UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________.

FDIC Certificate No. 110

BANK OZK
(Exact name of registrant as specified in its charter)

ARKANSAS	**71-0130170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
18000 CANTRELL ROAD, LITTLE ROCK, ARKANSAS	**72223**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (501) 978-2265

N/A
(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Emerging growth company	☐
Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value per share	OZK	Nasdaq Global Select Market

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

Class	Outstanding at April 30, 2021
Common Stock, $0.01 par value per share	129,712,651

BANK OZK
FORM 10-Q
March 31, 2021

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BANK OZK
CONSOLIDATED BALANCE SHEETS
Unaudited

	March 31, 2021	December 31, 2020
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 2,216,336	$ 2,393,662
Investment securities – available for sale (“AFS”)	4,162,479	3,405,351
Federal Home Loan Bank of Dallas (“FHLB”) and other bankers’ bank stocks	38,578	38,486
Non-purchased loans	17,979,435	18,401,495
Purchased loans	735,630	807,673
Allowance for loan losses	(268,077)	(295,824)
Net loans	18,446,988	18,913,344
Premises and equipment, net	729,433	738,842
Foreclosed assets	8,436	11,085
Accrued interest receivable	94,265	88,077
Bank owned life insurance (“BOLI”)	761,680	758,071
Goodwill and other intangible assets, net	673,728	675,458
Other, net	144,969	140,220
Total assets	$ 27,276,892	$ 27,162,596
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	$ 4,196,603	$ 3,996,546
Savings and interest bearing transaction	8,529,229	8,160,982
Time	8,570,610	9,292,828
Total deposits	21,296,442	21,450,356
Repurchase agreements with customers	5,936	8,013
Other borrowings	750,361	750,928
Subordinated notes	224,141	224,047
Subordinated debentures	120,613	120,475
Reserve for losses on unfunded loan commitments	74,230	81,481
Accrued interest payable and other liabilities	418,860	251,940
Total liabilities	22,890,583	22,887,240
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock; $0.01 par value; 100,000,000 shares authorized; no shares issued or outstanding at March 31, 2021 or December 31, 2020	—	—
Common stock; $0.01 par value; 300,000,000 shares authorized; 129,718,906 and 129,350,448 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	1,297	1,294
Additional paid-in capital	2,272,046	2,265,850
Retained earnings	2,059,398	1,946,875
Accumulated other comprehensive income	50,464	58,252
Total stockholders’ equity before noncontrolling interest	4,383,205	4,272,271
Noncontrolling interest	3,104	3,085
Total stockholders’ equity	4,386,309	4,275,356
Total liabilities and stockholders’ equity	$ 27,276,892	$ 27,162,596

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(Dollars in thousands, except per share amounts)	
Interest income:		
Non-purchased loans	$ 239,827	$ 231,853
Purchased loans	11,935	21,387
Investment securities:		
Taxable	8,083	10,760
Tax-exempt	3,681	3,597
Deposits with banks and federal funds sold	538	4,376
Total interest income	264,064	271,973
Interest expense:		
Deposits	24,350	57,682
Repurchase agreements with customers	4	6
Other borrowings	986	50
Subordinated notes	3,146	3,172
Subordinated debentures	942	1,288
Total interest expense	29,428	62,198
Net interest income	234,636	209,775
Provision for credit losses	(31,559)	117,663
Net interest income after provision for credit losses	266,195	92,112
Non-interest income:		
Service charges on deposit accounts	9,665	10,009
Trust income	2,206	1,939
BOLI income:		
Increase in cash surrender value	4,881	5,067
Death benefits	1,409	608
Loan service, maintenance and other fees	3,551	3,716
Gains on sales of other assets	5,828	161
Net gains on investment securities	—	2,223
Other	4,577	3,957
Total non-interest income	32,117	27,680
Non-interest expense:		
Salaries and employee benefits	53,645	51,473
Net occupancy and equipment	16,468	15,330
Other operating expenses	35,946	36,622
Total non-interest expense	106,059	103,425
Income before taxes	192,253	16,367
Provision for income taxes	43,818	4,509
Net income	148,435	11,858
Earnings attributable to noncontrolling interest	(19)	8
Net income available to common stockholders	$ 148,416	$ 11,866
Basic earnings per common share	$ 1.15	$ 0.09
Diluted earnings per common share	$ 1.14	$ 0.09

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended March 31,	
	2021	**2020**
	(Dollars in thousands)	
Net income	$ 148,435	$ 11,858
Other comprehensive (loss) income:		
Unrealized gains and losses on investment securities AFS	(10,491)	38,860
Tax effect of unrealized gains and losses on investment securities AFS	2,703	(9,549)
Reclassification of gains on investment securities AFS included in net income	—	(2,223)
Tax effect of reclassification of gains on investment securities AFS included in net income	—	545
Total other comprehensive (loss) income	(7,788)	27,633
Total comprehensive income	$ 140,647	$ 39,491

