HOME BANCSHARES INC
Form 10-Q
May 06, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended March 31, 2011

or

o **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 incorporation or organization)	(I.R.S. Employer 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 þ No o

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 o No o

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ
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: 28,491,879 shares as of May 2, 2011.

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15 Awareness of Independent Registered Public Accounting Firm

31.1 CEO Certification Pursuant to 13a-14(a)/15d-14(a)

31.2 CFO Certification Pursuant to 13a-14(a)/15d-14(a)

32.1 CEO Certification Pursuant to 18 U.S.C. Section 1350

32.2 CFO Certification Pursuant to 18 U.S.C. Section 1350

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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, continue, expect, project, predict, estimate, could, shou expressions, you should consider them as identifying forward-looking 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 recently enacted 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 10, 2011.

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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, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and due from banks	$ 58,123	$ 49,927
Interest-bearing deposits with other banks	201,834	237,605
Cash and cash equivalents	259,957	287,532
Federal funds sold	1,175	27,848
Investment securities available for sale	510,019	469,864
Loans receivable not covered by loss share	1,849,302	1,892,374
Loans receivable covered by FDIC loss share	566,463	575,776
Allowance for loan losses	(53,591)	(53,348)
Loans receivable, net	2,362,174	2,414,802
Bank premises and equipment, net	90,413	81,939
Foreclosed assets held for sale not covered by loss share	17,877	11,626
Foreclosed assets held for sale covered by FDIC loss share	21,079	21,568
FDIC indemnification asset	224,075	227,258
Cash value of life insurance	51,815	51,970
Accrued interest receivable	15,337	16,176
Deferred tax asset, net	21,420	18,586
Goodwill	59,663	59,663
Core deposit and other intangibles	10,734	11,447
Other assets	58,042	62,367
Total assets	$ 3,703,780	$ 3,762,646
Liabilities and Stockholders Equity		
Deposits:		
Demand and non-interest-bearing	$ 447,245	$ 392,622
Savings and interest-bearing transaction accounts	1,112,948	1,108,309
Time deposits	1,357,338	1,460,867
Total deposits	2,917,531	2,961,798
Securities sold under agreements to repurchase	69,834	74,459
FHLB borrowed funds	150,247	177,270
Accrued interest payable and other liabilities	33,512	27,863
Subordinated debentures	44,331	44,331
Total liabilities	3,215,455	3,285,721

Stockholders equity:		
Preferred stock; $0.01 par value; 5,500,000 shares authorized:		
Series A fixed rate cumulative perpetual; liquidation preference of $1,000 per share; 50,000 shares issued and outstanding at March 31, 2011 and December 31, 2010	49,502	49,456
Common stock, par value $0.01; shares authorized 50,000,000; shares issued and outstanding 28,483,418 in 2011 and 28,452,411 in 2010	285	285
Capital surplus	433,130	432,962
Retained earnings (deficit)	4,428	(6,079)
Accumulated other comprehensive income	980	301
Total stockholders equity	488,325	476,925
Total liabilities and stockholders equity	$ 3,703,780	$ 3,762,646

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Income

(In thousands, except per share data(1))	Three Months Ended March 31, 2011	2010
	(Unaudited)	
Interest income:		
Loans	$ 38,955	$ 29,866
Investment securities		
Taxable	2,160	1,627
Tax-exempt	1,528	1,479
Deposits other banks	105	85
Federal funds sold	7	5
Total interest income	42,755	33,062
Interest expense:		
Interest on deposits	6,260	5,295
FHLB borrowed funds	1,291	2,177
Securities sold under agreements to repurchase	139	94
Subordinated debentures	538	597
Total interest expense	8,228	8,163
Net interest income	34,527	24,899
Provision for loan losses	1,250	3,100
Net interest income after provision for loan losses	33,277	21,799
Non-interest income:		
Service charges on deposit accounts	3,151	3,141
Other service charges and fees	2,284	1,638
Mortgage lending income	645	412
Mortgage servicing income		160
Insurance commissions	607	347
Income from title services	91	107
Increase in cash value of life insurance	239	428
Dividends from FHLB, FRB & bankers bank	141	126
Gain on acquisitions		9,334
Gain on sale of SBA loans	259	
Gain (loss) on sale of premises and equipment, net	(4)	207
Gain (loss) on OREO, net	(94)	159
Gain (loss) on securities, net		
FDIC indemnification accretion	1,837	73
Other income	884	513
Total non-interest income	10,040	16,645

Non-interest expense:		
Salaries and employee benefits	11,078	8,534
Occupancy and equipment	3,713	2,799
Data processing expense	1,285	862
Other operating expenses	7,785	6,360
Total non-interest expense	23,861	18,555
Income before income taxes	19,456	19,889
Income tax expense	6,740	7,008
Net income available to all stockholders	12,716	12,881
Preferred stock dividends and accretion of discount on preferred stock	670	670
Net income available to common stockholders	$ 12,046	$ 12,211
Basic earnings per common share	$ 0.42	$ 0.43
Diluted earnings per common share	$ 0.42	$ 0.43

(1) All per share amounts have been restated to reflect the effect of the 2010 10% stock dividend.

See Condensed Notes to Consolidated Financial Statements.

Home BancShares, Inc.
Consolidated Statements of Stockholders Equity
Three Months Ended March 31, 2011 and 2010

(In thousands, except share data(1))	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2010	$ 49,275	$ 257	$ 363,519	$ 51,746	$ 176	$ 464,973
Comprehensive income:						
Net income				12,881		12,881
Other comprehensive income:						
Unrealized gain on investment securities available for sale, net of tax effect of $521					808	808
Comprehensive income						13,689
Accretion of discount on preferred stock	45			(45)		
Net issuance of 9,120 shares of common stock from exercise of stock options			90			90
Disgorgement of profits			1			1
Tax benefit from stock options exercised			40			40
Share-based compensation			220			220
Cash dividends Preferred Stock 5%				(625)		(625)
Cash dividends Common Stock, $0.0545 per share				(1,543)		(1,543)
Balances at March 31, 2010 (unaudited)	49,320	257	363,870	62,414	984	476,845
Comprehensive income:						
Net income				4,710		4,710
Other comprehensive income:						
Unrealized loss on investment securities available for sale, net of tax effect of $(441)					(683)	(683)
Comprehensive income						4,027
Accretion of discount on preferred stock	136			(136)		
Net issuance of 165,778 shares of common stock from exercise of stock options		3	1,462			1,465
Disgorgement of profits			10			10

Tax benefit from stock options exercised			924			924
Share-based compensation			156			156
Cash dividends Preferred stock 5%				(1,875)		(1,875)
Cash dividends Common Stock, $0.1620 per share				(4,616)		(4,616)
10% Stock dividend Common Stock		25	66,540	(66,576)		(11)
Balances at December 31, 2010	49,456	285	432,962	(6,079)	301	476,925

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, 2011 and 2010

(In thousands, except share data(1))	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
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, $0.0540 per share				(1,538)		(1,538)
Balances at March 31, 2011 (unaudited)	$ 49,502	$ 285	$ 433,130	$ 4,428	$ 980	$ 488,325

(1) All per share amounts have been restated to reflect the effect of the 2010 10% stock dividend.
See Condensed Notes to Consolidated Financial Statements.

Home BancShares, Inc.
Consolidated Statements of Cash Flows

(In thousands)	Period Ended March 31, 2011	2010
	(Unaudited)	
Operating Activities		
Net income	$ 12,716	$ 12,881
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,682	1,289
Amortization/(accretion)	(292)	829
Share-based compensation	74	220
Tax benefits from stock options exercised	(35)	(40)
(Gain) loss on assets	(210)	(366)
Gain on acquisitions		(9,334)
Provision for loan losses	1,250	3,100
Deferred income tax effect	(3,273)	3,221
Increase in cash value of life insurance	(239)	(428)
Originations of mortgage loans held for sale	(26,345)	(21,307)
Proceeds from sales of mortgage loans held for sale	36,169	20,701
Changes in assets and liabilities:		
Accrued interest receivable	839	(1,717)
Other assets	9,347	655
Accrued interest payable and other liabilities	(3,697)	3,102
Net cash provided by (used in) operating activities	27,986	12,806
Investing Activities		
Net (increase) decrease in federal funds sold	26,673	3,632
Net (increase) decrease in loans net, excluding loans acquired	23,914	(15,057)
Purchases of investment securities available for sale	(79,844)	(39,552)
Proceeds from maturities of investment securities available for sale	39,975	30,459
Proceeds from foreclosed assets held for sale	7,260	2,213
Proceeds from sale of SBA loans	4,524	
Purchases of premises and equipment, net	(779)	(225)
Death benefits received	700	1,585
Net cash proceeds received in FDIC-assisted acquisitions		71,652
Net cash provided by (used in) investing activities	22,423	54,707
Financing Activities		
Net increase (decrease) in deposits, net of deposits acquired	(44,267)	(9,538)
Net increase (decrease) in securities sold under agreements to repurchase	(4,625)	(6,597)
Net increase (decrease) in FHLB and other borrowed funds, net of acquired	(27,023)	(29,822)
Proceeds from exercise of stock options	59	90
Disgorgement of profits		1
Tax benefits from stock options exercised	35	40

Dividends paid on preferred stock	(625)	(625)
Dividends paid on common stock	(1,538)	(1,543)
Net cash provided by (used in) financing activities	(77,984)	(47,994)
Net change in cash and cash equivalents	(27,575)	19,519
Cash and cash equivalents beginning of year	287,532	173,490
Cash and cash equivalents end of period	$ 259,957	$ 193,009

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). The Bank has locations in central Arkansas, north central Arkansas, southern Arkansas, the Florida Keys, central Florida, southwestern Florida and the Florida Panhandle. 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 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 subsidiaries. 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, 2011 and 2010 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 2010 Form 10-K, filed with the Securities and Exchange Commission.

Earnings per Share

Basic earnings per share are computed based on the weighted average number of shares outstanding during each year. Diluted earnings per share are computed using the weighted average common shares and all potential dilutive common shares outstanding during the period. Prior year per share amounts have been adjusted for the stock dividend which occurred in June of 2010. The following table sets forth the computation of basic and diluted earnings per common share (EPS) for the three-month periods ended March 31:

	Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Net income available to common stockholders	$ 12,716	$ 12,881
Average shares outstanding	28,469	28,278
Effect of common stock options	203	252
Diluted shares outstanding	28,672	28,530
Basic earnings per common share	$ 0.42	$ 0.43
Diluted earnings per common share	$ 0.42	$ 0.43

A warrant to purchase 158,471.50 shares of common stock at $23.664 (stock dividend adjusted) were outstanding at March 31, 2011 and 2010. These shares of common stock were not included in the computation of diluted EPS because the exercise prices were greater than the average market price of the common shares.

2. Business Combinations

Acquisition Old Southern Bank

On March 12, 2010, Centennial Bank entered into a purchase and assumption agreement (Old Southern Agreement) with the FDIC, as receiver, pursuant to which Centennial Bank acquired certain assets and assumed substantially all of the deposits and certain liabilities of Old Southern Bank (Old Southern).

Prior to the acquisition, Old Southern operated 7 banking centers in the Orlando, Florida metropolitan area. The Company has kept open all of these locations except for one location in downtown Orlando. Including the effects of purchase accounting adjustments, Centennial Bank acquired $342.6 million in assets and assumed approximately $328.5 million of the deposits of Old Southern. Additionally, Centennial Bank purchased covered loans with an estimated fair value of $179.1 million, $3.0 million of foreclosed assets and $30.4 million of investment securities.

