

SIMMONS FIRST NATIONAL CORP  
Form 10-Q  
May 10, 2006

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

**FORM 10-Q**

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

For Quarter Ended March 31, 2006

Commission File Number 0-6253

**SIMMONS FIRST NATIONAL CORPORATION**  
(Exact name of registrant as specified in its charter)

Arkansas  
(State or other jurisdiction of  
incorporation or organization)

71-0407808  
(I.R.S. Employer  
Identification No.)

501 Main Street, Pine Bluff, Arkansas 71601  
(Address of principal executive offices) (Zip Code)

870-541-1000  
(Registrant's telephone number, including area code)

Not Applicable

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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. S Yes £ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

£ Large accelerated filer

S Accelerated filer

£ Non-accelerated filer

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

The number of shares outstanding of the Registrant's Common Stock as of April 26, 2006 was 14,265,068.

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**Simmons First National Corporation**  
**Quarterly Report on Form 10-Q**  
**March 31, 2006**

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**Part I: Financial Information**  
**Item 1: Financial Statements**

**Simmons First National Corporation**  
**Consolidated Balance Sheets**  
**March 31, 2006 and December 31, 2005**

**ASSETS**

<b>(In thousands, except share data)</b>	<b>March 31, 2006 (Unaudited)</b>	<b>December 31, 2005</b>
Cash and non-interest bearing balances due from banks	\$ 89,400	\$ 75,461
Interest bearing balances due from banks	34,200	14,397
Federal funds sold	8,620	11,715
Cash and cash equivalents	132,220	101,573
Investment securities	529,350	521,789
Mortgage loans held for sale	6,853	7,857
Assets held in trading accounts	4,646	4,631
Loans	1,691,020	1,718,107
Allowance for loan losses	(26,463)	(26,923)
Net loans	1,664,557	1,691,184
Premises and equipment	65,040	63,360
Foreclosed assets held for sale, net	1,666	1,540
Interest receivable	17,066	18,754
Bank owned life insurance	33,570	33,269
Goodwill	60,605	60,605
Core deposit premiums	4,822	5,029
Other assets	18,075	14,177
<b>TOTAL ASSETS</b>	<b>\$ 2,538,470</b>	<b>\$ 2,523,768</b>

See Condensed Notes to Consolidated Financial Statements.

**Simmons First National Corporation**  
**Consolidated Balance Sheets**  
**March 31, 2006 and December 31, 2005**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>(In thousands, except share data)</b>	<b>March 31, 2006 (Unaudited)</b>	<b>December 31, 2005</b>
<b>LIABILITIES</b>		
Non-interest bearing transaction accounts	\$ 328,477	\$ 331,113
Interest bearing transaction accounts and savings deposits	757,368	749,925
Time deposits	1,007,811	978,920
Total deposits	2,093,656	2,059,958
Federal funds purchased and securities sold under agreements to repurchase	91,817	107,223
Short-term debt	2,245	8,031
Long-term debt	83,093	87,020
Accrued interest and other liabilities	22,448	17,451
Total liabilities	2,293,259	2,279,683
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock		
Class A, common, par value \$0.01 a share, authorized 30,000,000 shares, 14,264,144 issued and outstanding at 2006 and 14,326,923 at 2005	143	143
Surplus	51,380	53,723
Undivided profits	198,287	194,579
Accumulated other comprehensive income (loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of income tax credits of \$2,758 at 2006 and \$2,615 at 2005	(4,599)	(4,360)
Total stockholders' equity	245,211	244,085
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,538,470</b>	<b>\$ 2,523,768</b>

See Condensed Notes to Consolidated Financial Statements.

**Simmons First National Corporation**  
**Consolidated Statements of Income**  
**Three Months Ended March 31, 2006 and 2005**