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)					
Three months ended March 31, 2021:						
Balances – December 31, 2020	$ 1,294	$2,265,850	$1,946,875	$ 58,252	$ 3,085	$4,275,356
Net income	—	—	148,435	—	—	148,435
Earnings attributable to noncontrolling interest	—	—	(19)	—	19	—
Total other comprehensive loss	—	—	—	(7,788)	—	(7,788)
Common stock dividends, $0.2775 per share	—	—	(35,893)	—	—	(35,893)
Issuance of 128,100 shares of common stock for exercise of stock options	1	4,492	—	—	—	4,493
Issuance of 312,503 shares of unvested restricted common stock	3	(3)	—	—	—	—
Repurchase and cancellation of 55,740 shares of common stock	(1)	(1,970)	—	—	—	(1,971)
Stock-based compensation expense	—	3,677	—	—	—	3,677
Forfeitures of 16,405 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – March 31, 2021	$ 1,297	$2,272,046	$2,059,398	$ 50,464	$ 3,104	$4,386,309
Three months ended March 31, 2020:						
Balances – December 31, 2019	$ 1,289	$2,251,824	$1,869,983	$ 27,255	$ 3,117	$4,153,468
Cumulative effect of change in accounting principle	—	—	(75,344)	—	—	(75,344)
Balances – January 1, 2020	1,289	2,251,824	1,794,639	27,255	3,117	4,078,124
Net income	—	—	11,858	—	—	11,858
Earnings attributable to noncontrolling interest	—	—	8	—	(8)	—
Total other comprehensive income	—	—	—	27,633	—	27,633
Common stock dividends, $0.26 per share	—	—	(33,527)	—	—	(33,527)
Issuance of 4,300 shares of common stock for exercise of stock options	—	45	—	—	—	45
Issuance of 447,085 shares of unvested restricted common stock	4	(4)	—	—	—	—
Repurchase and cancellation of 61,873 shares of common stock	—	(1,853)	—	—	—	(1,853)
Stock-based compensation expense	—	3,979	—	—	—	3,979
Forfeitures of 16,101 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – March 31, 2020	$ 1,293	$2,253,991	$1,772,978	$ 54,888	$ 3,109	$4,086,259

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 148,435	$ 11,858
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,985	5,838
Amortization	1,962	3,029
Earnings attributable to noncontrolling interest	(19)	8
Provision for credit losses	(31,559)	117,663
Provision for losses on foreclosed and other assets	1,363	879
Net amortization of investment securities AFS	14,109	4,023
Net gains on investment securities AFS	—	(2,223)
Amortization of operating lease right-of-use assets	1,829	1,925
Accretion of purchased loans	(3,209)	(6,616)
Gains on sales of other assets	(5,828)	(161)
Deferred income tax (benefit) expense	(17,055)	4,195
Increase in cash surrender value of BOLI	(4,881)	(5,067)
BOLI death benefits in excess of cash surrender value	(1,409)	(608)
Stock-based compensation expense	3,677	3,979
Changes in assets and liabilities:		
Accrued interest receivable	(6,641)	(7,619)
Other assets, net	3,711	2,379
Accrued interest payable and other liabilities	46,846	(31,217)
Cash provided by operating activities	158,316	102,265
Cash flows from investing activities:		
Purchases of FHLB and other bankers' bank stock	(92)	(28,759)
Proceeds from maturities/calls/paydowns of investment securities AFS	272,267	123,220
Proceeds from sales of investment securities AFS	591,570	29,068
Purchases of investment securities AFS	(1,503,815)	(656,618)
Proceeds from sale of loans	78,641	—
Net decrease (increase) of non-purchased loans	342,174	(777,616)
Net payments received on purchased loans	71,090	84,685
Purchases of premises and equipment	(6,383)	(16,793)
Proceeds from BOLI death benefits	2,681	1,130
Proceeds from sales of other assets	6,133	2,947
Net cash invested in unconsolidated investments	(8,345)	(3,691)
Net cash paid in branch divestiture transaction	(102,063)	—
Net cash used by investing activities	(256,142)	(1,242,427)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(43,485)	334,931
Proceeds from fixed-rate FHLB advances	—	750,000
Net repayments of other borrowings	(567)	(50,034)
Net decrease in repurchase agreements with customers	(2,077)	(7,428)
Proceeds from exercise of stock options	4,493	45
Cash dividends paid on common stock	(35,893)	(33,527)
Repurchase and cancellation of shares of common stock	(1,971)	(1,853)
Net cash (used) provided by financing activities	(79,500)	992,134
Net decrease in cash and cash equivalents	(177,326)	(148,028)
Cash and cash equivalents – beginning of period	2,393,662	1,495,757
Cash and cash equivalents – end of period	$ 2,216,336	$ 1,347,729

See accompanying notes to the consolidated financial statements.

1. Organization and Principles of Consolidation

Bank OZK ("the Bank") is headquartered in Little Rock, Arkansas and provides a wide range of retail and commercial banking services. At March 31, 2021 the Bank conducted operations through more than 250 branches, loan production offices and other offices, including offices in Arkansas, Georgia, Florida, North Carolina, Texas, California, New York and Mississippi. The Bank owns eight 100%-owned finance subsidiary business trusts - Ozark Capital Statutory Trust II, Ozark Capital Statutory Trust III, Ozark Capital Statutory Trust IV, Ozark Capital Statutory Trust V, Intervest Statutory Trust II, Intervest Statutory Trust III, Intervest Statutory Trust IV and Intervest Statutory Trust V. In addition, the Bank owns a subsidiary that holds its investment securities, a subsidiary engaged in the development of real estate, a subsidiary that holds an ownership interest in a private aircraft and various other entities that hold loans, foreclosed assets or tax credits or engage in other activities. The consolidated financial statements include the accounts of the Bank, the investment subsidiary, the real estate subsidiary, the aircraft subsidiary and various other entities in accordance with accounting principles generally accepted in the United States ("GAAP"). Significant intercompany transactions and amounts have been eliminated in consolidation.