See Note 2 Business Combinations of Form 10-K filed with the Securities and Exchange Commission (SEC) in March 2011 for additional discussion related to the acquisition of Old Southern.

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Acquisition Key West Bank

On March 26, 2010, Centennial Bank, entered into a purchase and assumption agreement (Key West Bank Agreement) with the FDIC, as receiver, pursuant to which Centennial Bank acquired certain assets and assumed substantially all of the deposits and certain liabilities of Key West Bank (Key West).

Prior to the acquisition, Key West operated one banking center located in Key West, Florida. Including the effects of purchase accounting adjustments, Centennial Bank acquired $89.6 million in assets and assumed approximately $66.7 million of the deposits of Key West. Additionally, Centennial Bank purchased covered loans with an estimated fair value of $46.9 million, $5.7 million of foreclosed assets and assumed $20.0 million of FHLB advances.

See Note 2 Business Combinations of Form 10-K filed with the SEC in March 2011 for additional discussion related to the acquisition of Key West.

Acquisition Coastal Community Bank and Bayside Savings Bank

On July 30, 2010, Centennial Bank entered into separate purchase and assumption agreements with the FDIC (collectively, the Coastal-Bayside Agreements), as receiver for each bank, pursuant to which Centennial Bank acquired the loans and certain assets and assumed the deposits and certain liabilities of Coastal Community Bank (Coastal) and Bayside Savings Bank (Bayside), respectively. These two institutions had been under common ownership of Coastal Community Investments, Inc.

Prior to the acquisition, Coastal and Bayside operated 12 banking centers in the Florida Panhandle area. Including the effects of purchase accounting adjustments, Centennial Bank acquired $436.8 million in assets and assumed approximately $424.6 million of the deposits of Coastal and Bayside. Additionally, Centennial Bank purchased covered loans with an estimated fair value of $200.6 million, non-covered loans with an estimated fair value of $4.1 million, $9.6 million of foreclosed assets and $18.5 million of investment securities.

See Note 2 Business Combinations of Form 10-K filed with the SEC in March 2011 for additional discussion related to the acquisition of Coastal and Bayside.

Acquisition Wakulla Bank

On October 1, 2010, Centennial Bank entered into a purchase and assumption agreement with the FDIC, as receiver, pursuant to which Centennial Bank acquired the performing loans and certain assets and assumed substantially all of the deposits and certain liabilities of Wakulla Bank (Wakulla).

Prior to the acquisition, Wakulla operated 12 banking centers in the Florida Panhandle. Including the effects of purchase accounting adjustments, Centennial Bank acquired approximately $377.9 million in assets and assumed approximately $356.2 million in deposits of Wakulla. Additionally, Centennial Bank purchased performing covered loans of approximately $148.2 million, performing non-covered loans with an estimated fair value of $17.6 million, $45.9 million of marketable securities and $27.6 million of federal funds sold.

See Note 2 Business Combinations of Form 10-K filed with the SEC in March 2011 for additional discussion related to the acquisition of Wakulla.

Acquisition Gulf State Community Bank

On November 19, 2010, Centennial Bank entered into a purchase and assumption agreement with the FDIC, as receiver, pursuant to which Centennial Bank acquired the loans and certain assets and assumed substantially all of the deposits and certain liabilities of Gulf State Community Bank (Gulf State).

Prior to the acquisition, Gulf State operated 5 banking centers in the Florida Panhandle. Including the effects of purchase accounting adjustments, Centennial Bank acquired approximately $118.2 million in assets and assumed approximately $97.7 million in deposits of Gulf State. Additionally, Centennial Bank purchased covered loans with an estimated fair value of $41.2 million, non-covered loans with an estimated fair value of $1.7 million, $4.7 million of foreclosed assets and $10.8 million of investment securities.

See Note 2 Business Combinations of Form 10-K filed with the SEC in March 2011 for additional discussion related to the acquisition of Gulf State.

FDIC-Assisted Acquisitions Other Matters

The Company s operating results for 2010, include the operating results of the acquired assets and assumed liabilities subsequent to the respective acquisition dates. Due to the significant fair value adjustments recorded, as well as the nature of the FDIC loss sharing agreements in place, historical results are not believed to be relevant to the Company s results, and thus no pro forma information is presented.

In an FDIC-assisted acquisition, we acquire certain assets and assume certain liabilities of the former institution under a loss share agreement with the FDIC. Any regulatory agreements or orders that existed for the former institution do not apply to the assuming institution. We, as the assuming institution, are evaluated separately by our regulators and any weaknesses of the former institution are considered in the separate evaluation. Also, the loss share agreement helps to mitigate any weaknesses that may have existed in the former institution.

3. Investment Securities

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

	March 31, 2011 Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 220,775	$ 990	$ (2,005)	$ 219,760
Mortgage-backed securities	126,141	2,687	(211)	128,617
State and political subdivisions	158,073	1,693	(1,466)	158,300
Other securities	3,418		(76)	3,342
Total	$ 508,407	$ 5,370	$ (3,758)	$ 510,019

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	December 31, 2010 Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 198,248	$ 977	$ (1,932)	$ 197,293
Mortgage-backed securities	113,557	2,820	(300)	116,077
State and political subdivisions	154,706	1,458	(2,457)	153,707
Other securities	2,858		(71)	2,787
Total	$ 469,369	$ 5,255	$ (4,760)	$ 469,864

Assets, principally investment securities, having a carrying value of approximately $333.0 million and $268.0 million at March 31, 2011 and December 31, 2010, 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 $69.8 million and $74.5 million at March 31, 2011 and December 31, 2010, respectively.

During the three-month periods ended March 31, 2011 and 2010, no available for sale securities were sold.

The amortized cost and estimated fair value of securities at March 31, 2011, 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	$ 177,376	$ 176,952
Due after one year through five years	239,248	240,145
Due after five years through ten years	62,616	62,979
Due after ten years	29,167	29,943
Total	$ 508,407	$ 510,019

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.

No securities were deemed to have other-than-temporary impairment besides securities for which impairment was taken in prior periods.

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For the period ended March 31, 2011, the Company had $393,000 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 81.9% 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.

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, 2011 and December 31, 2010:

	March 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	$ 127,202	$ (2,005)	$	$	$ 127,202	$ (2,005)
Mortgage-backed securities	33,746	(211)			33,746	(211)
State and political subdivisions	36,605	(1,149)	4,604	(317)	41,209	(1,466)
Other securities			2,567	(76)	2,567	(76)
Total	$ 197,553	$ (3,365)	$ 7,171	$ (393)	$ 204,724	$ (3,758)

	December 31, 2010					
	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	$ 126,862	$ (1,932)	$	$	$ 126,862	$ (1,932)
Mortgage-backed securities	27,427	(300)			27,427	(300)
State and political subdivisions	57,272	(1,970)	4,069	(487)	61,341	(2,457)
Other securities			2,667	(71)	2,667	(71)
Total	$ 211,561	$ (4,202)	$ 6,736	$ (558)	$ 218,297	$ (4,760)

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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, 2011	December 31, 2010
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 787,069	$ 805,635
Construction/land development	351,704	348,768
Agricultural	25,760	26,798
Residential real estate loans		
Residential 1-4 family	359,714	371,381
Multifamily residential	55,987	59,319
Total real estate	1,580,234	1,611,901
Consumer	44,117	51,642
Commercial and industrial	175,969	184,014
Agricultural	18,746	16,549
Other	30,236	28,268
Loans receivable not covered by loss share	$ 1,849,302	$ 1,892,374

The following is a summary of activity within the allowance for loan losses for the quarter ended March 31, 2011 and the year ended December 31, 2010. Allocation of a portion of the allowance to one type of loans does not preclude its availability to absorb losses in other categories.

	2011					
	Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Beginning balance	$ 29,249	$ 14,297	$ 6,357	$ 1,022	$ 2,423	$ 53,348
Loans charged off	(19)	(29)	(94)	(1,480)		(1,622)
Recoveries of loans previously charged off	92	230	157	136		615
Net loans recovered (charged off)	73	201	63	(1,344)		(1,007)
Provision for loan losses	(552)	(824)	305	2,254	67	1,250
Balance, March 31	$ 28,770	$ 13,674	$ 6,725	$ 1,932	$ 2,490	$ 53,591

Period end amount allocated to:

Loans individually evaluated for impairment	$ 17,469	$ 9,258	$ 3,378	$ 829	$	$ 30,934
Loans collectively evaluated for impairment	11,301	4,416	3,347	1,103	2,490	22,657
Balance, March 31	$ 28,770	$ 13,674	$ 6,725	$ 1,932	$ 2,490	$ 53,591

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	2010					
	Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Beginning balance	$ 23,192	$ 11,348	$ 6,067	$ 1,984	$ 377	$ 42,968
Loans charged off	(1,046)	(778)	(1,607)	(289)		(3,720)
Recoveries of loans previously charged off	48	239	19	191		497
Net loans recovered (charged off)	(998)	(539)	(1,588)	(98)		(3,223)
Provision for loan losses	(72)	2,844	666	(196)	(142)	3,100
Balance, March 31	22,122	13,653	5,145	1,690	235	42,845
Loans charged off	(25,933)	(9,953)	(22,620)	(2,227)		(60,733)
Recoveries of loans previously charged off	875	253	31	327		1,486
Net loans recovered (charged off)	(25,058)	(9,700)	(22,589)	(1,900)		(59,247)
Provision for loan losses	32,185	10,344	23,801	1,232	2,188	69,750
Balance, end of year	$ 29,249	$ 14,297	$ 6,357	$ 1,022	$ 2,423	$ 53,348
Period end amount allocated to:						
Loans individually evaluated for impairment	$ 17,514	$ 9,843	$ 2,625	$ 438	$	$ 30,420
Loans collectively evaluated for impairment	11,735	4,454	3,732	584	2,423	22,928
Balance, end of year	$ 29,249	$ 14,297	$ 6,357	$ 1,022	$ 2,423	$ 53,348

The following is an aging analysis for the non-covered loan portfolio as of March 31, 2011 and December 31, 2010:

	March 31, 2011					
	Loans Past Due	Loans Past Due 90 Days or More	Total	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days

	30-89 Days		**Past Due**			**or More**
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	$ 6,001	$ 5,891	$ 11,892	$ 775,177	$ 787,069	$
Construction/land development	1,826	5,404	7,230	344,474	351,704	
Agricultural		215	215	25,545	25,760	
Residential real estate loans						
Residential 1-4 family	7,041	12,430	19,471	340,243	359,714	2
Multifamily residential		4,920	4,920	51,067	55,987	
Total real estate	14,868	28,860	43,728	1,536,506	1,580,234	2
Consumer	1,505	1,904	3,409	40,708	44,117	7
Commercial and industrial	1,460	2,769	4,229	171,740	175,969	
Agricultural and other	323		323	48,659	48,982	
Total	$ 18,156	$ 33,533	$ 51,689	$ 1,797,613	$ 1,849,302	$ 9

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	December 31, 2010					
	Loans Past Due 30-89 Days	Loans Past Due 90 Days or More	Total Past Due	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days or More
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	$ 6,762	$ 16,535	$ 23,297	$ 782,338	$ 805,635	$
Construction/land development	5,055	6,809	11,864	336,904	348,768	1
Agricultural		220	220	26,578	26,798	
Residential real estate loans						
Residential 1-4 family	3,867	16,530	20,397	350,984	371,381	535
Multifamily residential	2,887	5,122	8,009	51,310	59,319	
Total real estate	18,571	45,216	63,787	1,548,114	1,611,901	536
Consumer	214	1,342	1,556	50,086	51,642	34
Commercial and industrial	678	2,943	3,621	180,393	184,014	8
Agricultural and other	150	1	151	44,666	44,817	
Total	$ 19,613	$ 49,502	$ 69,115	$ 1,823,259	$ 1,892,374	$ 578

Non-accruing loans not covered by loss share at March 31, 2011 and December 31, 2010 were $33.5 million and $48.9 million, respectively.