(In thousands, except per share data)	Three Months Ended March 31, (Unaudited)	
	2006	2005
<b>INTEREST INCOME</b>		
Loans	\$ 30,087	\$ 25,413
Federal funds sold	175	327
Investment securities	4,830	4,574
Mortgage loans held for sale	100	119
Assets held in trading accounts	25	25
Interest bearing balances due from banks	297	196
<b>TOTAL INTEREST INCOME</b>	<b>35,514</b>	<b>30,654</b>
<b>INTEREST EXPENSE</b>		
Deposits	11,268	6,913
Federal funds purchased and securities sold under agreements to repurchase	1,104	545
Short-term debt	96	14
Long-term debt	1,094	1,089
<b>TOTAL INTEREST EXPENSE</b>	<b>13,562</b>	<b>8,561</b>
<b>NET INTEREST INCOME</b>	<b>21,952</b>	<b>22,093</b>
Provision for loan losses	1,708	2,221
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>20,244</b>	<b>19,872</b>
<b>NON-INTEREST INCOME</b>		
Trust income	1,367	1,385
Service charges on deposit accounts	3,763	3,414
Other service charges and fees	658	584
Income on sale of mortgage loans, net of commissions	676	682
Income on investment banking, net of commissions	107	58
Credit card fees	2,458	2,340
Premiums on sale of student loans	736	634
Bank owned life insurance income	301	94
Other income	546	880
<b>TOTAL NON-INTEREST INCOME</b>	<b>10,612</b>	<b>10,071</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries and employee benefits	13,505	12,831
Occupancy expense, net	1,520	1,436
Furniture and equipment expense	1,418	1,449
Loss on foreclosed assets	33	48
Deposit insurance	69	73
Other operating expenses	5,580	5,578
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>22,125</b>	<b>21,415</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>8,731</b>	<b>8,528</b>

Provision for income taxes		2,743		2,668
<b>NET INCOME</b>	\$	5,988	\$	5,860
<b>BASIC EARNINGS PER SHARE</b>	\$	0.42	\$	0.41
<b>DILUTED EARNINGS PER SHARE</b>	\$	0.41	\$	0.40

See Condensed Notes to Consolidated Financial Statements.

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**Simmons First National Corporation**  
**Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2006 and 2005**

(In thousands)	March 31, 2006	March 31, 2005
<b>OPERATING ACTIVITIES</b>	<b>(Unaudited)</b>	
Net income	\$ 5,988	\$ 5,860
Items not requiring (providing) cash		
Depreciation and amortization	1,657	1,344
Provision for loan losses	1,708	2,221
Net amortization (accretion) of investment securities	115	344
Deferred income taxes	(414)	(112)
Bank owned life insurance income	(301)	(94)
Changes in		
Interest receivable	1,688	(1,028)
Mortgage loans held for sale	1,004	(2,395)
Assets held in trading accounts	(16)	198
Other assets	(3,897)	(643)
Accrued interest and other liabilities	2,015	868
Income taxes payable	3,157	2,780
Net cash provided (used) by operating activities	12,704	9,343
<b>INVESTING ACTIVITIES</b>		
Net originations of loans	24,477	(19,774)
Purchases of premises and equipment, net	(3,130)	(1,610)
Proceeds from sale of foreclosed assets	316	2,859
Proceeds from maturities of available-for-sale securities	8,480	15,382
Purchases of available-for-sale securities	(17,700)	(39,335)
Proceeds from maturities of held-to-maturity securities	12,230	13,887
Purchases of held-to-maturity securities	(10,686)	(10,342)
Net cash provided (used) by investing activities	13,987	(38,933)
<b>FINANCING ACTIVITIES</b>		
Net increase (decrease) in deposits	33,698	49,166
Net proceeds (repayments) of short-term debt	(5,786)	(1,466)
Dividends paid	(2,280)	(2,159)
Proceeds from issuance of long-term debt	–	562
Repayment of long-term debt	(3,927)	(2,712)
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(15,406)	(14,794)
Repurchase of common stock, net	(2,343)	(6,513)
Net cash provided (used) by financing activities	3,956	22,084
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>30,647</b>	<b>(7,506)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>101,573</b>	<b>153,731</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 132,220</b>	<b>\$ 146,225</b>

See Condensed Notes to Consolidated Financial Statements.