The Bank is an Arkansas state banking corporation and is subject to regulation by the Arkansas State Bank Department. Because the Bank is an insured depository institution that is not a member bank of the Board of Governors of the Federal Reserve System ("FRB"), its primary federal regulator is the Federal Deposit Insurance Corporation ("FDIC").

In July 2020, the Bank entered into an agreement to sell its only two branches in South Carolina (Bluffton and Hilton Head).This transaction closed during the first quarter of 2021 and resulted in a net gain on divestiture of approximately $4.4 million which is included in gains on sales of other assets for the three months ended March 31, 2021 in the Consolidated Statements of Income.

2. Basis of Presentation and Significant Accounting Policy Changes

The accompanying interim consolidated financial statements have been prepared by the Bank, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") in Article 10 of Regulation S-X and in accordance with the instructions to Form 10-Q and GAAP for interim financial information. Certain information, accounting policies and footnote disclosures normally included in complete financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Bank's Annual Report on Form 10-K filed with the FDIC for the year ended December 31, 2020.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates. In the opinion of management, all adjustments considered necessary, consisting of normal recurring items, have been included for a fair statement of the accompanying consolidated financial statements. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the full year or future periods. Certain reclassifications of prior year's amounts have been made to conform to the 2021 financial statements presentation. These reclassifications had no impact on prior year's net income, as previously reported.

3. Earnings Per Common Share ("EPS")

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding after consideration of the dilutive effect, if any, using the treasury stock method, of the Bank's common stock options, as well as the Bank's non-vested performance stock units ("PSUs") under its long-term incentive agreements. Options to purchase 1,134,621 shares and 1,747,158 shares, respectively, of the Bank's common stock for the three months ended March 31, 2021 and 2020 were excluded from the diluted EPS calculations as inclusion of such options would have been anti-dilutive. There were no anti-dilutive PSUs for the three months ended March 31, 2021 and 2020.

The following table presents the computation of basic and diluted EPS for the periods indicated.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(In thousands, except per share amounts)	
Numerator:		
Net income available to common stockholders	$ 148,416	$ 11,866
Denominator:		
Denominator for basic EPS – weighted-average common shares	129,490	129,235
Effect of dilutive securities – stock options and PSUs	326	72
Denominator for diluted EPS – weighted-average common shares and assumed conversions	129,816	129,307
Basic EPS	$ 1.15	$ 0.09
Diluted EPS	$ 1.14	$ 0.09

4. Investment Securities AFS

At both March 31, 2021 and December 31, 2020, the Bank classified its investment securities portfolio as AFS. Accordingly, investment securities are stated at estimated fair value in the consolidated financial statements with unrealized gains and losses, net of related income tax, that do not include a credit component reported as a separate component of stockholders' equity and included in accumulated other comprehensive income. Unrealized losses that include a credit component are considered in determining the Bank's allowance for credit losses ("ACL"). At March 31, 2021 and December 31, 2020, no ACL was recorded on investment securities AFS as management does not believe that the Bank's investment securities in an unrealized loss positions were impaired due to reasons of credit quality.

The following table presents the amortized cost and estimated fair value of investment securities AFS as of the dates indicated.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
March 31, 2021:				
Obligations of state and political subdivisions	$ 1,167,625	$ 24,029	$ (336)	$ 1,191,318
U.S. Government agency mortgage-backed securities	1,934,628	47,221	(3,704)	1,978,145
Other U.S. Government agency securities	263,765	37	(19)	263,783
Corporate obligations	729,541	31	(339)	729,233
Total investment securities AFS	$ 4,095,559	$ 71,318	$ (4,398)	$ 4,162,479
December 31, 2020:				
Obligations of state and political subdivisions	$ 1,703,967	$ 28,286	$ (368)	$ 1,731,885
U.S. Government agency mortgage-backed securities	1,548,101	50,109	(612)	1,597,598
Other U.S. Government agency securities	75,872	—	(4)	75,868
Total investment securities AFS	$ 3,327,940	$ 78,395	$ (984)	$ 3,405,351

The following table shows estimated fair value of investment securities AFS having gross unrealized losses and the amount of such unrealized losses, aggregated by investment category and length of time that individual investment securities have been in a continuous unrealized loss position, as of the dates indicated.

	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
			(Dollars in thousands)			
March 31, 2021:						
Obligations of state and political subdivisions	$ 180,418	$ 323	$ 167	$ 13	$ 180,585	$ 336
U.S. Government agency mortgage-backed securities	552,371	3,700	316	4	552,687	3,704
Other U.S. Government agency securities	27,481	19	—	—	27,481	19
Corporate obligations	590,272	339	—	—	590,272	339
Total	$1,350,542	$ 4,381	$ 483	$ 17	$1,351,025	$ 4,398
December 31, 2020:						
Obligations of state and political subdivisions	$ 169,284	$ 355	$ 167	$ 13	$ 169,451	$ 368
U.S. Government agency mortgage-backed securities	177,610	610	2,622	2	180,232	612
Other U.S. Government agency securities	27,496	4	—	—	27,496	4
Total	$ 374,390	$ 969	$ 2,789	$ 15	$ 377,179	$ 984

In evaluating the Bank's unrealized loss positions for credit losses of its investment securities portfolio, management considers the credit quality, financial condition and near term prospects of the issuer, the nature and cause of the unrealized loss and other factors. While the Bank periodically evaluates its investment strategy relative to current economic and business conditions, at the present time, the Bank does not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not be required to sell these investment securities before fair value recovers to amortized cost. In addition, for investment securities in an unrealized loss position, the Bank does not believe the unrealized losses are the result of issues with credit quality; thus, no ACL was established for investment securities as of March 31, 2021 or December 31, 2020.