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. The Company did not sell any of the guaranteed portions of SBA loans during the first quarter of 2010.

Mortgage loans held for sale of approximately $4.2 million and $14.0 million at March 31, 2011 and December 31, 2010, 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, 2011 and December 31, 2010 were not material.

The following is a summary of the non-covered impaired loans as of March 31, 2011 and December 31, 2010:

	March 31, 2011				
	Unpaid Contractual Principal Balance	Total Recorded Investment	Allocation of Allowance for Loan Losses	Average Recorded Investment	Interest Recognized
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	$ 63,884	$ 41,675	$ 10,768	$ 39,279	$ 562
Construction/land development	23,746	19,162	7,199	18,222	258
Agricultural	890	598	215	598	10
Residential real estate loans					
Residential 1-4 family	20,612	19,564	6,437	18,990	152
Multifamily residential	12,433	7,275	2,965	7,263	81
Total real estate	121,565	88,274	27,584	84,352	1,063
Consumer	1,718	1,240	829	949	10
Commercial and industrial	17,369	12,875	3,378	12,042	191
Agricultural and other					
Total	$ 140,652	$ 102,389	$ 31,791	$ 97,343	$ 1,264

	December 31, 2010			
	Unpaid Contractual Principal Balance	Total Recorded Investment	Allocation of Allowance for Loan Losses	Average Recorded Investment
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	$ 40,078	$ 36,884	$ 9,697	$ 18,366
Construction/land development	19,617	17,282	7,602	14,272
Agricultural	598	598	215	120
Residential real estate loans				
Residential 1-4 family	20,894	18,416	6,884	17,137
Multifamily residential	7,251	7,251	2,959	5,149
Total real estate	88,438	80,431	27,357	55,044
Consumer	658	658	438	799
Commercial and industrial	11,284	11,208	2,625	6,218
Agricultural and other				
Total	$ 100,380	$ 92,297	$ 30,420	$ 62,061

All of the Company s non-covered impaired loans have a specific allocation of the allowance for loan losses. Interest recognized on non-covered impaired loans during the three months ended March 31, 2011 and 2010 was

approximately $1.3 million and $573,000, respectively.

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.

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.

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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, 2011 and December 31, 2010:

	March 31, 2011			
	Risk Rated 6	Risk Rated 7	Risk Rated 8	Total
	(In thousands)			
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	$ 25,593	$ 11	$	$ 25,604
Construction/land development	11,691			11,691
Agricultural	973			973
Residential real estate loans				
Residential 1-4 family	21,746	180		21,926
Multifamily residential	10,986			10,986
Total real estate	70,989	191		71,180
Consumer	2,747	18		2,765
Commercial and industrial	3,560	55		3,615
Agricultural				
Other	145			145
Total	$ 77,441	$ 264	$	$ 77,705

	December 31, 2010			
	Risk Rated 6	Risk Rated 7	Risk Rated 8	Total
	(In thousands)			
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	$ 31,806	$ 5,483	$	$ 37,289
Construction/land development	11,665	934		12,599
Agricultural	994			994
Residential real estate loans				
Residential 1-4 family	23,801	740		24,541
Multifamily residential	11,170			11,170
Total real estate	79,436	7,157		86,593
Consumer	1,350			1,350
Commercial and industrial	3,588	55		3,643
Agricultural	1	2		3
Other	143			143
Total	$ 84,518	$ 7,214	$	$ 91,732

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. Loans rated 6 8 that fall under the

threshold amount are not 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.

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5: Loans Receivable Covered by FDIC Loss Share

The Company evaluated loans purchased in conjunction with the acquisitions of Old Southern, Key West, Coastal-Bayside, Wakulla and Gulf State described in Note 2, Business Combinations, 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, 2011 and December 31, 2010 for the Company s FDIC-assisted transactions:

	March 31, 2011	December 31, 2010
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 204,882	$ 208,678
Construction/land development	130,033	127,340
Agricultural	5,808	5,454
Residential real estate loans		
Residential 1-4 family	176,181	180,914
Multifamily residential	9,173	9,176
Total real estate	526,077	531,562
Consumer	417	498
Commercial and industrial	38,798	42,443
Agricultural		63
Other	1,171	1,210
Loans receivable covered by FDIC loss share (1)	$ 566,463	$ 575,776

(1) These loans were not classified as nonperforming assets at March 31, 2011 and December 31, 2010, 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.

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The following is an aging analysis for the covered loan portfolio as of March 31, 2011 and December 31, 2010:

	As of March 31, 2011					
	Loans Past Due 30-89 Days	Loans Past Due 90 Days or More	Total Past Due	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days or More
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	$ 10,101	$ 25,996	$ 36,097	$ 168,785	$ 204,882	$ 25,996
Construction/land development	10,935	35,412	46,347	83,686	130,033	35,412
Agricultural		1,648	1,648	4,160	5,808	1,648
Residential real estate loans						
Residential 1-4 family	14,771	32,357	47,128	129,053	176,181	32,357
Multifamily residential				9,173	9,173	
Total real estate	35,807	95,413	131,220	394,857	526,077	95,413
Consumer	13	296	309	108	417	296
Commercial and industrial	1,049	5,203	6,252	32,546	38,798	5,203
Agricultural and other	104		104	1,067	1,171	
Total	$ 36,973	$ 100,912	$ 137,885	$ 428,578	$ 566,463	$ 100,912

	As of December 31, 2010					
	Loans Past Due 30-89 Days	Loans Past Due 90 Days or More	Total Past Due	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days or More
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	$ 11,993	$ 32,695	$ 44,688	$ 163,990	$ 208,678	$ 32,695
Construction/land development	9,931	45,920	55,851	71,489	127,340	45,920
Agricultural		1,407	1,407	4,047	5,454	1,407
Residential real estate loans						
Residential 1-4 family	18,148	25,164	43,312	137,602	180,914	25,164
Multifamily residential				9,176	9,176	
Total real estate	40,072	105,186	145,258	386,304	531,562	105,186
Consumer	12	335	347	151	498	335
Commercial and industrial	1,768	4,740	6,508	35,935	42,443	4,740

Agricultural and other				1,273	1,273	
Total	$ 41,852	$ 110,261	$ 152,113	$ 423,663	$ 575,776	$ 110,261

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.

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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, 2011 for the Company s FDIC-assisted acquisitions.

	Accretable Yield	Carrying Amount of Loans
	(In thousands)	
Balance at beginning of period	$ 86,712	$ 575,776
Reforecasted future interest payments for loan pools	15,184	
Income accreted	(9,745)	9,745
Payments received, gross		(19,058)
Balance at end of period	$ 92,151	$ 566,463

Loan pools in the Old Southern and Key West acquisitions were evaluated by the Company and are currently forecasted to have a slower run-off than originally expected. As a result, the Company has reforecast the total accretable yield expectations for those loan pools by $15.2 million. This updated forecast does not change the expected weighted average yields on the loan pools. 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, 2011.

6: Deposits

The aggregate amount of time deposits with a minimum denomination of $100,000 was $793.6 million and $845.2 million at March 31, 2011 and December 31, 2010, respectively. Interest expense applicable to certificates in excess of $100,000 totaled $3.3 million and $2.4 million for the three months ended March 31, 2011 and 2010, respectively. As of March 31, 2011 and December 31, 2010, brokered deposits were $102.3 million and $98.9 million, respectively.

Deposits totaling approximately $218.7 million and $267.6 million at March 31, 2011 and December 31, 2010, respectively, were public funds obtained primarily from state and political subdivisions in the United States.

7: Securities Sold Under Agreements to Repurchase

At March 31, 2011 and December 31, 2010, securities sold under agreements to repurchase totaled $69.8 million and $74.5 million, respectively. For the three month periods ended March 31, 2011 and December 31, 2010, securities sold under agreements to repurchase daily weighted average totaled $71.1 million and $68.6 million, respectively.

8: FHLB Borrowed Funds

The Company s FHLB borrowed funds were $150.2 million and $177.3 million at March 31, 2011 and December 31, 2010, respectively. All of the outstanding balance at March 31, 2011 and December 31, 2010 were long-term advances. The FHLB advances mature from the current year to 2025 with fixed interest rates ranging from 2.020% to 5.076% 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 $178.5 million and $179.1 million at March 31, 2011 and December 31, 2010, respectively, in letters of credit under a FHLB blanket borrowing line of credit, which are used to collateralize public deposits at March 31, 2011 and December 31, 2010, respectively.

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9: Income Taxes

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

	Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Current:		
Federal	$ 8,387	$ 3,142
State	1,626	645
Total current	10,013	3,787
Deferred:		
Federal	(2,731)	2,720
State	(542)	501
Total deferred	(3,273)	3,221
Provision for income taxes	$ 6,740	$ 7,008

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,	
	2011	2010
Statutory federal income tax rate	35.00%	35.00%
Effect of nontaxable interest income	(3.09)	(2.86)
Cash value of life insurance	(0.43)	(0.76)
State income taxes, net of federal benefit	3.62	3.75
Other	(0.46)	0.11
Effective income tax rate	34.64%	35.24%

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, 2011	December 31, 2010
	(In thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 21,047	$ 20,879
Deferred compensation	1,302	1,742
Stock options	339	324
Real estate owned	6,196	7,041
Loan discounts	64,900	62,269

Tax basis premium/discount on acquisitions	14,742	14,682
Deposits	826	1,163
Other	6,202	6,206
Gross deferred tax assets	115,554	114,306
Deferred tax liabilities:		
Accelerated depreciation on premises and equipment	1,856	2,341
Unrealized gain on securities	633	194
Core deposit intangibles	1,865	2,101
Indemnification asset	87,893	89,142
FHLB dividends	871	867
Other	1,016	1,075
Gross deferred tax liabilities	94,134	95,720
Net deferred tax assets	$ 21,420	$ 18,586

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10: Common Stock and Compensation Plans

During the first quarter of 2011, the Company granted 24,156 shares of restricted common stock. The restricted shares will vest equally each year over three years beginning on the first anniversary of the grant. Of the 24,156 shares of restricted stock granted, 19,906 shares are also limited by the 2009 agreement between the Company and the Treasury. This Treasury agreement has additional provisions concerning the transferability of the shares and the continuation of performing substantial services for the Company. The amount of annual pre-tax expense during 2011 through 2013 associated with the issuance of this restricted stock will be approximately $172,000 per year.

11: Non-Interest Expense

The table below shows the components of non-interest expense for three months ended March 31, 2011 and 2010:

	Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Salaries and employee benefits	$ 11,078	$ 8,534
Occupancy and equipment	3,713	2,799
Data processing expense	1,285	862
Other operating expenses:		
Advertising	998	366
Merger expenses	11	1,059
Amortization of intangibles	713	479
Amortization of mortgage servicing rights		218
Electronic banking expense	659	477
Directors fees	185	145
Due from bank service charges	140	90
FDIC and state assessment	1,093	898
Insurance	371	300
Legal and accounting	447	388
Mortgage servicing expense		84
Other professional fees	413	313
Operating supplies	289	186
Postage	245	150
Telephone	263	138
Other expense	1,958	1,069
Total other operating expenses	7,785	6,360
Total non-interest expense	$ 23,861	$ 18,555

12: Concentration of Credit Risks

The Company s primary market areas are in central Arkansas, north central Arkansas, southern Arkansas, central Florida, southwestern Florida, the Florida Panhandle and the Florida Keys. 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.

