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Simmons First National Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Matt Olney – Stephens, Inc.

Matt Olney – Stephens, Inc.

You gave a lot of good details on the credit quality, especially with Northwest Arkansas and in credit cards. Could you give more color on the credit trends in Arkansas, outside those two things, and maybe specify the agri loans as well?

J. Thomas May

I would tell you, first of all, that just looking at it from our prospective, which would be our eight banks, we've already talked about the Northwest Arkansas region and the challenges there. You know that but I will be glad to answer any other questions there that you might want.

Beyond the Northwest Arkansas region, when we look at the Northeast, we look at the Central, we look at the western part of the state, and the central part of the state, and then the South Central and the Southeast, we believe the asset quality numbers in our particular institution are still holding up very well.

While we are seeing some challenges, they are very minor in nature compared to the national economy. So that is very much a positive.

In looking beyond the regions or drilling down into types of loans, let me address the issue, or the question, of the agri industry. In our company we have three regions where we have agri lending: Northeast, South Central, and Southeast. The portfolios in aggregate, relative to row crop, would probably be a little bit north of \$100.0 million, so for a \$3.0 billion holding company you realize we do not have a lot of concentrations there.

The bulk of our lending on the agri side is, in fact, row crop lending. This last year the challenges that we would have had would primarily have come from the input cost, number one. Number two, would have been from the hurricanes. If we look at it right now, retrospectively, I think you will see that all of our farmers, or most of our farmers, will have paid out. Most of them would have had a year in 2008 equal to, or slightly less, than 2007 with the exception of possibly the cotton farmers.

As we move into 2009, we still see that the biggest challenge, the input costs are obviously lower. We are seeing the prices in the grains and so forth are at a level that there obviously could be some good profits if they could book their profits. And that hedging process is still going to be a little bit of a

challenge with the grain elevators. They obviously can do it in the futures market. That requires lots of capital.

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