The following table shows the amortized cost and estimated fair value of investment securities AFS by maturity or estimated date of repayment as of March 31, 2021.

Maturity or Estimated Repayment	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	
One year or less	$ 1,421,842	$ 1,436,207
After one year to five years	1,923,640	1,953,466
After five years to ten years	365,783	372,160
After ten years	384,294	400,646
Total	$ 4,095,559	$ 4,162,479

For purposes of this maturity or estimated repayment distribution, all investment securities AFS are shown based on their contractual maturity date or estimated date of repayment, except (i) U.S. Government agency mortgage-backed securities are allocated among various maturities or repayment categories based on an estimated repayment schedule utilizing Bloomberg median prepayment speeds or other estimates of prepayment speeds and interest rate levels at the measurement date and (ii) callable investment securities for which the Bank has received notification of call are included in the maturity or repayment category in which the call occurs or is expected to occur. Expected maturities may differ from contractual maturities because issuers have the right to call or prepay obligations with or without call or prepayment penalties.

The following table is a summary of sales activities of the Bank's investment securities AFS for the periods indicated.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(Dollars in thousands)	
Sales proceeds[(1)]	$ 591,570	$ 29,068
Gross realized gains	—	2,223
Gross realized losses	—	—
Net gains on investment securities	$ —	$ 2,223

(1) Sales proceeds for the first quarter of 2021 consisted entirely of variable rate demand notes that were put back to the issuer by the Bank prior to their maturity date. These notes were purchased at, carried at and called at their par value.

5. Allowance for Credit Losses ("ACL") and Credit Quality Indicators

Allowance for Credit Losses

The following table is a summary of activity within the ACL for the periods indicated.

	Allowance for Loan Losses ("ALL")	Reserve for Losses on Unfunded Loan Commitments	Total Allowance for Credit Losses
		(Dollars in thousands)	
Three months ended March 31, 2021:			
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Net charge-offs	(3,439)	—	(3,439)
Provision for credit losses	(24,308)	(7,251)	(31,559)
Balances – March 31, 2021	$ 268,077	$ 74,230	$ 342,307
Three months ended March 31, 2020:			
Balances – December 31, 2019	$ 108,525	$ —	$ 108,525
Adoption of Current Expected Credit Loss ("CECL") methodology	39,588	54,924	94,512
Balances – January 1, 2020	148,113	54,924	203,037
Net charge-offs	(4,291)	—	(4,291)
Provision for credit losses	94,915	22,748	117,663
Balances – March 31, 2020	$ 238,737	$ 77,672	$ 316,409

The calculations of the Bank's provision for credit losses for the first quarter of 2021 and its total ACL at March 31, 2021 were based on a number of key estimates, assumptions and economic forecasts. Management utilized several economic forecasts provided by Moody's, including their baseline forecast and certain of their other economic scenarios. In selecting the weightings for the various economic scenarios for purposes of determining its ACL at March 31, 2021, the Bank assigned the largest weighting to the Moody's Baseline and Moody's S3 (Moderate Recession) scenarios and assigned lesser weighting to the Moody's S4 (Protracted Slump) scenario. The Bank's selection and weightings of these scenarios reflected improving conditions in and prospects for improvement in the U.S. economy as well as the uncertainty about the course and duration of the COVID-19 pandemic, the timing and magnitude of any additional U.S. fiscal policy stimulus, global trade and geopolitical matters, and various other factors. These forecasts included a number of economic variables, including gross domestic product, unemployment rates, and commercial and residential real estate prices, among others. For purposes of the forecasts used in the Bank's CECL models, management utilized a reasonable and supportable forecast period of two years, followed by a reversion of estimated losses on a systematic basis back to the Bank's historical mean. Management also utilized certain qualitative adjustments to increase the Bank's ACL estimates in order to capture items that management believes were not fully reflected in the Bank's modeled results. Those qualitative adjustments utilized at March 31, 2021 are intended to adjust for imprecision in economic forecasts, model data limitations and other factors.

The following table is a summary of the Bank's ACL for the periods indicated.