13: 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 6.

Although the Company has a diversified loan portfolio, at March 31, 2011 and December 31, 2010, non-covered commercial real estate loans represented 63.0% and 62.4% of gross non-covered loans and 238.5% and 247.7% of total stockholders equity, respectively. Non-covered residential real estate loans represented 22.5% and 22.8% of gross non-covered loans and 85.1% and 90.3% of total stockholders equity at March 31, 2011 and December 31, 2010, 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.

14: 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 their 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 they do in the lending process when making these commitments. The collateral obtained is based on the assessed creditworthiness of the borrower.

At March 31, 2011 and December 31, 2010, commitments to extend credit of $287.2 million and $257.9 million, respectively, were outstanding. A percentage of these balances are 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, 2011 and December 31, 2010, is $18.2 million and $18.7 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.

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15: 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 2010 and the first quarter of 2011, the Company did not request any dividends from its banking subsidiary. The Company could deem it appropriate to apply the option to request dividends from its banking subsidiary during 2011.

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, 2011, 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 12.73%, 17.38%, and 18.64%, respectively, as of March 31, 2011.

16: Additional Cash Flow Information

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

	Three Months Ended March 31,	
	2011	**2010**
	(In thousands)	
Interest paid	$ 8,503	$8,548
Income taxes paid	7,850	3,950
Assets acquired by foreclosure	13,116	3,180
FDIC-assisted acquisition fixed assets acquired yet to have a cash settlement	9,381	

17: 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

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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 of U.S. government-sponsored enterprises, mortgage-backed securities plus state and political subdivisions. As of December 31, 2010, Level 3 securities were immaterial.

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 fair value of 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. Loan losses are charged against the allowance when management believes the uncollectability of a loan is confirmed. Non-covered impaired loans, net of specific allowance, were $70.6 million and $61.9 million as of March 31, 2011 and December 31, 2010, respectively. This valuation is considered Level 3, consisting of appraisals of underlying collateral.

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 2 inputs based on observable market data. As of March 31, 2011 and December 31, 2010, the fair value of foreclosed assets held for sale not covered by loss share, less estimated costs to sell was $17.9 million and $11.6 million, respectively.

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.

Net loans receivable not covered by loss share, net of non-covered impaired loans 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.

Net 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.

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, 2011	
	Carrying Amount	Fair Value
	(In thousands)	
Financial assets:		
Cash and cash equivalents	$ 259,957	$ 259,957
Federal funds sold	1,175	1,175
Loans receivable not covered by loss share, net of non-covered impaired loans and allowance	1,725,112	1,697,817
Loans receivable covered by FDIC loss share	566,463	566,463
FDIC indemnification asset	224,075	224,075
Accrued interest receivable	15,337	15,337
Financial liabilities:		
Deposits:		
Demand and non-interest bearing	$ 447,245	$ 447,245
Savings and interest-bearing transaction accounts	1,112,948	1,112,948
Time deposits	1,357,338	1,361,062
Securities sold under agreements to repurchase	69,834	69,834
FHLB and other borrowed funds	150,247	151,889
Accrued interest payable	2,672	2,672
Subordinated debentures	44,331	47,959

	December 31, 2010	
	Carrying Amount	Fair Value
	(In thousands)	
Financial assets:		
Cash and cash equivalents	$ 287,532	$ 287,532
Federal funds sold	27,848	27,848
Loans receivable not covered by loss share, net of non-covered impaired loans and allowance	1,777,149	1,770,147
Loans receivable covered by FDIC loss share	575,776	575,776
FDIC indemnification asset	227,258	227,258
Accrued interest receivable	16,176	16,176
Financial liabilities:		
Deposits:		
Demand and non-interest bearing	$ 392,622	$ 392,622
Savings and interest-bearing transaction accounts	1,108,309	1,108,309
Time deposits	1,460,867	1,463,922
Securities sold under agreements to repurchase	74,459	74,459
FHLB and other borrowed funds	177,270	179,851
Accrued interest payable	3,004	3,004
Subordinated debentures	44,331	48,162

18: Recent Accounting Pronouncements

In July 2010, the FASB issued ASU No. 2010-20*,* *Receivables* (Topic 310) *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a rollforward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. The Company adopted the period end disclosures provisions of the new authoritative guidance under ASC Topic 310 in the reporting period ending December 31, 2010. Adoption of the new guidance did not have an impact on the Company s statements of income and financial condition. The Company adopted the disclosures provisions of the new authoritative guidance about activity that occurs during a reporting period on January 1, 2011; the adoption did not have an impact on the Company s statements of income and financial condition. The disclosures related to loans modified in a troubled debt restructuring will be effective for the reporting periods after June 15, 2011 and will have no impact on the Company s statements of income and financial condition.

In April 2011, the FASB issued ASU No. 2011-02, *Receivables* (Topic 310) *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring.* ASU 2011-02 amended prior guidance to provide assistance in determining whether a modification of the terms of a receivable meets the definition of a troubled debt restructuring. The new authoritative guidance provides clarification for evaluating whether a concession has been granted and whether a debtor is experiencing financial difficulties. The new authoritative guidance will be effective for the reporting periods after June 15, 2011 and should be applied retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. Adoption of the new guidance will have no significant impact on the Company s statements of income and financial condition.

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, 2011 and the related condensed consolidated statements of income, stockholders equity and cash flows for the three-month periods ended March 31, 2011 and 2010. 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, 2010, 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 10, 2011, 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, 2010, 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 6, 2011

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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 10, 2011, which includes the audited financial statements for the year ended December 31, 2010. *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, 2011, we had, on a consolidated basis, total assets of $3.70 billion, loans receivable of $2.42 billion, total deposits of $2.92 billion, and stockholders equity of $488.3 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. Per share amounts have been adjusted for the 10% stock dividend which occurred in June of 2010.

Key Financial Measures

	As of or for the Three Months Ended March 31,	
	2011	2010
	(Dollars in thousands, except per share data)	
Total assets	$ 3,703,780	$ 3,078,199
Loans receivable not covered by loss share	1,849,302	1,959,666
Loans receivable covered by FDIC loss share	566,463	225,885
Total deposits	2,917,531	2,221,088
Total stockholders equity	488,325	478,338
Net income	12,716	12,881
Net income available to common stockholders	12,046	12,211
Basic earnings per common share	0.42	0.43
Diluted earnings per common share	0.42	0.43
Diluted cash earnings per common share (1)	0.44	0.44
Annualized net interest margin FTE	4.61%	4.26%
Efficiency ratio	50.68	42.44
Annualized return on average assets	1.40	1.90
Annualized return on average common equity	11.35	11.84

(1) See Table 16 Diluted Cash Earnings Per Share for a reconciliation to GAAP for diluted cash earnings per share.

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Overview

Results of Operations for Three Months Ended March 31, 2011 and 2010

Our net income decreased 1.28% to $12.7 million for the three-month period ended March 31, 2011, from $12.9 million for the same period in 2010. On a diluted earnings per share basis, our earnings were $0.42 and $0.43 for the three-month periods ended March 31, 2011 and 2010, respectively. During 2010, the Company acquired Old Southern Bank and Key West Bank in FDIC-assisted acquisitions. These transactions resulted in a $9.3 million pre-tax gain on acquisitions and $1.1 million of merger and acquisition expenses for the first quarter of 2010. Excluding the financial impact of these two items, the Company would have reported $7.9 million or $0.25 diluted earnings per share for the first quarter of 2010. Excluding these items, our net income increased $4.9 million or 61.9% which was a result primarily associated with our increase in net interest income from the additional earning assets obtained in our FDIC-assisted transactions combined with an improvement in net interest margin plus new income from FDIC indemnification accretion offset increased costs associated with the asset growth.

Our annualized return on average assets was 1.40% for the three months ended March 31, 2011, compared to 1.90% for the same period in 2010. Our annualized return on average common equity was 11.35% for the three months ended March 31, 2011, compared to 11.84% for the same period in 2010, respectively. Excluding the financial impact of the net acquisition gains for the first quarter of 2010; our annualized return on average assets and annualized return on average common equity was 1.16% and 6.96%, respectively. This reflects an improvement in our ratios from 2010 to 2011 consistent with the previously discussed changes in earnings for the three months ended March 31, 2011, compared to the same period in 2010.

Our annualized net interest margin, on a fully taxable equivalent basis, was 4.61% for the three months ended March 31, 2011, compared to 4.26% for the same period in 2010. Our ability to improve pricing on our loan portfolio and interest bearing deposits allowed the Company to expand net interest margin.

Our efficiency ratio was 50.68% for the three months ended March 31, 2011, compared to 42.44% for the same period in 2010. Excluding the financial impact of the net acquisition gains for the first quarter of 2010; our efficiency ratio was 51.16%. This reflects an improvement in our ratio from 2010 to 2011 primarily resulting from our ability to improve net interest margin by 35 basis points while holding down the cost increases associated with our newly acquired FDIC-assisted branches.

Financial Condition as of and for the Period Ended March 31, 2011 and December 31, 2010

Our total assets as of March 31, 2011 decreased $58.9 million, an annualized reduction of 6.34%, to $3.70 billion from the $3.76 billion reported as of December 31, 2010. Our loan portfolio not covered by loss share decreased by $43.1 million, an annualized reduction of 9.23%, to $1.85 billion as of March 31, 2011, from $1.89 billion as of December 31, 2010. Stockholders equity increased $11.4 million to $488.3 million as of March 31, 2011, compared to $476.9 million as of December 31, 2010. The decrease in assets is primarily associated with historically low loan demand and payoffs in our legacy non-covered loan portfolio. The increase in stockholders equity is primarily associated with the $13.4 million of comprehensive income less the $2.2 million of dividends paid for 2011. The annualized growth in stockholders equity for the first three months of 2011 was 9.69%.

As of March 31, 2011, our non-performing non-covered loans decreased to $33.5 million, or 1.81%, of total non-covered loans from $49.5 million, or 2.62%, of total non-covered loans as of December 31, 2010. The allowance for loan losses as a percent of non-performing loans increased to 159.82% as of March 31, 2011, compared to 107.77% as of December 31, 2010. Non-performing non-covered loans in Arkansas were $14.3 million at March 31, 2011 compared to $23.4 million as of December 31, 2010. Non-performing non-covered loans in Florida were $19.3 million at March 31, 2011 compared to $26.1 million as of December 31, 2010.

As of March 31, 2011, our non-performing non-covered assets improved to $51.4 million, or 1.78%, of total non-covered assets from $61.2 million, or 2.08%, of total non-covered assets as of December 31, 2010. Non-performing non-covered assets in Arkansas were $25.1 million at March 31, 2011 compared to $28.7 million as of December 31, 2010. Non-performing non-covered assets in Florida were $26.4 million at March 31, 2011 compared to $32.5 million as of December 31, 2010.

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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, investments, 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). 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 (formerly SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*, as amended by SFAS No. 118, *Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures)*, 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 borrower may be unable to meet payments as they become due. When accrual of interest is discontinued, all unpaid accrued interest is reversed.

Groups of loans with similar risk characteristics, including individually evaluated loans not determined to be impaired, 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. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements.

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 nine months, and we reasonably expect to collect all principal and interest.

Acquisition Accounting, Covered Loans and Related Indemnification Asset. Beginning in 2009, 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.

The 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 remaining life of the loans) decrease the basis of the shared-loss agreements, with such decrease being accreted 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.

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.

