s 2011 Form 10-K, filed with the Securities and Exchange Commission.

Earnings per Share

Basic earnings per common share are computed based on the weighted average number of shares outstanding during each year. Diluted earnings per common share are computed using the weighted average common shares and all potential dilutive common shares outstanding during the period. The following table sets forth the computation of basic and diluted earnings per common share (EPS) for the following periods:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net income available to common stockholders	$ 14,498	$ 12,046
Average shares outstanding	28,230	28,469
Effect of common stock options	181	203
Diluted shares outstanding	28,411	28,672
Basic earnings per common share	$ 0.51	$ 0.42
Diluted earnings per common share	$ 0.51	$ 0.42

2. Business Combinations

On February 16, 2012, Centennial Bank completed the acquisition of operating assets and liabilities of Vision Bank, a Florida state-chartered bank with its principal office located in Panama City, Florida (Vision), pursuant to a Purchase and Assumption Agreement (the Agreement), dated November 16, 2011, between the Company, Centennial, Park National Corporation, parent company of Vision (Park), and Vision. As a result of the acquisition, the Company will have an opportunity to increase its deposit base and reduce transaction costs. The Company also expects to reduce costs through economies of scale.

Pursuant to the Agreement, Centennial assumed approximately $522.8 million in customer deposits and acquired approximately $355.8 million in performing loans from Vision for the purchase price of approximately $27.9 million. Centennial did not purchase certain Vision performing loans nor any of its non-performing loans or other real estate owned. As part of the acquisition, Centennial acquired the real estate and other assets related to Vision s 17 banking offices, including eight locations in Baldwin County, Alabama, and nine locations in the Florida Panhandle counties of Bay, Gulf, Okaloosa, Santa Rosa and Walton. Included in the acquisition were the fixed assets located within the Vision offices, the safe deposit business conducted at the Vision offices, cash on hand, prepaid expenses and Vision s rights under contracts related to the Vision offices. Centennial also assumed the liabilities and obligations of Vision with respect to the safe deposit business, the assumed contracts, third-party leases for the real estate leased by Vision and equipment and operating leases related to the Vision offices. In addition, pursuant to the Agreement, Park granted Centennial a put option to sell an aggregate of $7.5 million of the purchased loans back to Park at cost for a period of up to six months after the closing date. On the closing date, Park made a cash payment to Centennial of approximately $119.5 million.

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Centennial Bank has determined that the acquisition of the net assets of Vision constitute a business combination as defined by the FASB ASC Topic 805, *Business Combinations*. Accordingly, the assets acquired and liabilities assumed are presented at their fair values as required. Fair values were determined based on the requirements of FASB ASC Topic 820, *Fair Value Measurements*. In many cases, the determination of these fair values required management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. These fair value estimates are subject to change for up to one year after the closing date of the acquisition as additional information relative to closing date fair values becomes available. In addition, the tax treatment is complex and subject to interpretations that may result in future adjustments of deferred taxes as of the acquisition date.

The following schedule is a breakdown of the revised assets acquired and liabilities assumed as of the acquisition date:

	Vision Bank Acquired from Park	Fair Value Adjustments	As Recorded by HBI
	(Dollars in thousands)		
Assets			
Cash and due from banks	$ 20,711	$ 119,523	$ 140,234
Loans receivable	355,750		355,750
Loans receivable discount		(15,453)	(15,453)
Total loans receivable	355,750	(15,453)	340,297
Bank premises and equipment, net	12,496		12,496
Deferred tax asset		11,247	11,247
Goodwill		17,427	17,427
Core deposit intangibles		3,190	3,190
Other assets	4,612		4,612
Total assets acquired	$ 393,569	$ 135,934	$ 529,503
Liabilities			
Deposits			
Demand and non-interest-bearing	$ 78,073	$	$ 78,073
Savings and interest-bearing transaction accounts	273,134		273,134
Time deposits	171,627	1,598	173,225
Total deposits	522,834	1,598	524,432
Other liabilities	5,071		5,071
Total liabilities assumed	$ 527,905	$ 1,598	$ 529,503

The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above:

Cash and due from banks The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets. The $119.5 million adjustment is the cash settlement received from Park on the closing date.

Loans Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and current discount rates. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns. The discount rate does not include a factor for credit losses as that has been included in the estimated cash flows.

Core deposit intangible This intangible asset represents the value of the relationships that Vision Bank had with its deposit customers. The fair value of this intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base, and the net maintenance cost attributable to customer deposits.

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Deferred tax asset The deferred tax asset of $11.2 million as of acquisition date is solely related to the differences between the financial statement and tax bases of assets acquired and liabilities assumed in this transaction.

Goodwill The consideration paid as a result of the acquisition exceeded the fair value of the assets received; therefore, the Company recorded $17.4 million of goodwill.

Deposits The fair values used for the demand and savings deposits that comprise the transaction accounts acquired, by definition equal the amount payable on demand at the acquisition date. The Bank could not reset deposit rates to current market rates even though the rates were above market; therefore, a $1.6 million fair value adjustment was recorded for time deposits.

The Company s operating results for 2012, include the operating results of the acquired assets and assumed liabilities subsequent to the acquisition date. Due to the significant fair value adjustments recorded, as well as not obtaining any non-performing assets, historical results are not believed to be relevant to the Company s results, and thus no pro forma information is presented.

For the year ended December 31, 2011, Vision has reported in its call report a net loss before income taxes, extraordinary items and other adjustments of approximately $28.7 million. On a carve-out basis factoring in only the assets and liabilities acquired or assumed by Centennial, the acquired portion of Vision would have resulted in net income before income taxes, extraordinary items and other adjustments for 2011 of approximately $8.8 million. The primary differences are Vision s provision for loan losses, which will not carry over due to Centennial not acquiring Vision s non-performing loans, and certain non-interest expenses which also will not carry over to Centennial.

3. Investment Securities

The amortized cost and estimated market value of investment securities were as follows:

	March 31, 2012 Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 391,775	$ 2,993	$ (542)	$ 394,226
Mortgage-backed securities	177,007	4,067	(275)	180,799
State and political subdivisions	162,404	6,350	(109)	168,645
Other securities	16,517		(228)	16,289
Total	$ 747,703	$ 13,410	$ (1,154)	$ 759,959

	December 31, 2011 Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 344,789	$ 3,587	$ (380)	$ 347,996
Mortgage-backed securities	138,383	4,054	(173)	142,264
State and political subdivisions	160,567	6,531	(29)	167,069
Other securities	14,310		(418)	13,892
Total	$ 658,049	$ 14,172	$ (1,000)	$ 671,221

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Assets, principally investment securities, having a carrying value of approximately $499.9 million and $403.2 million at March 31, 2012 and December 31, 2011, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Also, investment securities pledged as collateral for repurchase agreements totaled approximately $72.5 million and $62.3 million at March 31, 2012 and December 31, 2011, respectively.

During the three-month period ended March 31, 2012, $1.1 million in available for sale securities were sold. The gross realized gains on these sales totaled approximately $19,000. The income tax expense/benefit to net security gains and losses was 39.225% of the gross amounts.

During the three-month period ended March 31, 2011, no available for sale securities were sold.

The amortized cost and estimated fair value of securities at March 31, 2012, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due in one year or less	$ 354,079	$ 356,140
Due after one year through five years	251,496	256,146
Due after five years through ten years	116,655	121,138
Due after ten years	25,473	26,535
Total	$ 747,703	$ 759,959

For purposes of the maturity tables, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on anticipated maturities. The mortgage-backed securities may mature earlier than their weighted-average contractual maturities because of principal prepayments.

The Company evaluates all securities quarterly to determine if any unrealized losses are deemed to be other than temporary. In completing these evaluations the Company follows the requirements of FASB ASC 320, *Investments Debt and Equity Securities.* Certain investment securities are valued 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, management believes the declines in fair value for these securities are temporary. The Company does not intend to sell or believe it will be required to sell these investments before recovery of their amortized cost bases, which may be maturity. 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.

During the three month period ended March 31, 2012, no securities were deemed to have other-than-temporary impairment besides securities for which impairment was taken in prior periods.

For the period ended March 31, 2012, the Company had $31,000 in unrealized losses, which have been in continuous loss positions for more than twelve months. Excluding impairment write downs taken in prior periods, the Company s assessments indicated that the cause of the market depreciation was primarily the change in interest rates and not the issuer s financial condition, or downgrades by rating agencies. In addition, approximately 81.0% of the Company s investment portfolio matures in five years or less. As a result, the Company has the ability and intent to hold such securities until maturity.

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The following shows gross unrealized losses and estimated fair value of investment securities available for sale, aggregated by investment category and length of time that individual investment securities have been in a continuous loss position as of March 31, 2012 and December 31, 2011:

	March 31, 2012					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. government-sponsored enterprises	$ 114,712	$ (532)	$ 2,550	$ (10)	$ 117,262	$ (542)
Mortgage-backed securities	26,034	(275)			26,034	(275)
State and political subdivisions	6,299	(88)	1,703	(21)	8,002	(109)
Other securities	15,789	(228)			15,789	(228)
Total	$ 162,834	$ (1,123)	$ 4,253	$ (31)	$ 167,087	$ (1,154)

	December 31, 2011					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. government-sponsored enterprises	$ 89,714	$ (363)	$ 2,569	$ (17)	$ 92,283	$ (380)
Mortgage-backed securities	22,626	(173)			22,626	(173)
State and political subdivisions	1,478	(4)	1,999	(25)	3,477	(29)
Other securities	13,392	(418)			13,392	(418)
Total	$ 127,210	$ (958)	$ 4,568	$ (42)	$ 131,778	$ (1,000)

4. Loans Receivable Not Covered by Loss Share and Allowance for Loan Losses

The various categories of loans not covered by loss share are summarized as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 780,520	$ 698,986
Construction/land development	413,093	361,846
Agricultural	28,120	28,535
Residential real estate loans		
Residential 1-4 family	471,439	349,543
Multifamily residential	65,226	56,909
Total real estate	1,758,398	1,495,819
Consumer	38,254	37,923
Commercial and industrial	196,165	176,276
Agricultural	21,275	21,784
Other	32,016	28,284
Loans receivable not covered by loss share	$ 2,046,108	$ 1,760,086

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The following tables present the balance in the allowance for loan losses for the three-month period ended March 31, 2012, and the allowance for loan losses and recorded investment in loans based on portfolio segment by impairment method as of March 31, 2012. Allocation of a portion of the allowance to one type of loans does not preclude its availability to absorb losses in other categories. Additionally, the Company s discount which is accreted into income over the weighted-average life of the loans on non-covered loans acquired was $17.2 million and $2.0 million at March 31, 2012 and 2011, respectively.

	Three Months Ended March 31, 2012						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial (In thousands)	Consumer & Other	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 7,945	$ 20,368	$ 12,196	$ 6,308	$ 3,258	$ 2,054	$ 52,129
Loans charged off	(46)	(59)	(715)	(206)	(443)		(1,469)
Recoveries of loans previously charged off	4	24	40	80	206		354
Net loans recovered (charged off)	(42)	(35)	(675)	(126)	(237)		(1,115)
Provision for loan losses	1,505	(1,554)	1,176	762	79	(1,968)	
Balance, March 31	$ 9,408	$ 18,779	$ 12,697	$ 6,944	$ 3,100	$ 86	$ 51,014

	As of March 31, 2012						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
Allowance for loan losses:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 5,670	$ 13,055	$ 8,119	$ 4,177	$ 2,084	$	$ 33,105
Loans collectively evaluated for impairment	3,738	5,724	4,578	2,767	1,016	86	17,909
Balance, March 31	$ 9,408	$ 18,779	$ 12,697	$ 6,944	$ 3,100	$ 86	$ 51,014
Loans receivable:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 32,304	$ 102,675	$ 31,410	$ 10,257	$ 2,802	$	$ 179,448
Loans collectively evaluated for impairment	380,789	705,965	505,255	185,908	88,743		1,866,660
Balance, March 31	$ 413,093	$ 808,640	$ 536,665	$ 196,165	$ 91,545	$	$ 2,046,108

As of March 31, 2012, no loans acquired with deteriorated credit quality have required a provision for loan loss.