	Beginning Balance	Impact of Adopting CECL	Charge-offs	Recoveries	Provision	Ending Balance
			(Dollars in thousands)			
Three months ended March 31, 2021:						
Real estate:						
Residential 1-4 family	$ 26,655	$ —	$ (46)	$ 143	$ (3,593)	$ 23,159
Non-farm/non-residential	93,173	—	(1,041)	285	(12,826)	79,591
Construction/land development	72,500	—	—	29	6,095	78,624
Agricultural	3,064	—	—	2	33	3,099
Multifamily residential	12,352	—	—	—	(6,740)	5,612
Commercial and industrial	13,758	—	(254)	104	(4,432)	9,176
Consumer	45,657	—	(2,573)	341	1,018	44,443
Other	28,665	—	(653)	224	(3,863)	24,373
Total ALL for funded loans	295,824	—	(4,567)	1,128	(24,308)	268,077
Reserve for losses on unfunded loan commitments	81,481	—	—	—	(7,251)	74,230
Total ACL	$ 377,305	$ —	$ (4,567)	$ 1,128	$ (31,559)	$ 342,307
Three months ended March 31, 2020:						
Real estate:						
Residential 1-4 family	$ 14,008	$ 4,004	$ (92)	$ 196	$ 1,811	$ 19,927
Non-farm/non-residential	17,289	12,587	(752)	18	16,493	45,635
Construction/land development	26,295	21,427	—	37	42,080	89,839
Agricultural	1,719	978	—	1	343	3,041
Multifamily residential	5,477	(2,277)	—	—	5,105	8,305
Commercial and industrial	5,961	6,376	(433)	62	3,564	15,530
Consumer	32,466	(5,870)	(2,946)	231	19,520	43,401
Other	5,310	2,363	(845)	232	5,999	13,059
Total ALL for funded loans	108,525	39,588	(5,068)	777	94,915	238,737
Reserve for losses on unfunded loan commitments	—	54,924	—	—	22,748	77,672
Total ACL	$ 108,525	$ 94,512	$ (5,068)	$ 777	$ 117,663	$ 316,409

The following table presents a summary of the Bank's loans on nonaccrual status with ALL and loans on nonaccrual status with no ALL as of the dates indicated.

	Nonaccrual Loans with ALL	Nonaccrual Loans with no ALL	Total Nonaccrual Loans
		(Dollars in thousands)	
March 31, 2021:			
Real estate:			
Residential 1-4 family	$ 19,428	$ 795	$ 20,223
Non-farm/non-residential	11,196	25,308	36,504
Construction/land development	770	872	1,642
Agricultural	1,220	1,184	2,404
Multifamily residential	—	—	—
Commercial and industrial	1,875	—	1,875
Consumer	2,618	—	2,618
Other	355	—	355
Total	$ 37,462	$ 28,159	$ 65,621
December 31, 2020:			
Real estate:			
Residential 1-4 family	$ 20,503	$ 1,333	$ 21,836
Non-farm/non-residential	9,814	29,924	39,738
Construction/land development	1,551	906	2,457
Agricultural	873	—	873
Multifamily residential	—	—	—
Commercial and industrial	2,027	—	2,027
Consumer	2,431	—	2,431
Other	375	—	375
Total	$ 37,574	$ 32,163	$ 69,737

Interest income on nonperforming loans as of March 31, 2021 and December 31, 2020 is recognized on a cash basis when and if actually collected. Total interest income recognized on nonperforming loans for the three months ended March 31, 2021 and 2020 was not material.

Credit Quality Indicators

The following table provides the credit quality indicators for the Bank's total loans by loan segment and period of origination as of the date indicated. At March 31, 2021, the Bank had no loans risk rated as doubtful or loss. Loans are presented on an amortized cost basis which includes unamortized fees and costs but excludes accrued interest.

	Period of Origination							
	Three Months Ended March 31,	Year Ended December 31,				Prior to January 1,	Revolving Loans Amortized	
	2021	2020	2019	2018	2017	2017	Cost Basis	Total
				(Dollars in thousands)				
March 31, 2021:								
Residential 1-4 family(1):								
Pass	$ 30,078	$ 155,939	$ 109,636	$ 74,374	$ 73,148	$ 267,625	$ 129,787	$ 840,587
Special Mention	—	795	1,272	864	564	2,438	375	6,308
Substandard	—	820	4,031	2,277	2,249	13,015	298	22,690
Total residential 1-4 family	30,078	157,554	114,939	77,515	75,961	283,078	130,460	869,585
Non-farm/non-residential:								
Pass	93,777	830,391	390,493	623,519	957,778	1,362,153	34,421	4,292,532
Special Mention	—	—	127	952	5,869	53,811	98	60,857
Substandard	—	—	2,326	1,166	9,294	40,517	—	53,303
Total non-farm/ non-residential	93,777	830,391	392,946	625,637	972,941	1,456,481	34,519	4,406,692
Construction/land development:								
Pass	181,260	1,270,601	2,777,331	1,508,450	1,733,599	160,622	51,451	7,683,314
Special Mention	—	—	10,264	210	89	1,555	—	12,118
Substandard	—	11	31	1,311	—	2,090	34,795	38,238
Total construction/ land development	181,260	1,270,612	2,787,626	1,509,971	1,733,688	164,267	86,246	7,733,670
Agricultural:								
Pass	27,122	45,796	61,336	26,012	24,866	21,649	2,681	209,462
Special Mention	—	—	—	—	—	168	—	168
Substandard	—	—	1,469	326	—	1,256	—	3,051
Total agricultural	27,122	45,796	62,805	26,338	24,866	23,073	2,681	212,681
Multifamily residential:								
Pass	2,686	42,694	22,139	77,548	457,091	184,879	514	787,551
Special Mention	—	—	—	—	—	9,536	—	9,536
Substandard	—	—	—	—	—	760	—	760
Total multifamily residential	2,686	42,694	22,139	77,548	457,091	195,175	514	797,847
Commercial and industrial:								
Pass	119,797	320,513	49,173	130,472	63,495	24,363	74,020	781,833
Special Mention	36	5	125	1,007	3,104	660	1,355	6,292
Substandard	—	—	215	1,262	19	947	—	2,443
Total commercial and industrial	119,833	320,518	49,513	132,741	66,618	25,970	75,375	790,568
Consumer(1):								
Pass	77,771	247,105	732,224	651,294	314,362	244,600	2,876	2,270,232
Special Mention	—	113	305	754	337	649	3	2,161
Substandard	12	31	517	542	381	1,135	—	2,618
Total consumer	77,783	247,249	733,046	652,590	315,080	246,384	2,879	2,275,011
Other(1):								
Pass	2,512	268,714	641,070	315,107	279,490	11,359	110,331	1,628,583
Special Mention	—	—	5	62	7	—	—	74
Substandard	—	6	—	2	321	—	25	354
Total other	2,512	268,720	641,075	315,171	279,818	11,359	110,356	1,629,011
Total	$ 535,051	$ 3,183,534	$ 4,804,089	$ 3,417,511	$ 3,926,063	$ 2,405,787	$ 443,030	$ 18,715,065