Acquisitions

Acquisition Old Southern Bank

On March 12, 2010, Centennial Bank entered into a purchase and assumption agreement (Old Southern Agreement) with the FDIC, as receiver, pursuant to which Centennial Bank acquired certain assets and assumed substantially all of the deposits and certain liabilities of Old Southern Bank (Old Southern).

Prior to the acquisition, Old Southern operated 7 banking centers in the Orlando, Florida metropolitan area. The Company has kept open all of these locations except for one location in downtown Orlando. Including the effects of purchase accounting adjustments, Centennial Bank acquired $342.6 million in assets and assumed approximately $328.5 million of the deposits of Old Southern. Additionally, Centennial Bank purchased covered loans with an estimated fair value of $179.1 million, $3.0 million of foreclosed assets and $30.4 million of investment securities.

See Note 2 Business Combinations of Form 10-K filed with the Securities and Exchange Commission (SEC) in March 2011 for additional discussion related to the acquisition of Old Southern.

Acquisition Key West Bank

On March 26, 2010, Centennial Bank, entered into a purchase and assumption agreement (Key West Bank Agreement) with the FDIC, as receiver, pursuant to which Centennial Bank acquired certain assets and assumed substantially all of the deposits and certain liabilities of Key West Bank (Key West).

Prior to the acquisition, Key West operated one banking center located in Key West, Florida. Including the effects of purchase accounting adjustments, Centennial Bank acquired $89.6 million in assets and assumed approximately $66.7 million of the deposits of Key West. Additionally, Centennial Bank purchased covered loans with an estimated fair value of $46.9 million, $5.7 million of foreclosed assets and assumed $20.0 million of FHLB advances.

See Note 2 Business Combinations of Form 10-K filed with the SEC in March 2011 for additional discussion related to the acquisition of Key West.

Acquisition Coastal Community Bank and Bayside Savings Bank

On July 30, 2010, Centennial Bank entered into separate purchase and assumption agreements with the FDIC (collectively, the Coastal-Bayside Agreements), as receiver for each bank, pursuant to which Centennial Bank acquired the loans and certain assets and assumed the deposits and certain liabilities of Coastal Community Bank (Coastal) and Bayside Savings Bank (Bayside), respectively. These two institutions had been under common ownership of Coastal Community Investments, Inc.

Prior to the acquisition, Coastal and Bayside operated 12 banking centers in the Florida Panhandle area. Including the effects of purchase accounting adjustments, Centennial Bank acquired $436.8 million in assets and assumed approximately $424.6 million of the deposits of Coastal and Bayside. Additionally, Centennial Bank purchased covered loans with an estimated fair value of $200.6 million, non-covered loans with an estimated fair value of $4.1 million, $9.6 million of foreclosed assets and $18.5 million of investment securities.

See Note 2 Business Combinations of Form 10-K filed with the SEC in March 2011 for additional discussion related to the acquisition of Coastal and Bayside.

Acquisition Wakulla Bank

On October 1, 2010, Centennial Bank entered into a purchase and assumption agreement with the FDIC, as receiver, pursuant to which Centennial Bank acquired the performing loans and certain assets and assumed substantially all of the deposits and certain liabilities of Wakulla Bank (Wakulla).

Prior to the acquisition, Wakulla operated 12 banking centers in the Florida Panhandle. Including the effects of purchase accounting adjustments, Centennial Bank acquired approximately $377.9 million in assets and assumed approximately $356.2 million in deposits of Wakulla. Additionally, Centennial Bank purchased performing covered loans of approximately $148.2 million, performing non-covered loans with an estimated fair value of $17.6 million, $45.9 million of marketable securities and $27.6 million of federal funds sold.

See Note 2 Business Combinations of Form 10-K filed with the SEC in March 2011 for additional discussion related to the acquisition of Wakulla.

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Acquisition Gulf State Community Bank

On November 19, 2010, Centennial Bank entered into a purchase and assumption agreement with the FDIC, as receiver, pursuant to which Centennial Bank acquired the loans and certain assets and assumed substantially all of the deposits and certain liabilities of Gulf State Community Bank (Gulf State).

Prior to the acquisition, Gulf State operated 5 banking centers in the Florida Panhandle. Including the effects of purchase accounting adjustments, Centennial Bank acquired approximately $118.2 million in assets and assumed approximately $97.7 million in deposits of Gulf State. Additionally, Centennial Bank purchased covered loans with an estimated fair value of $41.2 million, non-covered loans with an estimated fair value of $1.7 million, $4.7 million of foreclosed assets and $10.8 million of investment securities.

See Note 2 Business Combinations of Form 10-K filed with the SEC in March 2011 for additional discussion related to the acquisition of Gulf State.

FDIC-Assisted Acquisitions

The acquisitions of Old Southern Bank, Key West Bank, Coastal Community Bank, Bayside Savings Bank, Wakulla Bank and Gulf State Community Bank are seen as attractive by Home BancShares. The transactions provide the ability to expand into opportunistic markets and increase market share in Florida. The transactions are anticipated to be profitable due to the pricing associated with the acquired loan portfolio and the establishment of the indemnification asset. The ability to add immediate deposit growth helps to supplement organic deposit growth. Also, reduction in the duplication of efforts and centralization of functions within the organizations is expected to lead to increased efficiencies and increased profitability. Should the acquired markets not perform as expected, the losses associated with the covered assets significantly exceed expectations, the operational efforts required to integrate the acquisitions and manage the loss share require significantly more resources than anticipated or the overall financial performance of the acquired institutions may not reach expectations and may adversely affect the overall financial performance of our Company.

FDIC-Assisted Acquisitions True Up

Our purchase and assumption agreements in connection with our FDIC-assisted acquisitions allow the FDIC to recover a portion of the loss share funds previously paid out under the indemnification agreements in the event losses fail to reach the expected loss under a claw back provision. Should the markets associated with any of the banks we acquired through FDIC-assisted transactions perform better than initially projected, the Bank is required to pay this clawback (or true-up) payment to the FDIC on a specified date following the tenth anniversary of such acquisition (the True-Up Measurement Date).

Specifically, in connection with the Old Southern and Key West acquisitions, such true-up payments would be equal to 50% of the excess, if any, of (i) 20% of a stated threshold of $110.0 million in the case of Old Southern and $23.0 million in the case of Key West, less (ii) the sum of (A) 25% of the asset premium (discount) plus (B) 25% of the Cumulative Shared Loss Payments (defined as the aggregate of all of the payments made or payable to Centennial Bank minus the aggregate of all of the payments made or payable to the FDIC) plus (C) the Period Servicing Amounts for any twelve-month period prior to and ending on the True-Up Measurement Date (defined as the product of the simple average of the principal amount of shared loss loans and shared loss assets (other than shared loss securities) at the beginning and end of such period times 1%).

In connection with the Coastal-Bayside, Wakulla and Gulf State acquisitions, the true-up payments would be equal to 50% of the excess, if any, of (i) 20% of an intrinsic loss estimate of $121.0 million in the case of Coastal, $24.0 million in the case of Bayside, $73.0 million in the case of Wakulla and $35.0 million in the case of Gulf State, less (ii) the sum of (A) 20% of the net loss amount (the sum of all losses less the sum of all recoveries on covered assets) plus (B) 25% of the asset premium (discount) plus (C) 3.5% of the total loans subject to loss sharing under the loss sharing agreements as specified in the schedules to the agreements.

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. 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 to open new (commonly referred to as de novo) branches in our current markets and in other attractive market areas if opportunities arise. Presently, we are evaluating additional opportunities but have no firm commitments for any additional de novo branch locations.

During 2010, Centennial Bank entered into six loss sharing agreements with the FDIC. Through these six transactions, the Company has added a total of thirty-six branch locations in Florida. These branch locations include one in the Florida Keys, six in the Greater Orlando MSA, and twenty-nine in the Florida Panhandle, which contains seven locations in the Panama City MSA and ten locations in the Tallahassee MSA.

During our FDIC-assisted acquisitions, the Company initially kept open all branch locations of the failed institutions. Upon acquisition, the Company has 90 days to determine its desire not to retain certain branch locations and an additional 90 days to complete the branch closure. The Company has subsequently evaluated all of the branch locations acquired from the FDIC-assisted acquisitions. As a result of the evaluation process for cost saving opportunities as part of our aspirations to maximize efficiencies, the Company notified the FDIC of its desire not to acquire certain branch locations. During the first quarter of 2011, the Company completed seven strategic branch closures. These include one branch in Port St. Joe and one grocery store branch in each of the Crawfordville and Blountstown locations. The remaining four strategic branch closures during the first quarter are branches associated with the acquisition of Gulf State Community Bank in 2010. The Company expects one additional branch closure during the second quarter associated with the Gulf State acquisition. The Company believes it has the appropriate infrastructure to service its acquired customer base with the branches retained.

Results of Operations

For Three Months Ended March 31, 2011 and 2010

Our net income decreased 1.28% to $12.7 million for the three-month period ended March 31, 2011, from $12.9 million for the same period in 2010. On a diluted earnings per share basis, our earnings were $0.42 and $0.43 for the three-month periods ended March 31, 2011 and 2010, respectively. During 2010, the Company acquired Old Southern Bank and Key West Bank in FDIC-assisted acquisitions. These transactions resulted in a $9.3 million pre-tax gain on acquisitions and $1.1 million of merger and acquisition expenses for the first quarter of 2010. Excluding the financial impact of these two items, the Company would have reported $7.9 million or $0.25 diluted earnings per share for the first quarter of 2010. Excluding these items, our net income increased $4.9 million or 61.9% which was a result primarily associated with our increase in net interest income from the additional earning assets obtained in our FDIC-assisted transactions combined with an improvement in net interest margin plus new income from FDIC indemnification accretion offset increased costs associated with the asset growth.

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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 by 75 basis points on January 22, 2008, 50 basis points on January 30, 2008, 75 basis points on March 18, 2008, 25 basis points on April 30, 2008 and 50 basis points to a rate of 1.50% as of October 8, 2008. The rate continued to fall 50 basis points on October 29, 2008 and 75 to 100 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 $9.7 million, or 37.3%, to $35.6 million for the three-month period ended March 31, 2011, from $25.9 million for the same period in 2010. This increase in net interest income was the result of a $9.8 million increase in interest income combined with a $65,000 increase in interest expense. The $9.8 million increase in interest income was primarily the result of a higher level of earning assets combine with improved pricing of our earning assets. The higher level of earning assets resulted in an increase in interest income of $8.3 million, while the repricing of our earning assets resulted in a $1.5 million increase in interest income for the three-month period ended March 31, 2011. The $65,000 increase in interest expense for the three-month period ended March 31, 2011, 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 $1.8 million decrease in interest expense. The higher level of our interest bearing liabilities resulted in additional interest expense of $1.8 million.

Net interest margin, on a fully taxable equivalent basis, was 4.61% for the three months ended March 31, 2011 compared to 4.26% for the same periods in 2010, respectively. The Company has worked diligently to improve pricing on the loan portfolio and interest bearing deposits during this lower rate environment. For the first quarter of 2011, the effective yield on non-covered loans and covered loans was 6.38% and 6.90%, respectively. Our ability to improve pricing plus the growth associated from our FDIC-assisted acquisitions allowed the Company to expand net interest margin.

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, 2011 and 2010, as well as changes in fully taxable equivalent net interest margin for the three-month period ended March 31, 2011, compared to the same period in 2010.