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The following tables present the balance in the allowance for loan losses for the year ended December 31, 2011, and the allowance for loan losses and recorded investment in loans based on portfolio segment by impairment method as of December 31, 2011. Allocation of a portion of the allowance to one type of loans does not preclude its availability to absorb losses in other categories.

	Year Ended December 31, 2011						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial (In thousands)	Consumer & Other	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 12,002	$ 17,247	$ 14,297	$ 6,357	$ 1,022	$ 2,423	$ 53,348
Loans charged off	(3)	(16)	(29)	(94)	(1,480)		(1,622)
Recoveries of loans previously charged off	2	90	230	157	136		615
Net loans recovered (charged off)	(1)	74	201	63	(1,344)		(1,007)
Provision for loan losses	(760)	208	(824)	305	2,254	67	1,250
Balance, March 31	11,241	17,529	13,674	6,725	1,932	2,490	53,591
Loans charged off	(3,587)	(4,060)	(3,270)	(477)	(1,679)		(13,073)
Recoveries of loans previously charged off	825	188	2,247	5,660	441		9,361
Net loans recovered (charged off)	(2,762)	(3,872)	(1,023)	5,183	(1,238)		(3,712)
Provision for loan losses	(534)	6,711	(455)	(5,600)	2,564	(436)	2,250
Balance, December 31	$ 7,945	$ 20,368	$ 12,196	$ 6,308	$ 3,258	$ 2,054	$ 52,129

	As of December 31, 2011						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
Allowance for loan losses:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 4,428	$ 15,050	$ 8,485	$ 3,503	$ 2,205	$	$ 33,671
Loans collectively evaluated for impairment	3,517	5,318	3,711	2,805	1,053	2,054	18,458
Balance, December 31	$ 7,945	$ 20,368	$ 12,196	$ 6,308	$ 3,258	$ 2,054	$ 52,129
Loans receivable:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 25,534	$ 105,516	$ 29,818	$ 9,535	$ 2,798	$	$ 173,201
Loans collectively evaluated for impairment	336,312	622,005	376,634	166,741	85,193		1,586,885
Balance, December 31	$ 361,846	$ 727,521	$ 406,452	$ 176,276	$ 87,991	$	$ 1,760,086

As of December 31, 2011, no loans acquired with deteriorated credit quality have required a provision for loan loss.

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The following is an aging analysis for the non-covered loan portfolio as of March 31, 2012 and December 31, 2011:

	March 31, 2012						
	Loans Past Due 30-59 Days	Loans Past Due 60-89 Days	Loans Past Due 90 Days or More	Total Past Due	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days or More
				(In thousands)			
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 670	$ 421	$ 7,125	$ 8,216	$ 772,304	$ 780,520	$ 66
Construction/land development	1,964	646	2,117	4,727	408,366	413,093	147
Agricultural			168	168	27,952	28,120	
Residential real estate loans							
Residential 1-4 family	4,087	1,322	14,073	19,482	451,957	471,439	11
Multifamily residential					65,226	65,226	
Total real estate	6,721	2,389	23,483	32,593	1,725,805	1,758,398	224
Consumer	496	136	1,039	1,671	36,583	38,254	65
Commercial and industrial	543	137	1,634	2,314	193,851	196,165	
Agricultural and other	172	14	1,558	1,744	51,547	53,291	
Total	$ 7,932	$ 2,676	$ 27,714	$ 38,322	$ 2,007,786	$ 2,046,108	$ 289

	December 31, 2011						
	Loans Past Due 30-59 Days	Loans Past Due 60-89 Days	Loans Past Due 90 Days or More	Total Past Due	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days or More
				(In thousands)			
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 764	$ 1,758	$ 7,055	$ 9,577	$ 689,409	$ 698,986	$
Construction/land development	848	650	2,226	3,724	358,122	361,846	
Agricultural			178	178	28,357	28,535	
Residential real estate loans							
Residential 1-4 family	2,064	251	13,617	15,932	333,611	349,543	750
Multifamily residential			92	92	56,817	56,909	92
Total real estate	3,676	2,659	23,168	29,503	1,466,316	1,495,819	842
Consumer	656	268	1,501	2,425	35,498	37,923	132
Commercial and industrial	234	211	1,617	2,062	174,214	176,276	19
Agricultural and other	176	17	1,203	1,396	48,672	50,068	
Total	$ 4,742	$ 3,155	$ 27,489	$ 35,386	$ 1,724,700	$ 1,760,086	$ 993

Non-accruing loans not covered by loss share at March 31, 2012 and December 31, 2011 were $27.4 million and $26.5 million, respectively.

The Company did not sell any of the guaranteed portions of SBA loans during the three-month period ended March 31, 2012. During the three-month period ended March 31, 2011, the Company sold $4.2 million of the guaranteed portion of certain SBA loans, which resulted in a gain of approximately $259,000.

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Mortgage loans held for sale of approximately $9.0 million and $10.3 million at March 31, 2012 and December 31, 2011, respectively, are included in residential 1-4 family loans. Mortgage loans held for sale are carried at the lower of cost or fair value, determined using an aggregate basis. Gains and losses resulting from sales of mortgage loans are recognized when the respective loans are sold to investors. Gains and losses are determined by the difference between the selling price and the carrying amount of the loans sold, net of discounts collected or paid. The Company obtains forward commitments to sell mortgage loans to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale. The forward commitments acquired by the Company for mortgage loans in process of origination are not mandatory forward commitments. These commitments are structured on a best efforts basis; therefore the Company is not required to substitute another loan or to buy back the commitment if the original loan does not fund. Typically, the Company delivers the mortgage loans within a few days after the loans are funded. These commitments are derivative instruments and their fair values at March 31, 2012 and December 31, 2011 were not material.

The following is a summary of the non-covered impaired loans as of March 31, 2012 and December 31, 2011:

	March 31, 2012			Three Months Ended	
	Unpaid Contractual Principal Balance	Total Recorded Investment	Allocation of Allowance for Loan Losses	Average Recorded Investment	Interest Recognized
	(In thousands)				
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	$ 76,012	$ 72,321	$ 13,055	$ 76,250	$ 1,000
Construction/land development	23,304	21,933	5,670	20,769	296
Residential real estate loans					
Residential 1-4 family	25,947	23,215	5,872	21,729	232
Multifamily residential	6,576	6,576	2,247	6,576	82
Total real estate	131,839	124,045	26,844	125,324	1,610
Consumer	1,599	1,599	941	1,597	15
Commercial and industrial	11,355	9,779	4,177	9,199	152
Agricultural and other	1,203	1,203	1,143	1,203	21
Total	$ 145,996	$ 136,626	$ 33,105	$ 137,323	$ 1,798

	December 31, 2011			Year Ended	
	Unpaid Contractual Principal Balance	Total Recorded Investment	Allocation of Allowance for Loan Losses	Average Recorded Investment	Interest Recognized
	(In thousands)				
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	$ 80,316	$ 80,179	$ 15,050	$ 52,757	$ 2,913
Construction/land development	21,600	19,606	4,428	19,077	963
Agricultural				479	10
Residential real estate loans					
Residential 1-4 family	25,419	20,243	6,272	19,914	858
Multifamily residential	6,577	6,576	2,213	7,039	350

Total real estate	133,912	126,604	27,963	99,266	5,094
Consumer	1,611	1,596	1,002	1,348	46
Commercial and industrial	10,537	8,619	3,503	10,984	730
Agricultural and other	1,203	1,203	1,203	241	
Total	$ 147,263	$ 138,022	$ 33,671	$ 111,839	$ 5,870

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All of the Company s non-covered impaired loans have a specific allocation of the allowance for loan losses, with the exception of certain troubled debt restructurings (TDR) where the discounted cash flows under the restructuring are greater than or equal to those under the original terms of the loan. Interest recognized on non-covered impaired loans during the three months ended March 31, 2012 and 2011 was approximately $1.8 million and $1.3 million, respectively. The amount of interest recognized on non-covered impaired loans on the cash basis is not materially different than the accrual basis.

Credit Quality Indicators. As part of the on-going monitoring of the credit quality of the Company s loan portfolio, management tracks certain credit quality indicators including trends related to (i) the risk rating of loans, (ii) the level of classified loans, (iii) net charge-offs, (iv) non-performing loans and (v) the general economic conditions in Florida and Arkansas.

The Company utilizes a risk rating matrix to assign a risk rating to each of its loans. Loans are rated on a scale from 1 to 8. A description of the general characteristics of the 8 risk ratings are as follows:

Risk rating 1 Excellent. Loans in this category are to persons or entities of unquestionable financial strength, a highly liquid financial position, with collateral that is liquid and well margined. These borrowers have performed without question on past obligations, and the Bank expects their performance to continue. Internally generated cash flow covers current maturities of long-term debt by a substantial margin. Loans secured by bank certificates of deposit and savings accounts, with appropriate holds placed on the accounts, are to be rated in this category.

Risk rating 2 Good. These are loans to persons or entities with strong financial condition and above-average liquidity that have previously satisfactorily handled their obligations with the Bank. Collateral securing the Bank s debt is margined in accordance with policy guidelines. Internally generated cash flow covers current maturities of long-term debt more than adequately. Unsecured loans to individuals supported by strong financial statements and on which repayment is satisfactory may be included in this classification.

Risk rating 3 Satisfactory. Loans to persons or entities with an average financial condition, adequate collateral margins, adequate cash flow to service long-term debt, and net worth comprised mainly of fixed assets are included in this category. These entities are minimally profitable now, with projections indicating continued profitability into the foreseeable future. Closely held corporations or businesses where a majority of the profits are withdrawn by the owners or paid in dividends are included in this rating category. Overall, these loans are basically sound.

Risk rating 4 Watch. Borrowers who have marginal cash flow, marginal profitability or have experienced an unprofitable year and a declining financial condition characterize these loans. The borrower has in the past satisfactorily handled debts with the Bank, but in recent months has either been late, delinquent in making payments, or made sporadic payments. While the Bank continues to be adequately secured, margins have decreased or are decreasing, despite the borrower s continued satisfactory condition. Other characteristics of borrowers in this class include inadequate credit information, weakness of financial statement and repayment capacity, but with collateral that appears to limit exposure. Included in this category are loans to borrowers in industries that are experiencing elevated risk.

Risk rating 5 Other Loans Especially Mentioned (OLEM). A loan criticized as OLEM has potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution s credit position at some future date. OLEM assets are not adversely classified and do not expose the institution to sufficient risk to warrant adverse classification.

Risk rating 6 Substandard. A loan classified as substandard is inadequately protected by the sound worth and paying capacity of the borrower or the collateral pledged. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual assets.

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Risk rating 7   Doubtful. A loan classified as doubtful has all the weaknesses inherent in a loan classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. These are poor quality loans in which neither the collateral, if any, nor the financial condition of the borrower presently ensure collectability in full in a reasonable period of time; in fact, there is permanent impairment in the collateral securing the loan.

Risk rating 8   Loss. Assets classified as loss are considered uncollectible and of such little value that the continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather, it is not practical or desirable to defer writing off this basically worthless asset, even though partial recovery may occur in the future. This classification is based upon current facts, not probabilities. Assets classified as loss should be charged-off in the period in which they became uncollectible.