**Simmons First National Corporation**  
**Consolidated Statements of Stockholders' Equity**  
**Three Months Ended March 31, 2006 and 2005**

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive Income (loss)	Undivided Profits	Total
Balance, December 31, 2004	\$ 146	\$ 62,826	\$ (1,124)	\$ 176,374	238,222
Comprehensive income					
Net income	-	-	-	5,860	5,860
Change in unrealized depreciation on available- for-sale securities, net of income tax credit of \$1,882	-	-	(3,138)	-	(3,138)
Comprehensive income					2,722
Exercise of stock options - 26,080 shares	-	397	-	-	397
Securities exchanged under stock option plan	-	(126)	-	-	(126)
Repurchase of common stock - 261,500 shares	(2)	(6,782)	-	-	(6,784)
Dividends paid - \$0.15 per share	-	-	-	(2,159)	(2,159)
Balance, March 31, 2005 (Unaudited)	144	56,315	(4,262)	180,075	232,272
Comprehensive income					
Net income	-	-	-	21,102	21,102
Change in unrealized depreciation on available-for-sale securities, net of income tax credit of \$60	-	-	(98)	-	(98)
Comprehensive income					21,004
Stock issued as bonus shares - 5,620 shares	-	138	-	-	138
Exercise of stock options - 80,340 shares	1	1,035	-	-	1,036
Securities exchanged under employee stock option plan	-	(862)	-	-	(862)
Repurchase of common stock - 109,953 shares	(2)	(2,903)	-	-	(2,905)
Dividends paid - \$0.46 per share	-	-	-	(6,598)	(6,598)
Balance, December 31, 2005	143	53,723	(4,360)	194,579	244,085
Comprehensive income					
Net income	-	-	-	5,988	5,988
Change in unrealized depreciation on available-for-sale securities, net of income tax credit of \$143	-	-	(239)	-	(239)
Comprehensive income					5,749
Stock issued as bonus shares - 2,500 shares	-	73	-	-	73
Exercise of stock options - 45,980 shares	1	728	-	-	729
Securities exchanged under stock option plan	-	(627)	-	-	(627)

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Repurchase of common stock - 89,500 shares	(1)	(2,517)	-	-	(2,518)
Dividends paid - \$0.16 per share	-	-	-	(2,280)	(2,280)
Balance, March 31, 2006 (Unaudited)	\$ 143	\$ 51,380	\$ (4,599)	\$ 198,287	\$ 245,211

See Condensed Notes to Consolidated Financial Statements.

## SIMMONS FIRST NATIONAL CORPORATION

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 1: ACCOUNTING POLICIES**

The consolidated financial statements include the accounts of Simmons First National Corporation and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

All adjustments made to the unaudited financial statements were of a normal recurring nature. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made. Certain prior year amounts are reclassified to conform to current year classification. The consolidated balance sheet of the Company as of December 31, 2005 has been derived from the audited consolidated balance sheet of the Company as of that date. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K annual report for 2005 filed with the Securities and Exchange Commission.

On January 1, 2006, the Company began recognizing compensation expense for stock options with the adoption of Statement of Financial Accounting Standards (SFAS) No. 123, Share-Based Payment (Revised 2004). See Note 12 - Stock Based Compensation for additional information. There have been no other significant changes to the Company's accounting policies from the 2005 Form 10-K.

**Earnings Per Share**

Basic earnings per share are computed based on the weighted average number of common 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.

Following is the computation of per share earnings for the three months ended March 31, 2006 and 2005.

<b>(In thousands, except per share data)</b>	<b>2006</b>		<b>2005</b>	
Net Income	\$	5,988	\$	5,860
Average common shares outstanding		14,265		14,451
Average potential dilutive common shares		274		327
Average diluted common shares		14,539		14,778
Basic earnings per share	\$	0.42	\$	0.41
Diluted earnings per share	\$	0.41	\$	0.40

**NOTE 2: ACQUISITIONS**

On November 1, 2005, the Company completed a branch purchase in which Simmons First National Bank, a subsidiary of the Company, acquired from Bank of Little Rock its Southwest Little Rock, Arkansas location at 8500 Geyer Springs Road. The acquisition included approximately \$3.5 million in total deposits in addition to the fixed assets used in the branch operation. No loans were involved in the transaction. As a result of this transaction, the Company recorded additional goodwill and core deposit premiums of \$151,000 and \$31,000, respectively.