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Table 1: Analysis of Net Interest Income

	Three Months Ended March 31,	
	2011	2010
	(Dollars in thousands)	
Interest income	$ 42,755	$ 33,062
Fully taxable equivalent adjustment	1,108	1,050
Interest income fully taxable equivalent	43,863	34,112
Interest expense	8,228	8,163
Net interest income fully taxable equivalent	$ 35,635	$ 25,949
Yield on earning assets fully taxable equivalent	5.68%	5.60%
Cost of interest-bearing liabilities	1.20	1.68
Net interest spread fully taxable equivalent	4.48	3.92
Net interest margin fully taxable equivalent	4.61	4.26

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

	Three Months Ended March 31, 2011 vs. 2010 (In thousands)
Increase (decrease) in interest income due to change in earning assets	$ 8,267
Increase (decrease) in interest income due to change in earning asset yields	1,484
(Increase) decrease in interest expense due to change in interest-bearing liabilities	(1,837)
(Increase) decrease in interest expense due to change in interest rates paid on interest-bearing liabilities	1,772
Increase (decrease) in net interest income	$ 9,686

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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, 2011 and 2010. 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,					
	2011			2010		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
	(Dollars in thousands)					
ASSETS						
Earnings assets						
Interest-bearing balances due from banks	$ 184,750	$ 105	0.23%	$ 137,747	$ 85	0.25%
Federal funds sold	16,441	7	0.17	7,361	5	0.28
Investment securities taxable	345,053	2,160	2.54	194,329	1,627	3.40
Investment securities non-taxable	148,292	2,474	6.77	138,128	2,387	7.01
Loans receivable	2,438,832	39,117	6.50	1,993,626	30,008	6.10
Total interest-earning assets	3,133,368	43,863	5.68	2,471,191	34,112	5.60
Non-earning assets	560,195			282,956		
Total assets	$ 3,693,563			$ 2,754,147		
LIABILITIES AND STOCKHOLDERS EQUITY						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	$ 1,106,343	$ 1,447	0.53%	$ 756,412	$ 1,084	0.58%
Time deposits	1,402,558	4,813	1.39	862,437	4,211	1.98
Total interest-bearing deposits	2,508,901	6,260	1.01	1,618,849	5,295	1.33
Federal funds purchased			0.00	44		0.00
Securities sold under agreement to repurchase	71,057	139	0.79	53,795	94	0.71
FHLB borrowed funds	159,178	1,291	3.29	247,514	2,177	3.57
Subordinated debentures	44,331	538	4.92	47,476	597	5.10

Total interest-bearing liabilities	2,783,467	8,228	1.20	1,967,678	8,163	1.68
Non-interest bearing liabilities						
Non-interest bearing deposits	407,126			306,512		
Other liabilities	23,031			12,300		
Total liabilities	3,213,624			2,286,490		
Stockholders equity	479,939			467,657		
Total liabilities and stockholders equity	$ 3,693,563			$ 2,754,147		
Net interest spread			4.48%			3.92%
Net interest income and margin		$ 35,635	4.61%		$ 25,949	4.26%

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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, 2011 compared to the same period in 2010, 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, 2011 over 2010		
	Volume	**Yield/Rate**	**Total**
		(In thousands)	
Increase (decrease) in:			
Interest income:			
Interest-bearing balances due from banks	$ 27	$ (7)	$ 20
Federal funds sold	5	(3)	2
Investment securities taxable	1,022	(489)	533
Investment securities non-taxable	172	(85)	87
Loans receivable	7,041	2,068	9,109
Total interest income	8,267	1,484	9,751
Interest expense:			
Interest-bearing transaction and savings deposits	464	(101)	363
Time deposits	2,105	(1,503)	602
Federal funds purchased			
Securities sold under agreement to repurchase	33	12	45
FHLB borrowed funds	(727)	(159)	(886)
Subordinated debentures	(38)	(21)	(59)
Total interest expense	1,837	(1,772)	65
Increase (decrease) in net interest income	$ 6,430	$ 3,256	$ 9,686

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 (formerly Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* and No. 114, *Accounting by Creditors for Impairment of a Loan*). 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 recent 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 have continued to decline but the rate of decline has slowed down. The Arkansas economy in our markets has been stable over the past several years with no boom or bust. As a result, the Arkansas economy has fared much better with only low single digit declines in real estate values annually since 2008.

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 each year at $29.9 million, $39.9 million and $49.5 million for 2008, 2009 and 2010, respectively. As of March 31, 2011, non-performing non-covered loans has improved downward to $33.5 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 $1.3 million for the three months ended March 31, 2011 and $3.1 million for the same period in 2010.

Our provision for loan losses decreased $1.9 million, or 59.7% to $1.3 million for the three-month period ended March 31, 2011, from $3.1 million for the same period in 2010. The net loans charged off for the three-month period ended March 31, 2011 were $1.0 million compared to $3.2 million for the same period in 2010. The decreased provision for loan loss is a result of the decline in charge-offs for the three-month period ended March 31, 2011. The net charge-offs for the three-months ended were approximately $157,000 and $850,000 for Arkansas and Florida, respectively.

Non-Interest Income

Total non-interest income was $10.0 million for the three-month period ended March 31, 2011 compared to $16.6 million for the same period in 2010. Excluding the gain on acquisitions during the first quarter of 2011 non-interest income was $7.3 million for the three-month period ended March 31, 2010. 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, 2011 and 2010, respectively, as well as changes for the three-month period ended March 31, 2011 compared to the same period in 2010.

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Table 5: Non-Interest Income

	Three Months Ended March 31, 2011	2010	2011 Change from 2010	
	(Dollars in thousands)			
Service charges on deposit accounts	$ 3,151	$ 3,141	$ 10	0.3%
Other service charges and fees	2,284	1,638	646	39.4
Mortgage lending income	645	412	233	56.6
Mortgage servicing income		160	(160)	(100.0)
Insurance commissions	607	347	260	74.9
Income from title services	91	107	(16)	(15.0)
Increase in cash value of life insurance	239	428	(189)	(44.2)
Dividends from FHLB, FRB & bankers bank	141	126	15	11.9
Gain on acquisitions		9,334	(9,334)	(100.0)
Gain on sale of SBA loans	259		259	100.0
Gain (loss) on sale of premises and equipment, net	(4)	207	(211)	(101.9)
Gain (loss) on OREO, net	(94)	159	(253)	(159.1)
Gain (loss) on securities, net				100.0
FDIC indemnification accretion	1,837	73	1,764	2,416.4
Other income	884	513	371	72.3
Total non-interest income	$ 10,040	$ 16,645	$ (6,605)	(39.7)%

Non-interest income excluding gains on acquisitions increased $2.7 million, or 37.3%, to $10.0 million for the three-month period ended March 31, 2011 from $7.3 million for the same period in 2010. The primary factors that resulted in this increase are new income from FDIC indemnification accretion and additional service charges and fees associated with growth from our FDIC-assisted acquisitions. Included in other income is a $308,000 gain from life insurance proceeds of a former bank director.

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.

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 periods ended March 31, 2011 and 2010, as well as changes for the three-month periods ended March 31, 2011 compared to the same period in 2010.

Table 6: Non-Interest Expense

	Three Months Ended March 31,		2011 Change from 2010	
	2011	2010		
	(Dollars in thousands)			
Salaries and employee benefits	$ 11,078	$ 8,534	$ 2,544	29.8%
Occupancy and equipment	3,713	2,799	914	32.7
Data processing expense	1,285	862	423	49.1
Other operating expenses:				
Advertising	998	366	632	172.7
Merger and acquisition expenses	11	1,059	(1,048)	(99.0)
Amortization of intangibles	713	479	234	48.9
Amortization of mortgage servicing rights		218	(218)	(100.0)
Electronic banking expense	659	477	182	38.2
Directors fees	185	145	40	27.6
Due from bank service charges	140	90	50	55.6
FDIC and state assessment	1,093	898	195	21.7
Insurance	371	300	71	23.7
Legal and accounting	447	388	59	15.2
Mortgage servicing expense		84	(84)	(100.0)
Other professional fees	413	313	100	31.9
Operating supplies	289	186	103	55.4
Postage	245	150	95	63.3
Telephone	263	138	125	90.6
Other expense	1,958	1,069	889	83.2
Total non-interest expense	$ 23,861	$ 18,555	$ 5,306	28.6%

Non-interest expense increased $5.3 million, or 28.60%, to $23.9 million for the three-month period ended March 31, 2011, from $18.6 million for the same period in 2010. Excluding the merger and acquisition expenses, non-interest expense increased $6.4 million or 36.32%. This increase is primarily the result of the additional operating costs associated with the branch locations acquired from the FDIC-assisted transactions in during 2010 and the normal increase in cost of doing business. We acquired 37 branch locations since we began acquiring FDIC-assisted bank in March of 2010 closing one in 2010 and seven during the first quarter of 2011.

Income Taxes

The provision for income taxes decreased $268,000, or 3.82%, to $6.7 million for the three-month period ended March 31, 2011, from $7.0 million as of March 31, 2010. The effective income tax rate was 34.6% for the three-month period ended March 31, 2011, compared to 35.2% for the same period in 2010. The primary cause of this decrease is the result of our slightly lower earnings at our marginal tax rate of 39.225%.

Financial Condition as of and for the Period Ended March 31, 2011 and December 31, 2010

Our total assets as of March 31, 2011 decreased $58.9 million, an annualized reduction of 6.34%, to $3.70 billion from the $3.76 billion reported as of December 31, 2010. Our loan portfolio not covered by loss share decreased by $43.1 million, an annualized reduction of 9.23%, to $1.85 billion as of March 31, 2011, from $1.89 billion as of December 31, 2010. Stockholders equity increased $11.4 million to $488.3 million as of March 31, 2011, compared to $476.9 million as of December 31, 2010. The decrease in assets is primarily associated with historically low loan demand and payoffs in our legacy non-covered loan portfolio. The increase in stockholders equity is primarily associated with the $13.4 million of comprehensive income less the $2.2 million of dividends paid for 2011. The

annualized growth in stockholders   equity for the first three months of 2011 was 9.69%.

Loans Receivable Not Covered by Loss Share

Our non-covered loan portfolio averaged $1.87 billion during the three-month period ended March 31, 2011. Non-covered loans were $1.85 billion as of March 31, 2011, compared to $1.89 billion as of December 31, 2010, an annualized decrease of 9.2%. The slow down in loan growth from our historical expansion rates was not unexpected. 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. We have only made a limited amount of new loan originations within our central Florida and the Florida Panhandle markets entered into in 2010 as a result of our FDIC-assisted acquisitions. However, we did acquire $23.3 million of non-covered loans located in the Florida Panhandle market during our 2010 FDIC acquisitions.

Certain credit markets have experienced difficult conditions and volatility during 2009, 2010 and the first quarter of 2011, particularly Florida. The Florida market currently is approximately 85.7% secured by real estate and 16.8% of our loan portfolio not covered by loss share.

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

Table 7: Loan Portfolio Not Covered by Loss Share

	As of March 31, 2011	As of December 31, 2010
	(In thousands)	
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	$ 787,069	$ 805,635
Construction/land development	351,704	348,768
Agricultural	25,760	26,798
Residential real estate loans:		
Residential 1-4 family	359,714	371,381
Multifamily residential	55,987	59,319
Total real estate	1,580,234	1,611,901
Consumer	44,117	51,642
Commercial and industrial	175,969	184,014
Agricultural	18,746	16,549
Other	30,236	28,268
Loans receivable not covered by loss share	$ 1,849,302	$ 1,892,374

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.