The Company s classified loans include loans in risk ratings 6, 7 and 8. The following is a presentation of classified non-covered loans by class as of March 31, 2012 and December 31, 2011:

	March 31, 2012			
	Risk Rated 6	Risk Rated 7	Risk Rated 8	Classified Total
	(In thousands)			
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	$ 46,130	$	$	$ 46,130
Construction/land development	9,994	26		10,020
Agricultural	163			163
Residential real estate loans				
Residential 1-4 family	30,761	116		30,877
Multifamily residential	4,877			4,877
Total real estate	91,925	142		92,067
Consumer	2,211			2,211
Commercial and industrial	10,675	15		10,690
Agricultural and other	1,252			1,252
Total	$ 106,063	$ 157	$	$ 106,220

	December 31, 2011			
	Risk Rated 6	Risk Rated 7	Risk Rated 8	Classified Total
	(In thousands)			
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	$ 44,813	$	$	$ 44,813
Construction/land development	6,718			6,718
Agricultural	178			178
Residential real estate loans				
Residential 1-4 family	22,376	382		22,758
Multifamily residential	4,884			4,884
Total real estate	78,969	382		79,351
Consumer	2,224			2,224
Commercial and industrial	8,947	55		9,002
Agricultural and other	1,253			1,253
Total	$ 91,393	$ 437	$	$ 91,830

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Loans may be classified, but not considered impaired, due to one of the following reasons: (1) The Company has established minimum dollar amount thresholds for loan impairment testing. All loans over $250,000 that are rated 5 or worse are individually assessed for impairment on a quarterly basis. Loans rated 6 8 that fall under the threshold amount are not individually tested for impairment and therefore are not included in impaired loans; (2) of the loans that are above the threshold amount and tested for impairment, after testing, some are considered to not be impaired and are not included in impaired loans.

The following is a presentation of non-covered loans by class and risk rating as of March 31, 2012 and December 31, 2011:

	March 31, 2012						
	Risk Rated 1	Risk Rated 2	Risk Rated 3	Risk Rated 4	Risk Rated 5	Classified Total	Total
				(In thousands)			
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 10	$ 62	$ 351,946	$ 325,941	$ 56,431	$ 46,130	$ 780,520
Construction/land development	235	512	109,116	267,277	25,933	10,020	413,093
Agricultural			10,738	17,219		163	28,120
Residential real estate loans							
Residential 1-4 family	220	154	309,613	124,933	5,642	30,877	471,439
Multifamily residential			36,941	22,212	1,196	4,877	65,226
Total real estate	465	728	818,354	757,582	89,202	92,067	1,758,398
Consumer	8,087	144	18,943	7,690	1,179	2,211	38,254
Commercial and industrial	9,945	3,706	84,854	83,571	3,399	10,690	196,165
Agricultural and other	39	2,501	30,553	18,942	4	1,252	53,291
Total	$ 18,536	$ 7,079	$ 952,704	$ 867,785	$ 93,784	$ 106,220	$ 2,046,108

	December 31, 2011						
	Risk Rated 1	Risk Rated 2	Risk Rated 3	Risk Rated 4	Risk Rated 5	Classified Total	Total
				(In thousands)			
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 48	$ 14	$ 341,027	$ 258,252	$ 54,832	$ 44,813	$ 698,986
Construction/land development	8	405	93,913	246,520	14,282	6,718	361,846
Agricultural			10,495	17,862		178	28,535
Residential real estate loans							
Residential 1-4 family	277	157	210,846	106,707	8,798	22,758	349,543
Multifamily residential			36,300	14,032	1,693	4,884	56,909
Total real estate	333	576	692,581	643,373	79,605	79,351	1,495,819
Consumer	7,817	939	17,458	8,163	1,322	2,224	37,923
Commercial and industrial	7,737	1,080	84,923	71,139	2,395	9,002	176,276
Agricultural and other	51	1,583	29,991	17,186	4	1,253	50,068
Total	$ 15,938	$ 4,178	$ 824,953	$ 739,861	$ 83,326	$ 91,830	$ 1,760,086

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The following is a presentation of non-covered TDR s by class:

	March 31, 2012					
	Number of Loans	Pre-Modification Outstanding Balance	Rate Modification	Term Modification (In thousands)	Rate & Term Modification	Post-Modification Outstanding Balance
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	25	$ 31,757	$ 18,092	$ 2,773	$ 4,337	$ 25,202
Construction/land development	8	14,626	10,180	33	3,259	13,472
Residential real estate loans						
Residential 1-4 family	15	9,382	4,853	125	689	5,667
Multifamily residential	2	4,586	3,698			3,698
Total real estate	50	60,351	36,823	2,931	8,285	48,039
Commercial and industrial	4	336	308		16	324
Total	54	$ 60,687	$ 37,131	$ 2,931	$ 8,301	$ 48,363

	December 31, 2011					
	Number of Loans	Pre-Modification Outstanding Balance	Rate Modification	Term Modification (In thousands)	Rate & Term Modification	Post-Modification Outstanding Balance
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	27	$ 39,420	$ 22,739	$ 5,319	$ 4,326	$ 32,384
Construction/land development	6	11,114	7,642	34	3,259	10,935
Residential real estate loans						
Residential 1-4 family	16	9,572	5,055	124	771	5,950
Multifamily residential	2	4,586	3,692			3,692
Total real estate	51	64,692	39,128	5,477	8,356	52,961
Commercial and industrial	5	534	115		195	310
Total	56	$ 65,226	$ 39,243	$ 5,477	$ 8,551	$ 53,271

The following is a presentation of non-covered TDR s on non-accrual status because they are not in compliance with the modified terms:

	March 31, 2012		December 31, 2011	
	Number of Loans	Recorded Balance (In thousands)	Number of Loans	Recorded Balance
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	6	$ 5,615	3	$ 4,147
Construction/land development	1	112	1	112
Residential real estate loans				

Residential 1-4 family	3		968	3		1,805
Total real estate	10		6,695	7		6,064
Commercial and industrial	1		92	1		10
Total	11	$	6,787	8	$	6,074

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5. Loans Receivable Covered by FDIC Loss Share

The Company evaluated loans purchased in conjunction with the 2010 acquisitions of Old Southern, Key West, Coastal-Bayside, Wakulla and Gulf State under purchase and assumption agreements with the Federal Deposit Insurance Corporation (FDIC) 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. The following table reflects the carrying value of all purchased covered impaired loans as of March 31, 2012 and December 31, 2011 for the Company s FDIC-assisted transactions:

	March 31, 2012	December 31, 2011
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 179,360	$ 189,380
Construction/land development	99,996	103,535
Agricultural	3,092	3,155
Residential real estate loans		
Residential 1-4 family	139,819	148,692
Multifamily residential	9,077	8,933
Total real estate	431,344	453,695
Consumer	549	334
Commercial and industrial	22,843	26,884
Other	699	826
Loans receivable covered by FDIC loss share (1)	$ 455,435	$ 481,739

(1) These loans were not classified as nonperforming assets at March 31, 2012 and December 31, 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. Additionally, as of March 31, 2012 and December 31, 2011, $101.0 million and $118.6 million, respectively, were accruing past due loans 90 days or more.

The acquired loans were grouped into pools based on common risk characteristics and were recorded at their estimated fair values, which incorporated estimated credit losses at the acquisition dates. These loan pools are systematically reviewed by the Company to determine material changes in cash flow estimates from those identified at the time of the acquisition. Techniques used in determining risk of loss are similar to the Centennial Bank non-covered loan portfolio, with most focus being placed on those loan pools which include the larger loan relationships and those loan pools which exhibit higher risk characteristics.

Changes in the carrying amount of the accretable yield for purchased impaired and non-impaired loans were as follows for the period ended March 31, 2012 for the Company s FDIC-assisted acquisitions.

	Accretable Yield	Carrying Amount of Loans
	(In thousands)	
Balance at beginning of period	$ 113,553	$ 481,739
Accretion	(9,124)	9,124
Transfers to foreclosed assets held for sale covered by FDIC loss share		(5,822)
Payments received, net		(29,606)

Balance at end of period	$ 104,429	$ 455,435

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During 2012, no pools evaluated by the Company were determined to have a materially projected credit improvement. No pools evaluated by the Company were determined to have experienced impairment in the estimated credit quality or cash flows. There were no allowances for loan losses related to the purchased impaired loans at March 31, 2012 and December 31, 2011.

6. Goodwill and Core Deposits and Other Intangibles

Changes in the carrying amount and accumulated amortization of the Company s goodwill and core deposits and other intangibles at March 31, 2012 and December 31, 2011, were as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Goodwill		
Balance, beginning of period	$ 59,663	$ 59,663
Vision Bank acquisition	17,427	
Balance, end of period	$ 77,090	$ 59,663

	2012	2011
	(In thousands)	
Core Deposit and Other Intangibles		
Balance, beginning of period	$ 8,620	$ 11,447
Vision Bank acquisition	3,190	
Amortization expense	(630)	(713)
Balance, March 31	$ 11,180	10,734
Amortization expense		(2,114)
Balance, end of year		$ 8,620

The carrying basis and accumulated amortization of core deposits and other intangibles at March 31, 2012 and December 31, 2011 were:

	March 31, 2012	December 31, 2011
	(In thousands)	
Gross carrying amount	$ 26,651	$ 23,461
Accumulated amortization	15,471	14,841
Net carrying amount	$ 11,180	$ 8,620

Core deposit and other intangible amortization was approximately $630,000 and $713,000 for each of the three-months ended March 31, 2012 and 2011, respectively. Including the Vision acquisition completed as of February 16, 2012, HBI s estimated amortization expense of core deposits and other intangibles for each of the years 2012 through 2016 is approximately: 2012 $2.7 million; 2013 $2.8 million; 2014 $2.6 million; 2015 $1.8 million; 2016 $543,000.

The carrying amount of the Company s goodwill was $77.1 million at March 31, 2012 and $59.7 million at December 31, 2011. Goodwill is tested annually for impairment during the fourth quarter. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

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7. Deposits

The aggregate amount of time deposits with a minimum denomination of $100,000 was $741.2 million and $703.2 million at March 31, 2012 and December 31, 2011, respectively. Interest expense applicable to certificates in excess of $100,000 totaled $2.5 million and $3.3 million for the three months ended March 31, 2012 and 2011, respectively. As of March 31, 2012 and December 31, 2011, brokered deposits were $133.7 million and $103.4 million, respectively.

Deposits totaling approximately $505.8 million and $279.8 million at March 31, 2012 and December 31, 2011, respectively, were public funds obtained primarily from state and political subdivisions in the United States.

8. Securities Sold Under Agreements to Repurchase

At March 31, 2012 and December 31, 2011, securities sold under agreements to repurchase totaled $72.5 million and $62.3 million, respectively. For the three month periods ended March 31, 2012 and March 31, 2011, securities sold under agreements to repurchase daily weighted average totaled $69.1 million and $71.1 million, respectively.

9. FHLB Borrowed Funds

The Company s FHLB borrowed funds were $142.8 million at March 31, 2012 and December 31, 2011. All of the outstanding balance at March 31, 2012 and December 31, 2011 were long-term advances. The FHLB advances mature from the current year to 2025 with fixed interest rates ranging from 2.020% to 4.898% and are secured by loans and investments securities. Expected maturities will differ from contractual maturities, because FHLB may have the right to call or prepay certain obligations.

Additionally, the Company had $90.0 million and $135.0 million at March 31, 2012 and December 31, 2011, respectively, in letters of credit under a FHLB blanket borrowing line of credit, which are used to collateralize public deposits at March 31, 2012 and December 31, 2011, respectively.