(1) The Bank does not risk rate its residential 1-4 family loans (including consumer construction loans and 1-4 family properties), consumer loans, and certain "other" loans. However, for purposes of the above table, the Bank considers such loans to be (i) pass – if they are performing and less than 30 days past due, (ii) special mention – if they are performing and 30 to 89 days past due or (iii) substandard – if they are nonperforming or 90 days or more past due.

The following table is a summary of credit quality indicators for the Bank's total loans as of the dates indicated.

	Pass	Special Mention	Substandard	Total
	(Dollars in thousands)			
March 31, 2021:				
Real estate:				
Residential 1-4 family[(1)]	$ 840,587	$ 6,308	$ 22,690	$ 869,585
Non-farm/non-residential	4,292,532	60,857	53,303	4,406,692
Construction/land development	7,683,314	12,118	38,238	7,733,670
Agricultural	209,462	168	3,051	212,681
Multifamily residential	787,551	9,536	760	797,847
Commercial and industrial	781,833	6,292	2,443	790,568
Consumer[(1)]	2,270,232	2,161	2,618	2,275,011
Other[(1)]	1,628,583	74	354	1,629,011
Total	$ 18,494,094	$ 97,514	$ 123,457	$ 18,715,065
December 31, 2020:				
Real estate:				
Residential 1-4 family[(1)]	$ 877,795	$ 8,980	$ 24,340	$ 911,115
Non-farm/non-residential	4,093,796	58,544	61,296	4,213,636
Construction/land development	7,997,853	11,795	37,330	8,046,978
Agricultural	203,065	261	1,542	204,868
Multifamily residential	845,909	9,605	783	856,297
Commercial and industrial	833,472	6,154	2,580	842,206
Consumer[(1)]	2,388,331	3,195	2,438	2,393,964
Other[(1)]	1,739,662	66	376	1,740,104
Total	$ 18,979,883	$ 98,600	$ 130,685	$ 19,209,168

(1) The Bank does not risk rate its residential 1-4 family loans (including consumer construction loans and 1-4 family properties), consumer loans, and certain "other" loans. However, for purposes of the above table, the Bank considers such loans to be (i) pass – if they are performing and less than 30 days past due, (ii) special mention – if they are performing and 30 to 89 days past due or (iii) substandard – if they are nonperforming or 90 days or more past due.

The following categories of credit quality indicators are utilized by the Bank for its internal loan grading purposes.

Pass – Loans in this category exhibit minimal or moderate levels of risk and are not expected to result in loss.

Special Mention – Loans in this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank's credit position at some future date.

Substandard – Loans in this category are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans in this category have all the weaknesses inherent in those classified as substandard with the added characteristics that weaknesses make collection in full, on the basis of currently known facts, conditions, and values, highly questionable and improbable.

Loss – Loans in this category are considered uncollectible. Loans classified as loss do not mean the loan has absolutely no recovery or salvaged value but rather it is not practical or desirable to delay writing off.

The following table is an aging analysis of past due loans as of the dates indicated.

	30-59 Days Past Due (1)	60-89 Days Past Due(2)	90 Days or More (3)	Total Past Due	Current(4)	Total
			(Dollars in thousands)			
March 31, 2021:						
Real estate:						
Residential 1-4 family	$ 7,122	$ 1,251	$ 5,051	$ 13,424	$ 856,161	$ 869,585
Non-farm/non-residential	833	82	10,914	11,829	4,394,863	4,406,692
Construction/land development	—	43	75	118	7,733,552	7,733,670
Agricultural	49	151	1,794	1,994	210,687	212,681
Multifamily residential	—	—	—	—	797,847	797,847
Commercial and industrial	132	2	1,410	1,544	789,024	790,568
Consumer	1,806	1,000	314	3,120	2,271,891	2,275,011
Other	—	25	314	339	1,628,672	1,629,011
Total	$ 9,942	$ 2,554	$ 19,872	$ 32,368	$18,682,697	$18,715,065
December 31, 2020:						
Real estate:						
Residential 1-4 family	$ 10,057	$ 3,218	$ 5,338	$ 18,613	$ 892,502	$ 911,115
Non-farm/non-residential	2,547	18	12,155	14,720	4,198,916	4,213,636
Construction/land development	1,000	—	1,102	2,102	8,044,876	8,046,978
Agricultural	52	—	358	410	204,458	204,868
Multifamily residential	—	—	—	—	856,297	856,297
Commercial and industrial	155	394	1,559	2,108	840,098	842,206
Consumer	3,177	356	547	4,080	2,389,884	2,393,964
Other	49	1	357	407	1,739,697	1,740,104
Total	$ 17,037	$ 3,987	$ 21,416	$ 42,440	$19,166,728	$19,209,168