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As of March 31, 2011, non-covered commercial real estate loans totaled $1.16 billion, or 63.0% of our non-covered loan portfolio, compared to $1.18 billion, or 62.4% of our non-covered loan portfolio, as of December 31, 2010. This decrease is primarily related to normal loan pay downs combined with limited loan demand. Florida non-covered commercial real estate loans are approximately 9.7% 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 area. 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, 2011, non-covered residential real estate loans totaled $415.7 million, or 22.5% of our non-covered loan portfolio, compared to $430.7 million, or 22.8% of our non-covered loan portfolio, as of December 31, 2010. This decrease is primarily related to normal loan pay downs combined with limited loan demand. Florida non-covered residential real estate loans are approximately 4.6% 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 economy as well as the rates of personal bankruptcies, job loss, divorce and other individual-specific characteristics.

As of March 31, 2011, our non-covered installment consumer loan portfolio totaled $44.1 million, or 2.4% of our total non-covered loan portfolio, compared to the $51.6 million, or 2.7% of our non-covered loan portfolio as of December 31, 2010. This decrease is associated with normal payoffs and pay downs combined with limited loan demand. Florida non-covered consumer loans are approximately 1.5% 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, 2011, non-covered commercial and industrial loans outstanding totaled $176.0 million, or 9.5% of our non-covered loan portfolio, compared to $184.0 million, or 9.7% of our non-covered loan portfolio, as of December 31, 2010. This decrease is primarily related to normal loan pay downs combined with limited loan demand. 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: Total Loans Receivable
As of March 31, 2011

	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	$ 787,069	$ 204,882	$ 991,951
Construction/land development	351,704	130,033	481,737
Agricultural	25,760	5,808	31,568
Residential real estate loans			
Residential 1-4 family	359,714	176,181	535,895
Multifamily residential	55,987	9,173	65,160
Total real estate	1,580,234	526,077	2,106,311
Consumer	44,117	417	44,534
Commercial and industrial	175,969	38,798	214,767
Agricultural	18,746		18,746
Other	30,236	1,171	31,407
Total	$ 1,849,302	$ 566,463	$ 2,415,765

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, 2011 and December 31, 2010. 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, 2011	As of December 31, 2010
	(Dollars in thousands)	
Non-accrual non-covered loans	$ 33,524	$ 48,924
Non-covered loans past due 90 days or more (principal or interest payments)	9	578
Total non-performing non-covered loans	33,533	49,502
Other non-performing non-covered assets		
Non-covered foreclosed assets held for sale, net	17,877	11,626
Other non-performing non-covered assets	15	77
Total other non-performing non-covered assets	17,892	11,703
Total non-performing non-covered assets	$ 51,425	$ 61,205
Allowance for loan losses to non-performing non-covered loans	159.82%	107.77%
Non-performing non-covered loans to total non-covered loans	1.81	2.62
Non-performing non-covered assets to total non-covered assets	1.78	2.08

Our non-performing non-covered loans are comprised of non-accrual non-covered loans and 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 57.4% and 52.7% of our non-performing non-covered loans as of March 31, 2011 and December 31, 2010, respectively.

Total non-performing non-covered loans improved to $33.5 million as of March 31, 2011, compared to the $49.5 million as of December 31, 2010. As of March 31, 2011 and December 31, 2010, non-performing non-covered loans are $19.3 million and $26.1 million in the Florida market, respectively. We are reaching the end of this year s high season in the Florida Keys, and all indications are that it will be the best season in recent history in terms of tourism. As a result, we have several Keys credits that have performed in a manner that we were able to return them onto an accruing basis in the first quarter, and this reduced our non-performing loans. In addition, through the completion of the legal process, we moved two Arkansas relationships from non-performing to non-covered foreclosed assets held for sale, which resulted in an improvement in non-performing loans.

Since December 31, 2007, the weakened real estate market, particularly in Florida, has increased and may continue to increase our non-performing non-covered loans. While we believe our allowance for loan losses is adequate at March 31, 2011, as additional facts become known about relevant internal and external factors that affect loan collectability and our assumptions, it may result in us making additions to the provision for loan losses during 2011.

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.

In this current real estate crisis that the nation in general and Florida in particular has been experiencing, 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. We have not forgiven any material principal amounts on any loan modifications to date. Only non-performing restructured loans are included in our non-performing non-covered loans. As of March 31, 2011, we had $59.4 million of non-covered restructured loans that are in compliance with the modified terms and are not reported as past due or non-accrual in Table 9. Of the $59.4 million in non-covered restructured loans, $43.3 million are also reported as non-covered impaired loans. Our Florida market contains $31.0 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 Bank continues to work with borrowers who are experiencing financial difficulties, 87.6% and 82.2% of all restructured loans are performing to the terms of the restructure as of March 31, 2011 and December 31, 2010, respectively.

Total foreclosed assets held for sale not covered by loss share were $17.9 million as of March 31, 2011, compared to $11.6 million as of December 31, 2010, for an increase of $6.3 million. The foreclosed assets held for sale not covered by loss share are comprised of $7.1 million of assets located in Florida with the remaining $10.8 million of assets located in Arkansas. As of March 31, 2011, we have one large foreclosed housing development loan in the Florida Keys and one large development loan in Northwest Arkansas in foreclosure. During April 2011, we sold the large foreclosed housing development in the Florida Keys. The carrying value of this non-covered property was $4.0 million, and it sold for $2.8 million resulting in a $1.2 million loss for the second quarter of 2011. The large development loan in Northwest Arkansas was moved into foreclosed assets during the first quarter of 2011. The carrying value of this non-covered foreclosed property is $3.7 million. The losses on this loan were addressed during the fourth quarter of 2010. No additional charge-offs were needed when this loan was moved into foreclosed assets during the first quarter of 2011. 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, 2011, total foreclosed assets held for sale were $39.0 million. Table 10 shows the summary of foreclosed assets held for sale as of March 31, 2011.

Table 10: Total Foreclosed Assets Held For Sale

	March 31, 2011		
	Not Covered by Loss Share	Covered by FDIC Loss Share	Total
		(In thousands)	
Commercial real estate loans			
Non-farm/non-residential	$ 10,392	$ 6,809	$ 17,201
Construction/land development	2,960		2,960
Residential real estate loans			
Residential 1-4 family	4,261	14,270	18,531
Multifamily residential	264		264
Total	$ 17,877	$ 21,079	$ 38,956

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 $661,000 and $534,000 for the three-month periods ended March 31, 2011 and 2010, respectively would have been recorded. The interest income recognized on the non-covered non-accrual loans for the three-month period ended March 31, 2011 and 2010 was considered immaterial.

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, 2011, average non-covered impaired loans were $97.3 million compared to $48.2 million as of March 31, 2010. As of March 31, 2011, non-covered impaired loans were $102.4 million, compared to $92.3 million as of December 31, 2010, for an increase of $10.1 million. This increase is the result of the underlying value of collateral on non-covered loans continuing to deteriorate in the current unfavorable economic conditions. As of March 31, 2011, our Florida market accounted for $42.8 million of the non-covered impaired loans.

We evaluated loans purchased in conjunction with the acquisitions of Old Southern, Key West and 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 loans acquired in these two transactions were deemed to be covered impaired loans. These loans were not classified as nonperforming assets at March 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.

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

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Past Due and Non-Accrual Loans

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

Table 11: Total Non-Accrual Loans

	March 31, 2011		
	Not Covered by Loss Share	Covered by FDIC Loss Share	Total
		(In thousands)	
Non-accrual loans			
Commercial real estate loans			
Non-farm/non-residential	$ 5,891	$	$ 5,891
Construction/land development	5,404		5,404
Agricultural	215		215
Residential real estate loans			
Residential 1-4 family	12,428		12,428
Multifamily residential	4,920		4,920
Total real estate	28,858		28,858
Consumer	1,897		1,897
Commercial and industrial	2,769		2,769
Agricultural			
Other			
Total non-accrual loans	$ 33,524	$	$ 33,524

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

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

	March 31, 2011		
	Not Covered by Loss Share	Covered by FDIC Loss Share	Total
		(In thousands)	
Non-accrual loans			
Commercial real estate loans			
Non-farm/non-residential	$	$ 25,996	$ 25,996
Construction/land development		35,412	35,412
Agricultural		1,648	1,648
Residential real estate loans			
Residential 1-4 family	2	32,357	32,359
Multifamily residential			
Total real estate	2	95,413	95,415
Consumer	7	296	303

Commercial and industrial				5,203	5,203
Agricultural					
Other					
Total loans past due 90 days or more	$	9	$	100,912	$ 100,921

The Company s total past due and non-accrual covered loans to total covered loans was 17.8% as of March 31, 2011.

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 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. All but one 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 loan. This analysis will be performed each quarter in connection with the preparation of the analysis of the adequacy of the allowance for loan losses, and if necessary, adjustments will be made to the specific allocation provided for a particular loan.

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 with No Specific Allocation. 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 $1.6 million for the three months ended March 31, 2011, compared to $3.7 million for the same period in 2010. Total recoveries increased to $615,000 for the three months ended March 31, 2011, compared to $497,000 for the same period in 2010. For the three months ended March 31, 2011, the net charge-offs were $157,000 and $850,000 for Arkansas and Florida, respectively. The charge-offs, recoveries and net charge-offs are reflective of the proactive stance we take on asset quality issues.

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See Note 4 Loans Receivable Not Covered by Loss Share and Allowance for Loan Losses to the Consolidated Financial Statements for an analysis of the allowance for loan losses.

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 periods ended March 31, 2011 and December 31, 2010 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 13 presents the allocation of allowance for loan losses as of March 31, 2011 and December 31, 2010.

Table 13: Allocation of Allowance for Loan Losses

	As of March 31, 2011		As of December 31, 2010	
	Allowance Amount	% of loans(1)	Allowance Amount	% of loans(1)
	(Dollars in thousands)			
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	$ 17,164	42.6%	$ 16,874	42.6%
Construction/land development	11,241	19.0	12,002	18.5
Agricultural	365	1.4	373	1.4
Residential real estate loans:				
Residential 1-4 family	10,457	19.5	11,065	19.6
Multifamily residential	3,217	3.0	3,232	3.1
Total real estate	42,444	85.5	43,546	85.2
Consumer	1,715	2.4	815	2.7
Commercial and industrial	6,725	9.5	6,357	9.7
Agricultural	217	1.0	207	0.9
Other		1.6		1.5
Unallocated	2,490		2,423	
Total	$ 53,591	100.0%	$ 53,348	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, 2011, we had no held-to-maturity or trading securities.

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 $510.0 million as of March 31, 2011, compared to $469.9 million as of December 31, 2010. The estimated effective duration of our securities portfolio was 3.0 years as of March 31, 2011.

As of March 31, 2011, $128.6 million, or 25.2%, of our available-for-sale securities were invested in mortgage-backed securities, compared to $116.1 million, or 24.7%, of our available-for-sale securities as of December 31, 2010. To reduce our income tax burden, $158.3 million, or 31.0%, of our available-for-sale securities portfolio as of March 31, 2011, was primarily invested in tax-exempt obligations of state and political subdivisions, compared to $153.7 million, or 32.7%, of our available-for-sale securities as of December 31, 2010. Also, we had approximately $219.8 million, or 43.1%, invested in obligations of U.S. Government-sponsored enterprises as of March 31, 2011, compared to $197.3 million, or 42.0%, of our available-for-sale securities as of December 31, 2010.

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 Consolidated Financial Statements for the carrying value and fair value of investment securities.