10. Income Taxes

The following is a summary of the components of the provision (benefit) for income taxes for the three-month periods ended March 31:

	Three Months Ended March 31, 2012	2011
	(In thousands)	
Current:		
Federal	$ 6,935	$ 8,387
State	1,042	1,626
Total current	7,977	10,013
Deferred:		
Federal	(187)	(2,731)
State	(37)	(542)
Total deferred	(224)	(3,273)
Provision for income taxes	$ 7,753	$ 6,740

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The reconciliation between the statutory federal income tax rate and effective income tax rate is as follows for the three-month periods ended March 31:

	Three Months Ended March 31,	
	2012	2011
Statutory federal income tax rate	35.00%	35.00%
Effect of nontaxable interest income	(2.71)	(3.09)
Cash value of life insurance	(0.40)	(0.43)
State income taxes, net of federal benefit	2.93	3.62
Other	0.02	(0.46)
Effective income tax rate	34.84%	34.64%

The types of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts that give rise to deferred income tax assets and liabilities, and their approximate tax effects, are as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 20,037	$ 20,474
Deferred compensation	1,238	1,839
Stock options	329	317
Real estate owned	9,819	9,189
Loan discounts	53,850	57,095
Tax basis premium/discount on acquisitions	24,779	14,306
Deposits	851	357
Other	4,281	5,236
Gross deferred tax assets	115,184	108,813
Deferred tax liabilities:		
Accelerated depreciation on premises and equipment	2,157	2,299
Unrealized gain on securities	4,808	5,167
Core deposit intangibles	960	1,159
Indemnification asset	70,546	75,254
FHLB dividends	881	879
Other	1,152	1,205
Gross deferred tax liabilities	80,504	85,963
Net deferred tax assets	$ 34,680	$ 22,850

11. Common Stock and Compensation Plans

Stock Compensation Plans

The Company has a stock option and performance incentive plan. The purpose of the plan is to attract and retain highly qualified officers, directors, key employees, and other persons, and to motivate those persons to improve our business results. On April 19, 2012, our shareholders approved the Amended and Restated 2006 Stock Option and Performance Incentive Plan (the Plan). As a result of the required shareholder approval at the Annual Shareholder Meeting held on April 19, 2012, the Plan has become effective as of February 27, 2012 and increased the number of shares reserved for issuance under the Plan by 540,000 shares. As of April 19, 2012, this plan provided for the granting of incentive nonqualified options to purchase stock or for the issuance of restricted shares up to 2,322,000 of common stock in the Company. As of April 19, 2012, the Company has approximately 1,000,000 shares of common stock remaining available for grants or issuance under the plan and approximately 1,598,000 shares reserved for issuance of common stock.

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The intrinsic value of the stock options outstanding and stock options vested at March 31, 2012 was $8.5 million and $8.4 million, respectively. The intrinsic value of the stock options exercised during the three-month period ended March 31, 2012 was approximately $186,000. Total unrecognized compensation cost, net of income tax benefit, related to non-vested awards, which are expected to be recognized over the vesting periods, was approximately $333,000 as of March 31, 2012.

The table below summarized the transactions under the Company s stock option plans at March 31, 2012 and December 31, 2011 and changes during the three-month period and year then ended:

	For the Three Months Ended March 31, 2012		For the Year Ended December 31, 2011	
	Shares (000)	Weighted Average Exercisable Price	Shares (000)	Weighted Average Exercisable Price
Outstanding, beginning of year	569	$ 11.36	660	$ 10.88
Granted	45	26.25		
Forfeited				
Exercised	(16)	15.09	(91)	7.87
Expired				
Outstanding, end of period	598	12.38	569	11.36
Exercisable, end of period	543	$ 11.11	550	$ 11.13

Stock-based compensation expense for stock-based compensation awards granted is based on the grant date fair value. For stock option awards, the fair value is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options granted but are not considered by the model. Accordingly, while management believes that the Black-Scholes option-pricing model provides a reasonable estimate of fair value, the model does not necessarily provide the best single measure of fair value for the Company s employee stock options. The weighted-average fair value of options granted during the three-months ended March 31, 2012, was $7.18. There were no options granted during 2011. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model based on the weighted-average assumptions for expected dividend yield, expected stock price volatility, risk-free interest rate, and expected life of options granted. During first three months of 2012, none of the stock options granted were to executive officers of the Company.

	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2011
Expected dividend yield	1.52%	Not applicable
Expected stock price volatility	30.56%	Not applicable
Risk-free interest rate	1.47%	Not applicable
Expected life of options	6.5 years	Not applicable

The following is a summary of currently outstanding and exercisable options at March 31, 2012:

	Options Outstanding			Options Exercisable	
Exercise Prices	Options Outstanding Shares (000)	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Options Exercisable Shares (000)	Weighted-Average Exercise Price
$ 6.17 to $7.01	68	1.68	$ 6.26	68	6.26
$ 7.85 to $8.68	63	2.28	8.53	63	8.53
$ 9.55 to $9.83	52	3.31	9.63	52	9.63
$ 10.66 to $10.66	104	3.69	10.66	104	10.66
$ 11.09 to $11.09	172	3.95	11.09	172	11.09
$ 16.65 to $17.82	56	5.48	17.28	49	17.30
$ 18.50 to $18.62	9	5.26	18.59	8	18.59
$ 20.33 to $22.74	29	5.13	20.78	27	20.62
$ 26.25 to $26.25	45	9.81	26.25		
	598			543	

The table below summarized the activity for the Company s restricted stock issued and outstanding at March 31, 2012 and December 31, 2011 and changes during the periods then ended:

	As of March 31, 2012	As of December 31, 2011
	(in thousands)	
Beginning of year	49	22
Issued		32
Vested	(14)	(5)
End of year	35	49
Amount of expense	$ 95	$ 351

All the restricted stock issued will vest equally each year over three years beginning on the first anniversary of the issuance. The only exception to this vesting is for 4,999 shares of restricted common stock issued during 2009. These restricted shares will vest equally each year over three years beginning on the third anniversary of the issuance.

During the first quarter 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 quarter of 2012, the Company repurchased a total of 205,600 shares with a weighted average stock price of $25.29. The Company believes the stock repurchased at this price is an excellent investment. The first quarter earnings were used to fund this repurchase. Combining all the shares repurchased to date under the program will bring the total to 505,600 shares. The remaining balance available for repurchase is 682,400 shares at March 31, 2012.

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12. Non-Interest Expense

The table below shows the components of non-interest expense for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Salaries and employee benefits	$ 11,386	$ 11,078
Occupancy and equipment	3,431	3,713
Data processing expense	1,091	1,285
Other operating expenses:		
Advertising	460	998
Merger expenses	1,692	11
Amortization of intangibles	630	713
Electronic banking expense	793	659
Directors fees	212	185
Due from bank service charges	116	140
FDIC and state assessment	638	1,093
Insurance	401	371
Legal and accounting	322	447
Other professional fees	498	413
Operating supplies	264	289
Postage	221	245
Telephone	246	263
Other expense	1,985	1,958
Total other operating expenses	8,478	7,785
Total non-interest expense	$ 24,386	$ 23,861

13. Concentration of Credit Risks

The Company s primary market areas are in central Arkansas, north central Arkansas, southern Arkansas, central Florida, southwest Florida, the Florida Panhandle, the Florida Keys (Monroe County) and Baldwin County, Alabama. The Company primarily grants loans to customers located within these geographical areas unless the borrower has an established relationship with the Company.

The diversity of the Company s economic base tends to provide a stable lending environment. Although the Company has a loan portfolio that is diversified in both industry and geographic area, a substantial portion of its debtors ability to honor their contracts is dependent upon real estate values, tourism demand and the economic conditions prevailing in its market areas.

14. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses and certain concentrations of credit risk are reflected in Note 4, while deposit concentrations are reflected in Note 7.

Although the Company has a diversified loan portfolio, at March 31, 2012 and December 31, 2011, non-covered commercial real estate loans represented 59.7% and 61.9% of non-covered loans and 254.2% and 229.8% of total stockholders equity, respectively. Non-covered residential real estate loans represented 26.2% and 23.1% of non-covered loans and 111.7% and 85.7% of total stockholders equity at March 31, 2012 and December 31, 2011, respectively.

The current economic environment presents financial institutions with unprecedented circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses and capital that could negatively impact the Company s ability to meet regulatory capital requirements and maintain sufficient liquidity.

15. Commitments and Contingencies

In the ordinary course of business, the Company makes various commitments and incurs certain contingent liabilities to fulfill the financing needs of its customers. These commitments and contingent liabilities include lines of credit and commitments to extend credit and issue standby letters of credit. The Company applies the same credit policies and standards as it does in the lending process when making these commitments. The collateral obtained is based on the assessed creditworthiness of the borrower.

At March 31, 2012 and December 31, 2011, commitments to extend credit of $311.9 million and $292.4 million, respectively, were outstanding. A percentage of these balances is participated out to other banks; therefore, the Company can call on the participating banks to fund future draws. Since some of these commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Outstanding standby letters of credit are contingent commitments issued by the Company, generally to guarantee the performance of a customer in third-party borrowing arrangements. The term of the guarantee is dependent upon the credit worthiness of the borrower some of which are long-term. The amount of collateral obtained, if deemed necessary, is based on management s credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments. The maximum amount of future payments the Company could be required to make under these guarantees at March 31, 2012 and December 31, 2011, is $19.3 million and $22.8 million, respectively.

The Company and/or its subsidiary bank have various unrelated legal proceedings, most of which involve loan foreclosure activity pending, which, in the aggregate, are not expected to have a material adverse effect on the financial position and results of operations of the Company.

16. Regulatory Matters

The Bank is subject to a legal limitation on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. Arkansas bank regulators have specified that the maximum dividend limit state banks may pay to the parent company without prior approval is 75% of the current year earnings plus 75% of the retained net earnings of the preceding year. Since the Bank is also under supervision of the Federal Reserve, it is further limited if the total of all dividends declared in any calendar year by the Bank exceeds the Bank s net profits to date for that year combined with its retained net profits for the preceding two years. During the first quarter of 2012, the Company requested approximately $11.1 million in dividends from its banking subsidiary. This dividend is equal to approximately 75% of the current month earnings December through February from its banking subsidiary.

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The Federal Reserve Board s risk-based capital guidelines include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) and undercapitalized institution. The criteria for a well-capitalized institution are: a 5% Tier 1 leverage capital ratio, a 6% Tier 1 risk-based capital ratio, and a 10% total risk-based capital ratio. As of March 31, 2012, the Bank met the capital standards for a well-capitalized institution. The Company s Tier 1 leverage capital ratio, Tier 1 risk-based capital ratio, and total risk-based capital ratio were 11.47%, 15.01%, and 16.27%, respectively, as of March 31, 2012.

17. Additional Cash Flow Information

The following is summary of the Company s additional cash flow information during the three-month periods ended:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Interest paid	$ 7,067	$ 8,503
Income taxes paid	520	
Assets acquired by foreclosure	6,129	13,116

18. Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Available-for-sale securities are the only material instruments valued on a recurring basis which are held by the Company at fair value. The Company does not have any Level 1 securities. Primarily all of the Company s securities are considered to be Level 2 securities. These Level 2 securities consist primarily of U.S. government-sponsored enterprises, mortgage-backed securities plus state and political subdivisions. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond s terms and conditions, among other things. As of March 31, 2012, Level 3 securities were immaterial.

The Corporation reviews the prices supplied by the independent pricing service, as well as their underlying pricing methodologies, for reasonableness and to ensure such prices are aligned with traditional pricing matrices. In general, the Company does not purchase investment portfolio securities with complicated structures. Pricing for the Company s investment securities is fairly generic and is easily obtained. From time to time, the Company will validate, on a sample basis, prices supplied by the independent pricing service by comparison to prices obtained from third-party sources.

Impaired loans that are collateral dependent are the only material financial assets valued on a non-recurring basis which are held by the Company at fair value. Loan impairment is reported when full payment under the loan terms is not expected. Impaired loans are carried at the net realizable value of the collateral if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for loan losses to require increase, such increase is reported as a component of the provision for loan losses. The fair value of loans with specific allocated losses was $103.5 million and $104.4 million as of March 31, 2012 and December 31, 2011, respectively. This valuation is considered Level 3, consisting of appraisals of underlying collateral. The Company reversed approximately $50,000 of accrued interest receivable when non-covered impaired loans were put on non-accrual status during the three months ended March 31, 2012.