**NOTE 3: INVESTMENT SECURITIES**

The amortized cost and fair value of investment securities that are classified as held-to-maturity and available-for-sale are as follows:

(In thousands)	March 31, 2006				December 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
<u>Held-to-Maturity</u>								
U.S. Treasury	\$ 1,003	\$ -	\$ (17)	\$ 986	\$ 1,004	\$ -	\$ (20)	\$ 984
U.S. Government agencies	32,000	-	(516)	31,484	28,000	-	(473)	27,527
Mortgage-backed securities	180	6	(1)	185	187	3	-	190
State and political subdivisions	113,512	522	(1,138)	112,896	117,148	662	(1,298)	116,512
Other securities	2,038	-	-	2,038	3,960	-	-	3,960
	\$ 148,733	\$ 528	\$ (1,672)	\$ 147,589	\$ 150,299	\$ 665	\$ (1,791)	\$ 149,173
<u>Available-for-Sale</u>								
U.S. Treasury	\$ 10,292	\$ -	\$ (91)	\$ 10,201	\$ 10,989	\$ -	\$ (102)	\$ 10,887
U.S. Government agencies	358,598	25	(7,935)	350,688	348,570	35	(7,615)	340,990
Mortgage-backed securities	3,355	1	(92)	3,264	3,392	9	(92)	3,309
State and political subdivisions	2,120	19	-	2,139	3,014	39	-	3,053
Other securities	13,662	663	-	14,325	12,561	690	-	13,251
	\$ 388,027	\$ 708	\$ (8,118)	\$ 380,617	\$ 378,526	\$ 773	\$ (7,809)	\$ 371,490

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to \$406,211,000 at March 31, 2006 and \$411,580,000 at December 31, 2005.

The book value of securities sold under agreements to repurchase amounted to \$64,417,000 and \$67,778,000 for March 31, 2006 and December 31, 2005, respectively.

Income earned on securities for the three months ended March 31, 2006 and 2005, is as follows:

(In thousands)	2006	2005
<b>Taxable</b>		
Held-to-maturity	\$ 319	\$ 238
Available-for-sale	3,352	3,116
<b>Non-taxable</b>		
Held-to-maturity	1,120	1,165
Available-for-sale	39	55
<b>Total</b>	<b>\$ 4,830</b>	<b>\$ 4,574</b>

Maturities of investment securities at March 31, 2006 are as follows:

(In thousands)	<b>Held to Maturity</b>		<b>Available for Sale</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
One year or less	\$ 19,827	\$ 19,720	\$ 114,498	\$ 113,011
After one through five years	55,619	55,325	197,210	192,406
After five through ten years	65,847	65,093	60,411	58,703
After ten years	6,331	6,342	2,246	2,172
Other securities	1,109	1,109	13,662	14,325
<b>Total</b>	<b>\$ 148,733</b>	<b>\$ 147,589</b>	<b>\$ 388,027</b>	<b>\$ 380,617</b>

There were no realized gains or losses as of March 31, 2006 and 2005.

Most of the state and political subdivision debt obligations are non-rated bonds and represent small, Arkansas issues, which are evaluated on an ongoing basis.

**NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES**

The various categories are summarized as follows:

(In thousands)	<b>March 31, 2006</b>	<b>December 31, 2005</b>
Consumer		
Credit cards	\$ 129,833	\$ 143,058
Student loans	91,090	89,818
Other consumer	140,958	138,051
Real Estate		
Construction	242,145	238,898
Single family residential	341,790	340,839
Other commercial	473,559	479,684
Commercial		
Commercial	181,174	184,920
Agricultural	59,944	68,761
Financial institutions	16,158	20,499
Other	14,369	13,579
<b>Total loans before allowance for loan losses</b>	<b>\$ 1,691,020</b>	<b>\$ 1,718,107</b>

As of March 31, 2006, credit card loans, which are unsecured, were \$129,833,000, or 7.7% of total loans versus \$143,058,000, or 8.3% of total loans at December 31, 2005. The credit card loans are diversified by geographic region to reduce credit risk and minimize any adverse impact on the portfolio. Credit card loans are regularly reviewed to facilitate the identification and monitoring of creditworthiness.

At March 31, 2006 and December 31, 2005, impaired loans totaled \$13,235,000 and \$14,804,000, respectively. All impaired loans had either specific or general allocations within the allowance for loan losses. Allocations of the allowance for loan losses relative to impaired loans were \$3,225,000 at March 31, 2006 and \$3,868,000 at December 31, 2005. Approximately \$122,000 and \$97,000 of interest income was recognized on average impaired loans of \$14,020,000 and \$16,375,000 as of March 31, 2006 and 2005, respectively. Interest recognized on impaired loans on a cash basis during the first three months of 2006 and 2005 was immaterial.