(1) Includes $3.8 million and $5.9 million of loans on nonaccrual status at March 31, 2021 and December 31, 2020, respectively.
(2) Includes $0.8 million and $2.4 million of loans on nonaccrual status at March 31, 2021 and December 31, 2020, respectively.
(3) All loans greater than 90 days past due were on nonaccrual status at March 31, 2021 and December 31, 2020.
(4) Includes $41.2 million and $40.0 million of loans on nonaccrual status at March 31, 2021 and December 31, 2020, respectively.

6. Supplemental Data for Cash Flows

The following table provides supplemental cash flow information for the periods indicated.

	Three Months Ended March 31, 2021	2020
	(Dollars in thousands)	
Cash paid during the period for:		
Interest	$ 33,368	$ 65,762
Income taxes	7,408	6,141
Supplemental schedule of non-cash investing and financing activities:		
Net change in unrealized gains and losses on investment securities AFS	(10,491)	36,637
Loans and other assets transferred to foreclosed assets	4,004	5,190
Unsettled investment securities AFS purchases	141,751	—

7. Commitments and Contingencies

Outstanding standby letters of credit are contingent commitments issued by the Bank generally to guarantee the performance of a customer in third party arrangements. The maximum amount of future payments the Bank could be required to make under these guarantees at March 31, 2021 is $13.4 million. The Bank holds collateral to support guarantees when deemed necessary. Collateralized commitments at March 31, 2021 totaled $12.7 million.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses, may require payment of a fee and may expire without being drawn upon. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. The type of collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and other real or personal property.

The following table shows the contractual maturities of such outstanding commitments as of the date indicated.

Contractual Maturities at March 31, 2021

Maturity		Amount
(Dollars in thousands)		
2021	$	1,400,580
2022		2,045,943
2023		3,612,906
2024		3,856,385
2025		671,213
Thereafter		193,072
Total	$	11,780,099

The Bank is a party as both plaintiff and defendant in various legal or regulatory proceedings or claims, including claims related to employment, wage-hour and labor law claims, consumer and privacy claims, as well as claims of lender liability, breach of contract, and other similar lending-related claims encountered on a routine basis, some of which may be styled as "class action" or representative cases. While the ultimate resolution of these ordinary course claims and proceedings cannot be determined at this time, management believes that such claims and proceedings, individually or in the aggregate, will not have a material adverse effect on the Bank's financial condition or results of operations.

8. Stock-Based Compensation

The Bank has an Omnibus Equity Incentive Plan (the "Omnibus Plan") that replaced its prior equity incentive plans, including the Nonqualified Stock Option Plan for officers and employees ("Option Plan"), the Restricted Stock and Incentive Plan for officers and employees ("2009 Plan") and the Non-Employee Director Stock Plan ("Director Plan" and together with the Option Plan and the 2009 Plan, the "Prior Plans"). After adoption of the Omnibus Plan in 2019, no new awards may be granted under the Prior Plans, it being understood that (i) outstanding awards will continue to be governed by the terms and conditions of the Prior Plan under which they were granted, and (ii) to the extent that any outstanding award under the Prior Plans is forfeited, terminates, expires or lapses without shares being issued, the shares subject to such award not delivered as a result thereof will be available for awards under the Omnibus Plan. Directors, executive officers and employees are eligible to participate in the Omnibus Plan, and the total number of shares available for grant is 3,400,000, subject to adjustment as described in the Omnibus Plan. Awards granted under the Omnibus Plan may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, or other stock based awards and must contain a minimum vesting period of at least one year from the date of grant (provided that awards for up to 5% of the shares of common stock authorized for issuance under the Omnibus Plan may provide for a shorter vesting period at the time of grant). The Omnibus Plan provides that a non-employee director may not receive stock awards with a grant date fair market value in excess of $100,000 worth of shares during any calendar year. The benefits received by or allocated to directors, executive officers or employees under the Omnibus Plan are determined within the discretion of the Personnel and Compensation Committee ("P&C Committee") of the Board of Directors.

The Bank previously had a nonqualified stock option plan for non-employee directors. All options previously granted under this plan were exercisable immediately and expire ten years after issuance.

All employee options previously granted under the Option Plan and outstanding at March 31, 2021 were issued with a vesting date three years after issuance and an expiration date seven years after issuance. No stock options were granted under the Omnibus Plan during the three months ended March 31, 2021 or 2020.

The following table summarizes stock option activity for the Option Plan, non-employee director stock option plan and Omnibus Plan for the period indicated.

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Three Months Ended March 31, 2021:				
Outstanding – January 1, 2021	1,623,569	$ 46.32		
Granted	—	—		
Exercised	(128,100)	35.08		
Forfeited	(25,686)	47.27		
Outstanding – March 31, 2021	1,469,783	47.29	3.1	$ 3,084 (1)
Fully vested and exercisable – March 31, 2021	1,252,574	$ 50.00	2.8	$ 1,087 (1)

(1) Based on closing price of $40.85 per share on March 31, 2021.