Foreclosed assets held for sale are the only material non-financial assets valued on a non-recurring basis which are held by the Company at fair value, less estimated costs to sell. At foreclosure, if the fair value, less estimated costs to sell, of the real estate acquired is less than the Company s recorded investment in the related loan, a write-down is recognized through a charge to the allowance for loan losses. Additionally, valuations are periodically performed by management and any subsequent reduction in value is recognized by a charge to income. The fair value of foreclosed assets held for sale is estimated using Level 3 inputs based on appraisals of underlying collateral. As of March 31, 2012 and December 31, 2011, the fair value of foreclosed assets held for sale not covered by loss share, less estimated costs to sell was $14.6 million and $16.7 million, respectively.

The significant unobservable (Level 3) inputs used in the fair value measurement of collateral for collateral-dependent impaired loans and foreclosed assets primarily relate to customized discounting criteria applied to the customer s reported amount of collateral. The amount of the collateral discount depends upon the condition and marketability of the underlying collateral. As the Corporation s primary objective in the event of default would be to monetize the collateral to settle the outstanding balance of the loan, less marketable collateral would receive a larger discount. During the reported periods, collateral discounts ranged from 20% to 50% for commercial and residential real estate collateral.

Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed in these notes:

Cash and cash equivalents and federal funds sold For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Loans receivable not covered by loss share, net of non-covered impaired loans and allowance For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are assumed to approximate the carrying amounts. The fair values for fixed-rate loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics.

Loans receivable covered by FDIC loss share Fair values for loans are based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and current discount rates. Loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns. The discount rate does not include a factor for credit losses as that has been included in the estimated cash flows.

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FDIC indemnification asset Although this asset is a contractual receivable from the FDIC, there is no effective interest rate. The Bank will collect this asset over the next several years. The amount ultimately collected will depend on the timing and amount of collections and charge-offs on the acquired assets covered by the loss sharing agreement. While this asset was recorded at its estimated fair value at acquisition date, it is not practicable to complete a fair value analysis on a quarterly or annual basis. This would involve preparing a fair value analysis of the entire portfolio of loans and foreclosed assets covered by the loss sharing agreement on a quarterly or annual basis in order to estimate the fair value of the FDIC indemnification asset.

Accrued interest receivable The carrying amount of accrued interest receivable approximates its fair value.

Deposits and securities sold under agreements to repurchase The fair values of demand, savings deposits and securities sold under agreements to repurchase are, by definition, equal to the amount payable on demand and therefore approximate their carrying amounts. The fair values for time deposits are estimated using a discounted cash flow calculation that utilizes interest rates currently being offered on time deposits with similar contractual maturities.

FHLB and other borrowed funds For short-term instruments, the carrying amount is a reasonable estimate of fair value. The fair value of long-term debt is estimated based on the current rates available to the Company for debt with similar terms and remaining maturities.

Accrued interest payable The carrying amount of accrued interest payable approximates its fair value.

Subordinated debentures The fair value of subordinated debentures is estimated using the rates that would be charged for subordinated debentures of similar remaining maturities.

Commitments to extend credit, letters of credit and lines of credit The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date.

The following table presents the estimated fair values of the Company s financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

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	March 31, 2012		
	Carrying Amount	Fair Value	Level
	(In thousands)		
Financial assets:			
Cash and cash equivalents	$ 346,238	$ 346,238	1
Federal funds sold	1,375	1,375	1
Loans receivable not covered by loss share, net of non-covered impaired loans and allowance	1,891,573	1,870,989	3
Loans receivable covered by FDIC loss share	455,435	455,435	3
FDIC indemnification asset	181,884	181,884	3
Accrued interest receivable	15,845	15,845	1
Financial liabilities:			
Deposits:			
Demand and non-interest bearing	$ 583,951	$ 583,951	1
Savings and interest-bearing transaction accounts	1,514,812	1,514,812	1
Time deposits	1,281,636	1,283,806	3
Federal funds purchased			N/A
Securities sold under agreements to repurchase	72,531	72,531	1
FHLB and other borrowed funds	142,753	149,852	2
Accrued interest payable	1,860	1,860	1
Subordinated debentures	44,331	46,998	3

	December 31, 2011		
	Carrying Amount	Fair Value	Level
	(In thousands)		
Financial assets:			
Cash and cash equivalents	$ 184,304	$ 184,304	1
Federal funds sold	1,100	1,100	1
Loans receivable not covered by loss share, net of non-covered impaired loans and allowance	1,603,606	1,587,453	3
Loans receivable covered by FDIC loss share	481,739	481,739	3
FDIC indemnification asset	193,856	193,856	3
Accrued interest receivable	15,551	15,551	1
Financial liabilities:			
Deposits:			
Demand and non-interest bearing	$ 464,581	$ 464,581	1
Savings and interest-bearing transaction accounts	1,189,098	1,189,098	1
Time deposits	1,204,352	1,209,689	3
Federal funds purchased			N/A
Securities sold under agreements to repurchase	62,319	62,319	1
FHLB and other borrowed funds	142,777	150,789	2
Accrued interest payable	2,125	2,125	1
Subordinated debentures	44,331	47,109	3

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19. Recent Accounting Pronouncements

In May 2011, the FASB issued an update, ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which expands the disclosure requirements around fair value measurements categorized in Level 3 of the fair value hierarchy and requires disclosure of the level in the fair value hierarchy of items that are not measured at fair value but whose fair value must be disclosed. It also clarifies and expands upon existing requirements for fair value measurements of financial assets and liabilities as well as instruments classified in shareholders equity. The guidance is effective for interim and annual financial periods beginning after December 15, 2011. The adoption of the update did not have a material effect on the Company s consolidated financial statements, but the additional disclosures are included in Note 18.

In June 2011, the FASB issued an update, ASU 2011-05, *Presentation of Comprehensive Income*, which revises the manner in which entities present comprehensive income in their financial statements. This update requires that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update also requires that reclassification adjustments for items that are reclassified from other comprehensive income to net income be presented on the face of the financial statements. Additionally, the standard does not affect the calculation or reporting of earnings per share. This guidance is effective for interim and annual financial periods beginning after December 15, 2011 and is to be applied retrospectively, with early adoption permitted. The adoption of the update did not have a material effect on the Company s consolidated financial statements at the date of adoption. The Company has presented condensed consolidated statements of comprehensive income for the three months ended March 31, 2012 and 2011 as a separate statement immediately following the condensed consolidated statements of income for the three months ended March 31, 2012 and 2011.

In December 2011, the FASB issued an update, ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05*, which deferred the requirement that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. The deferral will not affect the requirement that companies present items of net income, other comprehensive income and total comprehensive income in either one continuous statement or two consecutive statements. This guidance is effective for interim and annual financial periods beginning after December 15, 2011, with early adoption permitted. This update is effective concurrent with ASU 2011-05, *Presentation of Comprehensive Income,* and will not have a material effect on the Company s consolidated financial statements at the date of adoption.

Presently, the Company is not aware of any other changes from the Financial Accounting Standards Board that will have a material impact on the Company s present or future financial statements.

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Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders

Home BancShares, Inc.

Conway, Arkansas

We have reviewed the accompanying condensed consolidated balance sheet of Home BancShares, Inc. as of March 31, 2012, and the related condensed consolidated statements of income, comprehensive income, stockholders equity and cash flows for the three-month periods ended March 31, 2012 and 2011. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2011, and the related consolidated statements of income, stockholders equity and cash flows for the year then ended (not presented herein); and in our report dated March 5, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2011, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ BKD, LLP

Little Rock, Arkansas

May 8, 2012

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Item 2: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
The following discussion should be read in conjunction with our Form 10-K, filed with the Securities and Exchange Commission on March 5, 2012, which includes the audited financial statements for the year ended December 31, 2011. *Unless the context requires otherwise, the terms Company , us , we , and our refer to Home BancShares, Inc. on a consolidated basis.*

General

We are a bank holding company headquartered in Conway, Arkansas, offering a broad array of financial services through our wholly owned bank subsidiary, Centennial Bank. As of March 31, 2012, we had, on a consolidated basis, total assets of $4.15 billion, loans receivable of $2.50 billion, total deposits of $3.38 billion, and stockholders equity of $480.5 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 March 31,	
	2012	2011
	(Dollars in thousands, except per share data)	
Total assets	$ 4,147,952	$ 3,703,780
Loans receivable not covered by loss share	2,046,108	1,849,302
Loans receivable covered by FDIC loss share	455,435	566,463
Total deposits	3,380,399	2,917,531
Total stockholders equity	480,535	488,325
Net income	14,498	12,716
Net income available to common stockholders	14,498	12,046
Basic earnings per common share	0.51	0.42
Diluted earnings per common share	0.51	0.42
Diluted earnings per common share excluding intangible amortization (1)	0.52	0.44
Annualized net interest margin FTE	4.65%	4.61%
Efficiency ratio	49.75	50.68
Annualized return on average assets	1.52	1.40
Annualized return on average common equity	12.21	11.35

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

Overview

Results of Operations for Three Months Ended March 31, 2012 and 2011

Our net income increased 14.0% to $14.5 million for the three-month period ended March 31, 2012, from $12.7 million for the same period in 2011. On a diluted earnings per share basis, our earnings were $0.51 and $0.42 for the three-month periods ended March 31, 2012 and 2011, respectively. The $1.8 million increase in net income is primarily associated with additional net interest income resulting from our 2012 Vision acquisition combined with a 4 basis point increase in net interest margin, no provision for loan losses as a result of improved asset quality, additional non-interest income from Vision offset by $1.7 million of merger expenses, the expected reduction in income from FDIC indemnification accretion and increased costs associated with the asset growth from the Vision acquisition.

Our annualized return on average assets was 1.52% for the three months ended March 31, 2012, compared to 1.40% for the same period in 2011. Our annualized return on average common equity was 12.21% for the three months ended March 31, 2012, compared to11.35% 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 March 31, 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 March 31, 2012, compared to 4.61% for the same period in 2011. Our ability to improve pricing on our loan portfolio and interest bearing deposits allowed the Company to expand net interest margin. Our FDIC-assisted acquisitions have helped improve the yield on the loan portfolio. For the three months ended the effective yield on non-covered loans and covered loans was 6.21% and 7.78%, respectively.

Our core efficiency ratio was 46.12% for the three months ended March 31, 2012, compared to 51.19% for the same period in 2011. The improvement in the core efficiency ratio is primarily associated with increased additional net interest income resulting from our 2012 Vision acquisition combined with a 4 basis point increase in net interest margin, additional non-interest income from Vision offset by $1.7 million of merger expenses, the expected reduction in income from FDIC indemnification accretion and increased costs associated with the asset growth from the Vision acquisition.

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

Our total assets as of March 31, 2012 increased $543.8 million to $4.15 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 March 31, 2012 increased $14.3 million, an annualized improvement of 1.60%. Our loan portfolio not covered by loss share increased by $286.0 million to $2.05 billion as of March 31, 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 $54.3 million, an annualized reduction of 12.4%. Our loan portfolio covered by loss share decreased by $26.3 million, an annualized reduction of 22.0%, to $455.4 million as of March 31, 2012, from $481.7 million as of December 31, 2011. Stockholders equity increased $6.5 million to $480.5 million as of March 31, 2012, compared to $474.1 million as of December 31, 2011. The annualized improvement in stockholders equity for the first three months of 2012 was 5.5%. 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 $13.9 million of comprehensive income less the $2.8 million of dividends paid for 2012 and the $5.2 million used to repurchase 205,600 shares of common stock.

As of March 31, 2012, our non-performing non-covered loans increased to $27.7 million, or 1.35%, 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 as a percent of non-performing loans decreased to 184.1% as of March 31, 2012, compared to 189.6% as of December 31, 2011. Non-performing non-covered loans in Arkansas were $6.4 million at March 31, 2012 compared to $7.8 million as of December 31, 2011. Non-performing non-covered loans in Florida were $21.3 million at March 31, 2012 compared to $19.7 million as of December 31, 2011. As of March 31, 2012, no loans acquired in the Vision transaction were non-performing.