Deposits

Our deposits averaged $2.92 billion for the three-month period ended March 31, 2011. Total deposits decreased $44.3 million, or a decrease of 1.5%, to $2.92 billion as of March 31, 2011, from $2.96 billion as of December 31, 2010. 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, 2011 and December 31, 2010, brokered deposits were $102.3 million and $98.9 million, respectively. Included in these brokered deposits are $55.9 million and $51.3 million of Certificate of Deposit Account Registry Service (CDARS) as of March 31, 2011 and December 31, 2010, 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 and do not anticipate a significant change in total deposits unless our liquidity position changes. We believe that additional funds can be attracted and deposit growth can be accelerated 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 by 75 basis points on January 22, 2008, 50 basis points on January 30, 2008, 75 basis points on March 18, 2008, 25 basis points on April 30, 2008 and 50 basis points to a rate of 1.50% as of October 8, 2008. The rate continued to fall 50 basis points on October 29, 2008 and 75 to 100 basis points to a low of 0.25% to 0% on December 16, 2008, where the rate has remained.

Table 14 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, 2011 and 2010.

Table 14: Average Deposit Balances and Rates

	Three Months Ended March 31,			
	2011		2010	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
	(Dollars in thousands)			
Non-interest-bearing transaction accounts	$ 407,126	%	$ 306,512	%
Interest-bearing transaction accounts	982,421	0.54	686,490	0.60
Savings deposits	123,922	0.46	69,922	0.42
Time deposits:				
$100,000 or more	833,392	1.18	528,190	1.96
Other time deposits	569,166	1.71	334,247	2.01
Total	$ 2,916,027	0.87%	$ 1,925,361	1.12%

Securities Sold Under Agreements to Repurchase

We enter into short-term purchases of securities under agreements to resell (resale agreements) and sales of securities under agreements to repurchase (repurchase agreements) of substantially identical securities. The amounts advanced under resale agreements and the amounts borrowed under repurchase agreements are carried on the balance sheet at the amount advanced. Interest incurred on repurchase agreements is reported as interest expense. Securities sold under agreements to repurchase decreased $4.6 million, or 6.2%, from $74.5 million as of December 31, 2010 to $69.8 million as of March 31, 2011.

FHLB Borrowed Funds

Our FHLB borrowed funds were $150.2 million and $177.3 million at March 31, 2011 and December 31, 2010, respectively. All of the outstanding balance for March 31, 2011 and December 31, 2010 were issued as long-term advances. Our remaining FHLB borrowing capacity was $452.5 million and $383.6 million as of March 31, 2011 and December 31, 2010, 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, 2011 and December 31, 2010.

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

Presently, the funds raised from the trust preferred offerings qualify as Tier 1 capital for regulatory purposes, subject to the applicable limit, with the balance qualifying as Tier 2 capital.

The Company holds $41.2 million of trust preferred securities which are currently callable without penalty based on the terms of the specific agreements. The 2009 agreement between the Company and the Treasury limits our ability to retire any of our qualifying capital. As a result, the notes previously mentioned are not currently eligible to be paid off.

Stockholders Equity

Stockholders equity was $488.3 million at March 31, 2011 compared to $476.9 million at December 31, 2010, an increase of 2.4%. As of March 31, 2011 and December 31, 2010 our common equity to asset ratio was 11.8% and 11.4%, respectively. Book value per common share was $15.41 at March 31, 2011 compared to $15.02 at December 31, 2010.

Stock Dividends. On April 22, 2010, our Board of Directors declared a 10% stock dividend which was paid June 4, 2010 to shareholders of record as of May 14, 2010. Except for fractional shares, the holders of our common stock received 10% additional common stock on June 4, 2010. The common shareholders did not receive fractional shares; instead they received cash at a rate equal to the closing price of a share on June 4, 2010 times the fraction of a share they otherwise would have been entitled to.

All share and per share amounts have been restated to reflect the retroactive effect of the stock dividend. After issuance, this stock dividend lowered our total capital position by approximately $11,000 as a result of the cash paid in lieu of fractional shares. Our financial statements reflect an increase in the number of outstanding shares of common stock, an increase in surplus and reduction of retained earnings.

Common Stock Cash Dividends. We declared cash dividends on our common stock of $0.0540 and $0.0545 per share for the three-month periods ended March 31, 2011 and 2010, respectively. The common stock dividend payout ratio for the three months ended March 31, 2011 and 2010 was 12.1% and 12.0%, respectively. The 2009 agreement between the Company and the Treasury limits the payment of dividends on the Common Stock to a quarterly cash dividend of not more than $0.0545 per share.

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, 2011 and December 31, 2010, we met all regulatory capital adequacy requirements to which we were subject.

Table 15 presents our risk-based capital ratios as of March 31, 2011 and December 31, 2010.

Table 15: Risk-Based Capital

	As of March 31, 2011	As of December 31, 2010
	(Dollars in thousands)	
Tier 1 capital		
Stockholders equity	$ 488,325	$ 476,925
Qualifying trust preferred securities	43,000	43,000
Goodwill and core deposit intangibles, net	(68,987)	(69,609)
Unrealized (gain) loss on available-for-sale securities	(980)	(301)
Total Tier 1 capital	461,358	450,015
Tier 2 capital		
Qualifying allowance for loan losses	33,434	33,948
Total Tier 2 capital	33,434	33,948
Total risk-based capital	$ 494,792	$ 483,963
Average total assets for leverage ratio	$ 3,624,576	$ 3,703,818
Risk weighted assets	$ 2,654,543	$ 2,696,406
Ratios at end of period		
Leverage ratio	12.73%	12.15%
Tier 1 risk-based capital	17.38	16.69
Total risk-based capital	18.64	17.95
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 $70.4 million, $71.1 million, and $60.0 million total goodwill, core deposit intangibles and other intangible assets as of March 31, 2011, December 31, 2010 and March 31, 2010, respectively. Because of our level of intangible assets and related amortization expenses, management believes diluted cash earnings per share, tangible book value per common share, cash return on average assets, cash return on average tangible common equity 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 16 through 20, respectively. Per share amounts have been adjusted for the stock dividend which occurred in June of 2010.

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Table 16: Diluted Cash Earnings Per Share

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(In thousands, except per share data)	
GAAP net income available to common stockholders	$ 12,046	$ 12,211
Intangible amortization after-tax	433	291
Cash earnings available to common stockholders	$ 12,479	$ 12,502
GAAP diluted earnings per common share	$ 0.42	$ 0.43
Intangible amortization after-tax	0.02	0.01
Diluted cash earnings per common share	$ 0.44	$ 0.44

Table 17: Tangible Book Value Per Share

	As of March 31, 2011	As of December 31, 2010
	(Dollars in thousands, except per share data)	
Book value per common share: A/B	$ 15.41	$ 15.02
Tangible book value per common share: (A-C-D)/B	12.93	12.52
(A) Total common equity	$ 438,823	$ 427,469
(B) Common shares outstanding	28,483	28,452
(C) Goodwill	59,663	59,663
(D) Core deposit and other intangibles	10,734	11,447

Table 18: Cash Return on Average Assets

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(Dollars in thousands)	
Return on average assets: A/C	1.40%	1.90%
Cash return on average assets: B/(C-D)	1.47	1.98
(A) Net income available to all stockholders	$ 12,716	$ 12,881
Intangible amortization after-tax	433	291
(B) Cash earnings	$ 13,149	$ 13,172
(C) Average assets	$ 3,693,563	$ 2,754,147
(D) Average goodwill, core deposits and other intangible assets	70,742	58,078

Table 19: Cash Return on Average Tangible Common Equity

	Three Months Ended March 31, 2011	2010
	(Dollars in thousands)	
Return on average common equity: A/C	11.35%	11.84%
Return on average tangible common equity: B/(C-D)	14.07	14.07
(A) Net income available to common stockholders	$ 12,046	$ 12,211
(B) Cash earnings available to common stockholders	12,479	12,502
(C) Average common equity	430,465	418,375
(D) Average goodwill, core deposits and other intangible assets	70,742	58,078

Table 20: Tangible Common Equity to Tangible Assets

	As of March 31, 2011	As of December 31, 2010
	(Dollars in thousands)	
Equity to assets: B/A	13.18%	12.68%
Common equity to assets: C/A	11.85	11.36
Tangible common equity to tangible assets: (C-D-E)/(A-D-E)	10.14	9.65
(A) Total assets	$3,703,780	$ 3,762,646
(B) Total equity	488,325	476,925
(C) Total common equity	438,823	427,469
(D) Goodwill	59,663	59,663
(E) Core deposit and other intangibles	10,734	11,447

Recently Issued Accounting Pronouncements

See Note 18 to the 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, 2011, our cash and cash equivalents were $260.0 million, or 7.0% of total assets, compared to $287.5 million, or 7.6% of total assets, as of December 31, 2010. Our investment securities and federal funds sold were $511.2 million as of March 31, 2011 and $497.7 million as of December 31, 2010.

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 $12.5 million on an unsecured basis as of March 31, 2011 and December 31, 2010. 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 $150.2 million and $177.3 million at March 31, 2011 and December 31, 2010, respectively. All of the outstanding balances were issued as long-term advances. Our FHLB borrowing capacity was $452.5 million and $383.6 million as of March 31, 2011 and December 31, 2010.

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.

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, 2011 was asset sensitive with a one-year cumulative repricing gap of 9.4%. 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 21 presents a summary of the repricing schedule of our interest-earning assets and interest-bearing liabilities (gap) as of March 31, 2011.

Table 21: 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	$201,834	$	$	$	$	$	$	$ 201,834
Federal funds sold	1,175							1,175
Investment securities	28,369	8,981	20,836	50,971	74,004	121,309	205,549	510,019
Loans receivable	614,013	262,182	263,053	407,671	422,696	327,269	65,290	2,362,174
Total earning assets	845,391	271,163	283,889	458,642	496,700	448,578	270,839	3,075,202
Interest-bearing liabilities								
Interest-bearing transaction and savings deposits	39,937	80,224	120,336	240,672	210,553	210,552	210,674	1,112,948
Time deposits	169,992	233,842	270,104	317,971	251,910	113,419	100	1,357,338
Federal funds purchased								
Securities sold under repurchase agreements	59,358				1,397	4,190	4,889	69,834
FHLB borrowed funds	16	128	7,249	191	12,274	60,756	69,633	150,247
Subordinated debentures	25,773			3,093			15,465	44,331
Total interest-bearing liabilities	295,076	314,194	397,689	561,927	476,134	388,917	300,761	2,734,698
Interest rate sensitivity gap	$550,315	$ (43,031)	$(113,800)	$(103,285)	$ 20,566	$ 59,661	$ (29,922)	$ 340,504

Cumulative interest rate sensitivity gap	$550,315	$507,284	$ 393,484	$ 290,199	$310,765	$370,426	$340,504
Cumulative rate sensitive assets to rate sensitive liabilities	286.5%	183.3%	139.1%	118.5%	115.2%	115.2%	112.5%
Cumulative gap as a % of total earning assets	17.9%	16.5%	12.8%	9.4%	10.1%	12.0%	11.1%

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, 2011, 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, 2010. See the discussion of our risk factors in the Form 10-K, as filed with the SEC. The risks described are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

Not applicable.

Item 3: Defaults Upon Senior Securities

Not applicable.

Item 4: (Reserved)

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Item 5: Other Information

Not applicable.

Item 6: Exhibits

12.1	Computation of Ratios of Earnings to Fixed Charges
15	Awareness of Independent Registered Public Accounting Firm
31.1	CEO Certification Pursuant Rule 13a-14(a)/15d-14(a)
31.2	CFO Certification Pursuant Rule 13a-14(a)/15d-14(a)
32.1	CEO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002
32.2	CFO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002

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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 6, 2011	/s/ C. Randall Sims C. Randall Sims, Chief Executive Officer
Date: May 6, 2011	/s/ Randy E. Mayor Randy E. Mayor, Chief Financial Officer

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