Transactions in the allowance for loan losses are as follows:

(In thousands)	March 31, 2006	December 31, 2005
Balance, beginning of year	\$ 26,923	\$ 26,508
Additions		
Provision charged to expense	1,708	2,221
	28,631	28,729
Deductions		
Losses charged to allowance, net of recoveries of \$691 and \$657 for the first three months of 2006 and 2005, respectively	643	2,307
Reclassification of reserve related to unfunded commitments <sup>(1)</sup>	1,525	--
Balance, March 31	\$ 26,463	26,422
Additions		
Provision charged to expense		5,305
Deductions		
Losses charged to allowance, net of recoveries of \$3,159 for the last nine months of 2005		4,804
Balance, end of year		\$ 26,923

(1) As of March 31, 2006, the reserve for unfunded commitments has been reclassified from the allowance for loan losses to other liabilities.

#### NOTE 5: GOODWILL AND CORE DEPOSIT PREMIUMS

Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

Core deposit premiums are periodically evaluated as to the recoverability of their carrying value.

The carrying basis and accumulated amortization of core deposit premiums (net of core deposit premiums that were fully amortized) at March 31, 2006 and December 31, 2005, were as follows:

(In thousands)	March 31, 2006	December 31, 2005
Gross carrying amount	\$ 7,246	\$ 7,246
Accumulated amortization	(2,424)	(2,217)
Net core deposit premiums	\$ 4,822	\$ 5,029

Core deposit premium amortization expense recorded for the three months ended March 31, 2006 and 2005, was \$207,000 and \$208,000, respectively. The Company's estimated amortization expense for the remainder of 2006 is

\$623,000, and for each of the following four years is: 2007 - \$818,000; 2008 - \$807,000; 2009 - \$802,000; and 2010 - \$698,000.



**NOTE 6: TIME DEPOSITS**

Time deposits include approximately \$389,021,000 and \$364,177,000 of certificates of deposit of \$100,000 or more at March 31, 2006 and December 31, 2005 respectively.

**NOTE 7: INCOME TAXES**

The provision for income taxes is comprised of the following components:

(In thousands)	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Income taxes currently payable	\$ 3,157	\$ 2,780
Deferred income taxes	(414)	(112)
Provision for income taxes	\$ 2,743	\$ 2,668

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

(In thousands)	<b>March 31, 2006</b>	<b>December 31, 2006</b>
Deferred tax assets		
Allowance for loan losses	\$ 8,791	\$ 8,329
Valuation of foreclosed assets	74	74
Deferred compensation payable	1,152	1,109
FHLB advances	84	97
Vacation compensation	737	727
Loan interest	241	241
Available-for-sale securities	2,758	2,615
Other	216	363
	14,053	13,555
Deferred tax liabilities		
Accumulated depreciation	(1,000)	(1,128)
Deferred loan fee income and expenses, net	(698)	(657)
FHLB stock dividends	(779)	(740)
Goodwill and core deposit premium amortization	(807)	(807)
Other	(3,840)	(3,852)
Total deferred tax liabilities	(7,124)	(7,184)
Net deferred tax assets included in other assets on balance sheets	\$ 6,929	\$ 6,371

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

(In thousands)	March 31, 2006	March 31, 2005
Computed at the statutory rate (35%)	\$ 3,056	\$ 2,985
Increase (decrease) resulting from:		
Tax exempt income	(455)	(480)
Other differences, net	142	163
Actual tax provision	\$ 2,743	\$ 2,668

#### NOTE 8: SHORT-TERM AND LONG-TERM DEBT

Long-term debt at March 31, 2006 and December 31, 2005, consisted of the following components:

(In thousands)	March 31, 2006	December 31, 2005
Note Payable, due 2007, at a floating rate of 0.90% above the 30 day LIBOR rate, reset monthly, unsecured	\$ 4,000	\$ 4,000
FHLB advances, due 2006 to 2024, 2.12% to 8.41% secured by residential real estate loans	48,163	52,090
Trust preferred securities, due 2033, fixed at 8.25%, callable in 2008 without penalty	10,310	10,310
Trust preferred securities, due 2033, floating rate of 2.80% above the three-month LIBOR rate, reset quarterly, callable in 2008 without penalty	10,310	10,310
Trust preferred securities, due 2033, fixed rate of 6.97% through 2010, thereafter, at a floating rate of 2.80% above the three-month LIBOR rate, reset quarterly, callable in 2010 without penalty	10,310	10,310