As of March 31, 2012, our non-performing non-covered assets improved to $42.4 million, or 1.22%, 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 $18.1 million at March 31, 2012 compared to $20.0 million as of December 31, 2011. Non-performing non-covered assets in Florida were $24.3 million at March 31, 2012 compared to $24.2 million as of December 31, 2011. As of March 31, 2012, no assets acquired in the Vision transaction 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.

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.

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.

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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. 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.

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 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 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 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. After the Vision acquisition the Company now has 47 branches in Arkansas, 48 branches in Florida and 8 branches in Alabama. The Company expects two strategic branch closures during the third quarter of 2012 associated with the acquisition of Vision.

Results of Operations

For Three Months Ended March 31, 2012 and 2011

Our net income increased 14.0% to $14.5 million for the three-month period ended March 31, 2012, from $12.7 million for the same period in 2011. On a diluted earnings per share basis, our earnings were $0.51 and $0.42 for the three-month periods ended March 31, 2012 and 2011, respectively. The $1.8 million increase in net income is primarily associated with increased additional net interest income resulting from our 2012 Vision acquisition combined with a 4 basis point increase in net interest margin, no provision for loan losses as a result of improved asset quality, additional non-interest income from Vision offset by $1.7 million of merger expenses, the expected reduction in income from FDIC indemnification accretion and increased costs associated with the asset growth from the Vision acquisition.

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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.

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 $2.0 million, or 5.7%, to $37.6 million for the three-month period ended March 31, 2012, from $35.6 million for the same period in 2011. This increase in net interest income was the result of a $240,000 increase in interest income combined with a $1.8 million decrease in interest expense. The $240,000 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 $339,000, while the repricing of our earning assets resulted in a $99,000 decrease in interest income for the three-month period ended March 31, 2012. The $1.8 million decrease in interest expense for the three-month period ended March 31, 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 $1.4 million decrease in interest expense. The higher level of our interest bearing liabilities resulted in additional interest expense of $405,000.

Net interest margin, on a fully taxable equivalent basis, was 4.65% for the three months ended March 31, 2012 compared to 4.61% for the same periods in 2011, respectively. The Company has worked diligently to improve pricing on the loan portfolio and interest bearing deposits during this lower rate environment. Our ability to improve pricing plus the growth associated with the Vision acquisition allowed the Company to expand net interest margin. The effective yield on non-covered loans at March 31, 2012 and 2011 was 6.21% and 6.38%, respectively. The effective yield on covered loans at March 31, 2012 and 2011 was 7.78% and 6.90%, 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 periods ended March 31, 2012 and 2011, as well as changes in fully taxable equivalent net interest margin for the three-month periods ended March 31, 2012, compared to the same period in 2011.

Table 1: Analysis of Net Interest Income

	Three Months Ended March 31, 2012	2011
	(Dollars in thousands)	
Interest income	$ 42,988	$ 42,755
Fully taxable equivalent adjustment	1,115	1,108
Interest income fully taxable equivalent	44,103	43,863
Interest expense	6,454	8,228
Net interest income fully taxable equivalent	$ 37,649	$ 35,635
Yield on earning assets fully taxable equivalent	5.44%	5.68%
Cost of interest-bearing liabilities	0.92	1.20
Net interest spread fully taxable equivalent	4.52	4.48
Net interest margin fully taxable equivalent	4.65	4.61

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

	Three Months Ended March 31, 2012 vs. 2011 (In thousands)
Increase (decrease) in interest income due to change in earning assets	$ 339
Increase (decrease) in interest income due to change in earning asset yields	(99)
(Increase) decrease in interest expense due to change in interest-bearing liabilities	405
(Increase) decrease in interest expense due to change in interest rates paid on interest-bearing liabilities	1,369
Increase (decrease) in net interest income	$ 2,014

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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 periods ended March 31, 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 March 31,					
	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	$ 151,569	$ 85	0.23%	$ 184,750	$ 105	0.23%
Federal funds sold	2,964	2	0.27	16,441	7	0.17
Investment securities taxable	568,890	2,860	2.02	345,053	2,160	2.54
Investment securities non-taxable	151,289	2,495	6.63	148,292	2,474	6.77
Loans receivable	2,384,860	38,661	6.52	2,438,832	39,117	6.50
Total interest-earning assets	3,259,572	44,103	5.44	3,133,368	43,863	5.68
Non-earning assets	567,043			560,195		
Total assets	$ 3,826,615			$ 3,693,563		
LIABILITIES AND STOCKHOLDERS EQUITY						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	$ 1,328,139	$ 1,011	0.31%	$ 1,106,343	$ 1,447	0.53%
Time deposits	1,241,210	3,649	1.18	1,402,558	4,813	1.39
Total interest-bearing deposits	2,569,349	4,660	0.73	2,508,901	6,260	1.01
Federal funds purchased	382		0.00			0.00
Securities sold under agreement to repurchase	69,051	110	0.64	71,057	139	0.79
FHLB borrowed funds	142,761	1,160	3.27	159,178	1,291	3.29
Subordinated debentures	44,331	524	4.75	44,331	538	4.92
Total interest-bearing liabilities	2,825,874	6,454	0.92	2,783,467	8,228	1.20
Non-interest bearing liabilities						
Non-interest bearing deposits	497,634			407,126		
Other liabilities	25,563			23,031		
Total liabilities	3,349,071			3,213,624		
Stockholders equity	477,544			479,939		
Total liabilities and stockholders equity	$ 3,826,615			$ 3,693,563		
Net interest spread			4.52%			4.48%
Net interest income and margin		$ 37,649	4.65%		$ 35,635	4.61%

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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 period ended March 31, 2012 compared to the same period 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 March 31, 2012 over 2011		
	Volume	Yield/Rate	Total
		(In thousands)	
Increase (decrease) in:			
Interest income:			
Interest-bearing balances due from banks	$ (19)	$ (1)	$ (20)
Federal funds sold	(8)	3	(5)
Investment securities taxable	1,189	(489)	700
Investment securities non-taxable	49	(28)	21
Loans receivable	(872)	416	(456)
Total interest income	339	(99)	240
Interest expense:			
Interest-bearing transaction and savings deposits	251	(687)	(436)
Time deposits	(519)	(645)	(1,164)
Federal funds purchased			
Securities sold under agreement to repurchase	(4)	(25)	(29)
FHLB borrowed funds	(133)	2	(131)
Subordinated debentures		(14)	(14)
Total interest expense	(405)	(1,369)	(1,774)
Increase (decrease) in net interest income	$ 744	$ 1,270	$ 2,014

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 Florida, these declines have been addressed in our assessment of the adequacy of the allowance for loan losses.

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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 March 31, 2012 were 27.7 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 provision was zero for the three months ended March 31, 2012 and $1.3 million for the same period in 2011.

Our provision for loan losses decreased $1.3 million, or 100.0% to zero for the three-month period ended March 31, 2012, from $1.3 million for the same period in 2011. The net loans charged off for the three-month period ended March 31, 2012 were $1.1 million compared to $1.0 million for the same period in 2011. The allowance for loan losses to total non-covered loans was 2.49% and 2.96% at March 31, 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 3.01% which is a 5 basis points higher when compared to 2.96% at December 31, 2011. The allowance for loan losses was deemed adequate for the first 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.

Of the $1.1 million net charged off for the impaired loans, approximately $406,000 is from our Florida market. The remaining $709,000 predominately relate to net charge-offs on loans in our Arkansas market. See Allowance for Loan Losses in the Management s Discussion and Analysis for an additional discussion of Arkansas and Florida charge-offs.

Non-Interest Income

Total non-interest income was $10.1 million for the three-month period ended March 31, 2012 compared to $10.0 million for the same period 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 periods ended March 31, 2012 and 2011, respectively, as well as changes for the three-month periods ended March 31, 2012 compared to the same period in 2011.

Table 5: Non-Interest Income

	Three Months Ended March 31,		2012 Change from 2011	
	2012	2011		
	(Dollars in thousands)			
Service charges on deposit accounts	$ 3,505	$ 3,151	$ 354	11.2%
Other service charges and fees	3,024	2,284	740	32.4
Mortgage lending income	904	645	259	4.02
Insurance commissions	551	607	(56)	(9.2)
Income from title services	88	91	(3)	(3.3)
Increase in cash value of life insurance	257	239	18	7.5
Dividends from FHLB, FRB & bankers bank	175	141	34	24.1
Gain on sale of SBA loans		259	(259)	(100.0)
Gain (loss) on sale of premises and equipment, net		(4)	4	(100.0)
Gain (loss) on OREO, net	(107)	(94)	(13)	13.8
Gain (loss) on securities, net	19		19	100.0
FDIC indemnification accretion	670	1,837	(1,167)	(63.5)
Other income	1,017	884	133	15.0
Total non-interest income	$ 10,103	$ 10,040	$ 63	0.6%

Non-interest income increased $63,000, or 0.6%, to $10.1 million for the three-month period ended March 31, 2012 from $10.0 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 and other income offset by the expected reduction in income from FDIC indemnification accretion and no gain on sale of SBA loans during 2012.

Additional details on the improvements are as follows:

Of the $354,000 increase in service charges on deposit accounts, our acquisition of Vision Bank accounted for $242,000 of the increase. The remaining increase is related to organic growth of our bank subsidiary and an improved fee process.

Of the $740,000 increase in other service charges and fees, our acquisition of Vision Bank accounted for $50,000 of the increase. The remaining increase is primarily the result of an increased volume in our inter-change transactions and the associated processing fees. During the first quarter of 2012 we had approximately 4.0 million inter-change transactions compared to approximately 3.0 million transactions during the first quarter of 2011. These volume increases were made possible with the conversion of our FDIC acquisitions of Coastal-Bayside, Wakulla and Gulf State during March 2011 and February 2011. Additionally, as a result of new debit and credit cards being issued and increased transaction activity we received an annual rebate from our processor of approximately $146,000 during the first quarter of 2012.

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Of the $259,000 increase in mortgage lending income, our acquisition of Vision accounted for $33,000 of the increase. The remaining increase is related to increased mortgage lending activities resulting from the historically low rate environment during the first quarter of 2012.

Of the $133,000 increase in other income, our acquisition of Vision accounted for $32,000 of the increase. The remaining increase is primarily related to new rental income. In the Florida Keys we were able to lease out part of our excess facilities capacity resulting in $69,000 of income for the first quarter of 2012. This lease is expected to produce approximately $246,000 of rental income during 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 period ended March 31, 2012 and 2011, as well as changes for the three-month period ended March 31, 2012 compared to the same period in 2011.

Table 6: Non-Interest Expense

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	2012 Change from 2011	
	(Dollars in thousands)			
Salaries and employee benefits	$ 11,386	$ 11,078	$ 308	2.8%
Occupancy and equipment	3,431	3,713	(282)	(7.6)
Data processing expense	1,091	1,285	(194)	(15.1)
Other operating expenses:				
Advertising	460	998	(538)	(53.9)
Merger and acquisition expenses	1,692	11	1,681	15,281.8
Amortization of intangibles	630	713	(83)	(11.6)
Electronic banking expense	793	659	134	20.3
Directors fees	212	185	27	14.6
Due from bank service charges	116	140	(24)	(17.1)
FDIC and state assessment	638	1,093	(455)	(41.6)
Insurance	401	371	30	8.1
Legal and accounting	322	447	(125)	(28.0)
Other professional fees	498	413	85	20.6
Operating supplies	264	289	(25)	(8.7)
Postage	221	245	(24)	(9.8)
Telephone	246	263	(17)	(6.5)
Other expense	1,985	1,958	27	1.4

Total non-interest expense	$ 24,386	$ 23,861	$ 525	2.2%

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Non-interest expense increased $525,000, or 2.2%, to $24.4 million for the three-month period ended March 31, 2012, from $23.9 million for the same period in 2011. Excluding the merger and acquisition expenses, non-interest expense decreased $1.2 million or 4.8% when compared to the first quarter of 2011. The primary factors that resulted in the decrease include:

A $308,000 increase in salaries and employee benefits primarily resulting from additional personnel costs associated with the acquisition of Vision on February 16, 2012.

A $282,000 improvement in occupancy and equipment costs. Excluding the acquisition of 17 Vision branch locations on February 16, 2012, there would have been a $419,000 improvement in occupancy and equipment costs. This cost improvement is primarily due to strategically closing ten branches during 2011.

A $194,000 reduction of data processing expense. Excluding the acquisition of 17 Vision branch locations on February 16, 2012, there would have been a $323,000 improvement in data processing expense. This cost improvement is primarily due to the previously discussed branch closures during 2011.

A $538,000 decrease in advertising is primarily the result of management at its discretion deciding to spend a reduced amount of advertising during the first quarter of 2012.

A $134,000 increase in electronic banking expense of which approximately $95,000 is a direct result of the addition of Vision on February 16, 2012.

A $455,000 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.

Income Taxes

The provision for income taxes increased $1.0 million, or 15.0%, to $7.8 million for the three-month period ended March 31, 2012, from $6.7 million as of March 31, 2011. The effective income tax rate was 34.8% for the three-month period ended March 31, 2012, compared to 34.6% for the same period 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 March 31, 2012 and December 31, 2011

Our total assets as of March 31, 2012 increased $543.8 million to $4.15 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 March 31, 2012 increased $14.3 million, an annualized improvement of 1.60%. Our loan portfolio not covered by loss share increased by $286.0 million to $2.05 billion as of March 31, 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 $54.3 million, an annualized reduction of 12.4%. Our loan portfolio covered by loss share decreased by $26.3 million, an annualized reduction of 22.0%, to $455.4 million as of March 31, 2012, from $481.7 million as of December 31, 2011. Stockholders equity increased $6.5 million to $480.5 million as of March 31, 2012, compared to $474.1 million as of December 31, 2011. The annualized improvement in stockholders equity for the first three months of 2012 was 5.5%. 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 $13.9 million of comprehensive income less the $2.8 million of dividends paid for 2012 and the $5.2 million used to repurchase 205,600 shares of common stock.

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Loans Receivable Not Covered by Loss Share

Our non-covered loan portfolio averaged $1.91 billion and $1.87 billion during the three-month periods ended March 31, 2012 and 2011, respectively. Non-covered loans were $2.05 billion as of March 31, 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 $54.3 million, an annualized reduction of 12.4%. 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.

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 and southwest Florida, and are generally secured by residential or commercial real estate or business or personal property within our market areas.

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 14.4% of our loan portfolio not covered by loss share. As of March 31, 2012, no loans acquired in the Vision transaction were non-performing.

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 March 31, 2012	As of December 31, 2011
	(In thousands)	
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	$ 780,520	$ 698,986
Construction/land development	413,093	361,846
Agricultural	28,120	28,535
Residential real estate loans:		
Residential 1-4 family	471,439	349,543
Multifamily residential	65,226	56,909
Total real estate	1,758,398	1,495,819
Consumer	38,254	37,923
Commercial and industrial	196,165	176,276
Agricultural	21,275	21,784
Other	32,016	28,284
Loans receivable not covered by loss share	$ 2,046,108	$ 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 March 31, 2012, non-covered commercial real estate loans totaled $1.22 billion, or 59.7% 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 $27.2 million. This decrease is primarily related to normal loan pay downs combined with limited loan demand. Excluding the acquisition of Vision, our legacy Florida non-covered commercial real estate loans are approximately 8.8% of our non-covered loan portfolio.

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 March 31, 2012, non-covered residential real estate loans totaled $536.7 million, or 26.2% 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 decreased by approximately $12.7 million. This decrease is primarily related to normal loan pay downs combined with limited loan demand. Excluding the acquisition of Vision, our legacy Florida non-covered residential real estate loans are approximately 4.0% of our non-covered loan portfolio.

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 March 31, 2012, our non-covered consumer loan portfolio totaled $38.3 million, or 1.9% 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 $3.0 million. This decrease is associated with normal payoffs and pay downs combined with limited loan demand. Excluding the acquisition of Vision, our legacy Florida non-covered consumer loans are approximately 0.8% of our non-covered loan portfolio.

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 March 31, 2012, non-covered commercial and industrial loans outstanding totaled $196.2 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 $10.0 million. This decrease is primarily related to normal loan pay downs combined with limited loan demand. Excluding the acquisition of Vision, our legacy Florida non-covered commercial and industrial loans are approximately 0.6% of our non-covered loan portfolio.

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Total Loans Receivable

Table 8 presents total loans receivable by category.

Table 8: Total Loans Receivable

As of March 31, 2012

	Loans Receivable Not Covered by Loss Share	Loans Receivable Covered by FDIC Loss Share	Total Loans Receivable
		(In thousands)	
Real estate:			
Commercial real estate loans			
Non-farm/non-residential	$ 780,520	$ 179,360	$ 959,880
Construction/land development	413,093	99,996	513,089
Agricultural	28,120	3,092	31,212
Residential real estate loans			
Residential 1-4 family	471,439	139,819	611,258
Multifamily residential	65,226	9,077	74,303
Total real estate	1,758,398	431,344	2,189,742
Consumer	38,254	549	38,803
Commercial and industrial	196,165	22,843	219,008
Agricultural	21,275		21,275
Other	32,016	699	32,715
Total	$ 2,046,108	$ 455,435	$ 2,501,543

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 March 31, 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 March 31, 2012	As of December 31, 2011
	(Dollars in thousands)	
Non-accrual non-covered loans	$ 27,425	$ 26,496
Non-covered loans past due 90 days or more (principal or interest payments)	289	993
Total non-performing non-covered loans	27,714	27,489
Other non-performing non-covered assets		
Non-covered foreclosed assets held for sale, net	14,634	16,660
Other non-performing non-covered assets	71	8
Total other non-performing non-covered assets	14,705	16,668
Total non-performing non-covered assets	$ 42,419	$ 44,157
Allowance for loan losses to non-performing non-covered loans	184.07%	189.64%
Non-performing non-covered loans to total non-covered loans	1.35	1.56
Non-performing non-covered assets to total non-covered assets	1.22	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. The Florida franchise contains approximately 76.8% and 71.5% of our non-performing non-covered loans as of March 31, 2012 and December 31, 2011, respectively.

Total non-performing non-covered loans were $27.7 million as of March 31, 2012, compared to $27.5 million as of December 31, 2011 for an increase of $225,000. Of the $225,000 increase in non-performing loans, $1.4 million is from a decrease in non-performing loans in our Arkansas market and $1.6 million from an increase in non-performing loans in our Florida market. Non-performing loans at March 31, 2012 are $6.4 million and $21.3 million in the Arkansas and Florida markets, respectively.

Since December 31, 2007, the weakened real estate market, particularly in Florida, has and may continue to increase our level of non-performing non-covered loans. While we believe our allowance for loan losses is adequate at March 31, 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 throughout the remainder of 2012. 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 March 31, 2012, we had $41.6 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 10. Our Florida market contains $24.2 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 had been increasing through 2010 as the Bank continued to work with borrowers who were experiencing financial difficulties. This appears to be a strategy which has proven successful as the amount of troubled debt restructurings has declined by 9.2% from $53.3 million at December 31, 2011 to $48.4 million at March 31, 2012. 86.0% and 88.6% of all restructured loans were performing to the terms of the restructure as of March 31, 2012 and December 31, 2011, respectively.

Total foreclosed assets held for sale not covered by loss share were $14.6 million as of March 31, 2012, compared to $16.7 million as of December 31, 2011 for a decrease of $2.1 million. The foreclosed assets held for sale not covered by loss share are comprised of $2.9 million of assets located in Florida with the remaining $11.7 million of assets located in Arkansas.

During the first quarter 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 March 31, 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 March 31, 2012, total foreclosed assets held for sale were $54.4 million. Table 10 shows the summary of foreclosed assets held for sale as of March 31, 2012 and December 31, 2011.

Table 10: Total Foreclosed Assets Held For Sale

	As of March 31, 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	$ 7,001	$ 12,968	$ 19,969	$ 8,159	$ 10,166	$ 18,325
Construction/land development	3,806	15,414	19,220	4,822	14,796	19,618
Agricultural	525	599	1,124	525	599	1,124
Residential real estate loans						
Residential 1-4 family	3,302	10,763	14,065	3,154	9,617	12,771
Total foreclosed assets held for sale	$ 14,634	$ 39,744	$ 54,378	$ 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 March 31, 2012, average non-covered impaired loans were $137.3 million compared to $111.8 million as of December 31, 2011. The adoption of ASU No. 2011-02 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 March 31, 2012, non-covered impaired loans were $136.6 million compared to $138.0 million as of December 31, 2011 for a decrease of $1.4 million. This decrease is the result of fewer loans classified as TDRs during the first quarter of 2012 when compared to December 31, 2011. As of March 31, 2012, our Florida market accounted for $56.8 million of the non-covered impaired loans.

We evaluated loans purchased in conjunction with the acquisitions of Old Southern, Key West, Coastal-Bayside, Wakulla and Gulf State 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 March 31, 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.

Past Due and Non-Accrual Loans

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

Table 11: Total Non-Accrual Loans

	As of March 31, 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	$ 7,059	$	$ 7,059	$ 7,055	$	$ 7,055
Construction/land development	1,970		1,970	2,226		2,226
Agricultural	168		168	178		178
Residential real estate loans						
Residential 1-4 family	14,062		14,062	12,867		12,867
Total real estate	23,259		23,259	22,326		22,326
Consumer	974		974	1,369		1,369
Commercial and industrial	1,634		1,634	1,598		1,598
Other	1,558		1,558	1,203		1,203
Total non-accrual loans	$ 27,425	$	$ 27,425	$ 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 $437,000 and $661,000 for the three-month periods ended March 31, 2012 and 2011, would have been recorded. The interest income recognized on the non-covered non-accrual loans for the three-month periods ended March 31, 2012 and 2011 was considered immaterial.

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

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

	As of March 31, 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	$ 66	$ 25,511	$ 25,577	$	$ 34,765	$ 34,765
Construction/land development	147	41,279	41,426		42,808	42,808
Agricultural		434	434		328	328
Residential real estate loans						
Residential 1-4 family	11	27,591	27,602	750	35,452	36,202
Multifamily residential		2,018	2,018	92		92

Total real estate	224	96,833	97,057	842	113,353	114,195
Consumer	65	465	530	132	265	397
Commercial and industrial		3,684	3,684	19	4,995	5,014
Other		24	24			
Total loans accruing past due 90 days or more	$ 289	$ 101,006	$ 101,295	$ 993	$ 118,613	$ 119,606

The Company s total past due and non-accrual covered loans to total covered loans was 22.2% as of March 31, 2012.

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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.

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 $1.5 million for the three months ended March 31, 2012, compared to $1.6 million for the same period in 2011. Total recoveries decreased to $354,000 for the three months ended March 31, 2012, compared to $615,000 for the same period in 2011. For the three months ended March 31, 2012, the net charge-offs were $709,000 for Arkansas and $406,000 for Florida, respectively, equaling a net charge-off position of $1.1 million.

During the first quarter of 2012, the $1.5 million in charge-offs and $354,000 in recoveries consisted of many relationships with no individual relationship consisting of charge-offs or recoveries 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 as of and for the three-month periods ended March 31, 2012 and 2011.

Table 13: Analysis of Allowance for Loan Losses

	Three Months Ended March 31, 2012	2011
	(Dollars in thousands)	
Balance, beginning of period	$ 52,129	$ 53,348
Loans charged off		
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	59	16
Construction/land development	46	3
Agricultural		
Residential real estate loans:		
Residential 1-4 family	620	29
Multifamily residential	95	
Total real estate	820	48
Consumer	201	1,480
Commercial and industrial	206	94
Agricultural		
Other	242	
Total loans charged off	1,469	1,622
Recoveries of loans previously charged off		
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	13	73
Construction/land development	4	2
Agricultural	11	17
Residential real estate loans:		
Residential 1-4 family	40	230
Multifamily residential		
Total real estate	68	322
Consumer	52	136
Commercial and industrial	80	157
Agricultural		
Other	154	
Total recoveries	354	615
Net loans charged off	1,115	1,007
Provision for loan losses		1,250
Balance, March 31	$ 51,014	$ 53,591
Discount on non-covered loans acquired	17,154	2,023
Net charge-offs to average non-covered loans	0.23%	0.22%
Allowance for loan losses to period end non-covered loans	2.49	2.90
Allowance for loan losses plus acquisition discount to period	3.30	3.00

end total non-covered loans plus acquisition discount		
Allowance for loan losses to net charge-offs	1,138	1,312

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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 March 31, 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 as of March 31, 2012 and December 31, 2011.

Table 14: Allocation of Allowance for Loan Losses

	As of March 31, 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	$ 18,588	38.1%	$ 20,160	39.7%
Construction/land development	9,408	20.2	7,945	20.6
Agricultural	191	1.4	208	1.6
Residential real estate loans:				
Residential 1-4 family	10,008	23.0	9,586	19.9
Multifamily residential	2,689	3.2	2,610	3.2
Total real estate	40,884	85.9	40,509	85.0
Consumer	1,667	1.9	1,780	2.2
Commercial and industrial	6,944	9.6	6,308	10.0
Agricultural	1,433	1.0	1,478	1.2
Other		1.6		1.6
Unallocated	86		2,054	
Total	$ 51,014	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 March 31, 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 $760.0 million as of March 31, 2012, compared to $671.2 million as of December 31, 2011. The estimated effective duration of our securities portfolio was 2.4 years as of March 31, 2012.

As of March 31, 2012, $180.8 million, or 23.8%, 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, $168.6 million, or 22.2%, of our available-for-sale securities portfolio as of March 31, 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 $394.2 million, or 51.9%, invested in obligations of U.S. Government-sponsored enterprises as of March 31, 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 $3.07 billion for the three-month period ended March 31, 2012. Total deposits increased $522.4 million, or an increase of 18.3%, to $3.38 billion as of March 31, 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 $2.1 million, an annualized reduction of 0.3%. 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 March 31, 2012 and December 31, 2011, brokered deposits were $133.7 million and $103.4 million, respectively. Included in these brokered deposits are $45.6 million and $41.9 million of Certificate of Deposit Account Registry Service (CDARS) as of March 31, 2012 and December 31, 2011, respectively. CDARS are deposits we have swapped our customer with other institutions. This gives our customer 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 periods ended March 31, 2012 and 2011.

Table 15: Average Deposit Balances and Rates

	Three Months Ended March 31,			
	2012		2011	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
	(Dollars in thousands)			
Non-interest-bearing transaction accounts	$ 497,634	%	$ 407,126	%
Interest-bearing transaction accounts	1,177,442	0.29	982,421	0.54
Savings deposits	150,697	0.45	123,922	0.46
Time deposits:				
$100,000 or more	741,063	1.34	833,392	1.18
Other time deposits	500,147	0.95	569,166	1.71
Total	$ 3,066,983	0.61%	$ 2,916,027	0.87%

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 increased $10.2 million, or 16.4%, from $62.3 million as of December 31, 2011 to $72.5 million as of March 31, 2012.

FHLB Borrowed Funds

Our FHLB borrowed funds were $142.8 million at both March 31, 2012 and December 31, 2011. All of the outstanding balance for March 31, 2012 and December 31, 2011 were issued as long-term advances. Our remaining FHLB borrowing capacity was $308.0 million and $468.8 million as of March 31, 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.

Subordinated Debentures

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

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.

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The Company holds $44.3 million of trust preferred securities which are currently callable without penalty based on the terms of the specific agreements.

Stockholders Equity

Stockholders equity was $480.5 million at March 31, 2012 compared to $474.1 million at December 31, 2011, an increase of 1.4%. As of March 31, 2012 and December 31, 2011 our equity to asset ratio was 11.6% and 13.2%, respectively. Book value per share was $17.11 at March 31, 2012 compared to $16.77 at December 31, 2011.

Common Stock Cash Dividends. We declared cash dividends on our common stock of $0.10 and 0.054 per share for the three-month periods ended March 31, 2012 and 2011, respectively. The common stock dividend payout ratio for the three months ended March 31, 2012 and 2011 was 19.51% and 12.09%, respectively.

Stock Repurchase Program. During the first quarter 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 quarter of 2012, the Company repurchased a total of 205,600 shares with a weighted average stock price of $25.29. The Company believes the stock repurchased at this price is an excellent investment. The first quarter earnings were used to fund this repurchase. Combining all the shares repurchased to date under the program will bring the total to 505,600 shares. The remaining balance available for repurchase is 682,400 shares at March 31, 2012.

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 March 31, 2012 and December 31, 2011, we met all regulatory capital adequacy requirements to which we were subject.

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

Table 16: Risk-Based Capital

	As of March 31, 2012	As of December 31, 2011
	(Dollars in thousands)	
Tier 1 capital		
Stockholders equity	$ 480,535	$ 474,066
Qualifying trust preferred securities	43,000	43,000
Goodwill and core deposit intangibles, net	(87,167)	(67,131)
Unrealized (gain) loss on available-for-sale securities	(7,448)	(8,004)
Total Tier 1 capital	428,920	441,931
Tier 2 capital		
Qualifying allowance for loan losses	35,902	32,670
Total Tier 2 capital	35,902	32,670
Total risk-based capital	$ 464,822	$ 474,601
Average total assets for leverage ratio	$ 3,739,448	$ 3,541,739
Risk weighted assets	$ 2,857,023	$ 2,594,155
Ratios at end of period		
Leverage ratio	11.47%	12.48%
Tier 1 risk-based capital	15.01	17.04
Total risk-based capital	16.27	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.

Non-GAAP Financial Measurements

We had $88.3 million, $68.3 million, and $70.4 million total goodwill, core deposit intangibles and other intangible assets as of March 31, 2012, December 31, 2011 and March 31, 2011, respectively. Because of our level of intangible assets and related amortization expenses, management believes diluted earnings per 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 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.

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Table 17: Diluted Earnings Per Share Excluding Intangible Amortization

	Three Months Ended March 31, 2012	2011
	(In thousands, except per share data)	
GAAP net income available to common stockholders	$ 14,498	$ 12,046
Intangible amortization after-tax	383	433
Earnings available to common stockholders excluding intangible amortization	$ 14,881	$ 12,479
GAAP diluted earnings per common share	$ 0.51	$ 0.42
Intangible amortization after-tax	0.01	0.02
Diluted earnings per common share excluding intangible amortization	$ 0.52	$ 0.44

Table 18: Tangible Book Value Per Share

	As of March 31, 2012	As of December 31, 2011
	(Dollars in thousands, except per share data)	
Book value per common share: A/B	$ 17.11	$ 16.77
Tangible book value per common share: (A-C-D)/B	13.96	14.35
(A) Total common equity	$ 480,535	$ 474,066
(B) Common shares outstanding	28,091	28,276
(C) Goodwill	$ 77,090	$ 59,663
(D) Core deposit and other intangibles	11,180	8,620

Table 19: Return on Average Assets Excluding Intangible Amortization

	Three Months Ended March 31, 2012	2011
	(Dollars in thousands)	
Return on average assets: A/C	1.52%	1.40%
Return on average assets excluding intangible amortization: B/(C-D)	1.60	1.47
(A) Net income available to all stockholders	$ 14,498	$ 12,716
Intangible amortization after-tax	383	433
(B) Earnings excluding intangible amortization	$ 14,881	$ 13,149
(C) Average assets	$ 3,826,615	$ 3,693,563
(D) Average goodwill, core deposits and other intangible assets	79,460	70,742

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

	Three Months Ended March 31, 2012	2011
	(Dollars in thousands)	
Return on average common equity: A/C	12.21%	11.35%
Return on average tangible common equity excluding intangible amortization: B/(C-D)	15.03	14.07
(A) Net income available to common stockholders	$ 14,498	$ 12,046
(B) Earnings available to common stockholders excluding intangible amortization	14,881	12,479
(C) Average common equity	477,544	430,465
(D) Average goodwill, core deposits and other intangible assets	79,460	70,742

Table 21: Tangible Equity to Tangible Assets

	As of March 31, 2012	As of December 31, 2011
	(Dollars in thousands)	
Equity to assets: B/A	11.58%	13.15%
Tangible equity to tangible assets: (B-D-E)/(A-D-E)	9.66	11.36
(A) Total assets	$ 4,147,952	$ 3,640,117
(B) Total equity	480,535	474,066
(D) Goodwill	77,090	59,663
(E) Core deposit and other intangibles	11,180	8,620

Recently Issued Accounting Pronouncements

See Note 19 to the Condensed Notes to Consolidated Financial Statements for a discussion of certain recently issued and recently adopted accounting pronouncements.

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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 March 31, 2012, our cash and cash equivalents were $346.2 million, or 8.3% 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 $761.3 million as of March 31, 2012 and $672.3 million as of December 31, 2011.

As of March 31, 2012 and December 31, 2011, $499.9 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 March 31, 2012, our total deposits were $3.38 billion, or 81.5% 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 March 31, 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 $142.8 million at both March 31, 2012 and December 31, 2011. All of the outstanding balances at March 31, 2012 and December 31, 2011 were issued as long-term advances. Our FHLB borrowing capacity was $308.0 million and $468.8 million as of March 31, 2012 and December 31, 2011.

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

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 March 31, 2012 was asset sensitive with a one-year cumulative repricing gap of 13.0%. 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 March 31, 2012.

Table 22: Interest Rate Sensitivity

	Interest Rate Sensitivity Period							
	0-30 Days	31-90 Days	91-180 Days	181-365 Days	1-2 Years	2-5 Years	Over 5 Years	Total
	(Dollars in thousands)							
Earning assets								
Interest-bearing deposits due from banks	$ 269,401	$	$	$	$	$	$	$ 269,401
Federal funds sold	1,375							1,375
Investment securities	42,834	60,965	34,074	84,578	75,310	147,658	314,540	759,959
Loans receivable	662,478	249,939	274,704	452,869	407,171	361,266	42,102	2,450,529
Total earning assets	976,088	310,904	308,778	537,447	482,481	508,924	356,642	3,481,264
Interest-bearing liabilities								
Interest-bearing transaction and savings deposits	47,338	94,675	142,013	284,025	260,144	232,441	454,176	1,514,812
Time deposits	137,996	219,815	321,758	330,228	166,443	105,279	117	1,281,636
Federal funds purchased								
Securities sold under repurchase agreements	61,651				1,451	4,352	5,077	72,531
FHLB borrowed funds	2,214	17	10,026	149	30,308	10,679	89,360	142,753
Subordinated debentures	28,867						15,464	44,331
Total interest- bearing liabilities	278,066	314,507	473,797	614,402	458,346	352,751	564,194	3,056,063
Interest rate sensitivity gap	$ 698,022	$ (3,603)	$ (165,019)	$ (76,955)	$ 24,135	$ 156,173	$ (207,552)	$ 425,201
Cumulative interest rate sensitivity gap	$ 698,022	$ 694,419	$ 529,400	$ 452,445	$ 476,580	$ 632,753	$ 425,201	
Cumulative rate sensitive assets to rate sensitive liabilities	351.0%	217.2%	149.6%	126.9%	122.3%	125.4%	113.9%	
Cumulative gap as a % of total earning assets	20.1%	19.9%	15.2%	13.0%	13.7%	18.2%	12.2%	

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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 March 31, 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)

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: May 8, 2012	/s/ C. Randall Sims C. Randall Sims, Chief Executive Officer
Date: May 8, 2012	/s/ Randy E. Mayor Randy E. Mayor, Chief Financial Officer

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