Intrinsic value for stock options is defined as the amount by which the current market price of the underlying stock exceeds the exercise price. For those stock options where the exercise price exceeds the current market price of the underlying stock, the intrinsic value is zero. The total intrinsic value of options exercised during the three months ended March 31, 2021 was $0.8 million. The total intrinsic value of options exercised during the three months ended March 31, 2020 was not material.

Stock-based compensation expense for stock options included in non-interest expense was $0.2 million and $0.6 million for the three months ended March 31, 2021 and 2020, respectively. Total unrecognized compensation cost related to non-vested stock option grants was $0.5 million at March 31, 2021 and is expected to be recognized over a weighted-average period of 1.0 year.

During the three months ended March 31, 2021, the Bank issued 312,503 shares of restricted common stock to employees under the Omnibus Plan. These grants of restricted stock cliff vest 100% three years after issuance, assuming continuous employment by the participant during this period.

The following table summarizes non-vested restricted stock activity for the 2009 Plan, Director Plan and Omnibus Plan for the period indicated.

	2009 Plan and Director Plan	Omnibus Plan	Total of All Plans
Three Months Ended March 31, 2021:			
Outstanding – January 1, 2021	460,068	451,984	912,052
Granted	—	312,503	312,503
Forfeited	(4,608)	(11,797)	(16,405)
Vested	(143,750)	(195)	(143,945)
Outstanding – March 31, 2021	311,710	752,495	1,064,205
Weighted-average grant date fair value	$ 31.68	$ 32.60	$ 32.33

Restricted stock awards totaling 312,503 shares with a grant date fair value of $40.11 were granted pursuant to the Omnibus Plan during the three months ended March 31, 2021. The fair value of the restricted stock awards is amortized to compensation expense over the vesting period and is based on the market price of the Bank's common stock at the date of grant multiplied by the number of shares granted. Stock-based compensation expense for restricted stock included in non-interest expense was $2.4 million and $3.0 million for the three months ended March 31, 2021 and 2020, respectively. Unrecognized compensation expense for non-vested restricted stock awards was $21.4 million at March 31, 2021 and is expected to be recognized over a weighted-average period of 2.3 years.

On January 27, 2021, pursuant to the Omnibus Plan, the Bank's P&C Committee awarded its executive officers an aggregate of 133,041 PSUs. The PSUs granted contain both performance and market conditions. The PSUs will be earned and vest depending on the Bank's relative performance with respect to total shareholder return ("TSR"), return on average equity ("ROAE") and return on average assets ("ROAA"), over a three-year period, compared to the companies that comprise the KBW Regional Banking Index ("KRX") at January 1, 2021 (for the TSR component) and compared to the Bank's 2020 executive compensation peer group (for the ROAE and ROAA component) over the same three-year period. Measurement is determined on a percentile basis relative to the KRX or the Bank's peer group. For each metric, if the Bank's performance over the performance period is: (i) at or below the 25th percentile compared to the applicable peer group, no PSUs for that metric would be earned; (ii) at threshold performance (26th percentile), 4% of the target would be earned; (iii) at target performance (50th percentile), 100% of the target would be earned; (iv) at the 75th percentile, 150% of the target would be earned; and (v) at maximum performance (95th percentile), 200% of the target would be earned.

Achievement of results between levels previously described will result in award payouts determined based on a linear interpolation between payout levels. In the event the Bank's TSR over the performance period is negative, no more than 100% of the target PSUs for the relative TSR component will be earned, and the value of a PSU earned at the end of the performance period for the relative TSR component cannot exceed six times (6x) the grant date stock price. The PSUs contain a three-year vesting period followed by a one-year post-vest hold period and are eligible to accrue dividend equivalents that are subject to the same vesting criteria as the underlying PSUs.

The fair value of the PSUs granted is amortized to compensation expense over the vesting period. In determining PSUs fair value, since the PSUs granted contain a one-year post-vest hold period, an estimated discount for illiquidity was applied to the market price of the Bank's stock. The fair value of each PSU grant is estimated on the date of grant using various valuation and liquidity models. The following table is a summary of the key assumptions used in those models for the period indicated.

	Three Months Ended March 31, 2021
Risk-free interest rate	0.09%
Expected dividend yield	2.86%
Expected stock volatility	67.45%
Post-vest hold period	1 year

The following table summarizes non-vested PSU activity for the period indicated.

	Three Months Ended March 31, 2021
Outstanding – January 1, 2021	301,468
Granted	133,041
Forfeited	—
Outstanding – March 31, 2021	434,509

The valuation date stock price index was 116% for the TSR component and 100% for the ROAE and ROAA component. The weighted-average PSU grant date fair values were $38.41 for TSR and $33.20 for both ROAE and ROAA.

Compensation expense for PSU awards included in non-interest expense was $1.1 million and $0.4 million for the three months ended March 31, 2021 and 2020, respectively. Unrecognized compensation expense for non-vested PSU awards was $8.8 million at March 31, 2021 and is expected to be recognized over a weighted-average period of 2.2 years.

9. Fair Value Measurements

The Bank measures certain of its assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset or liability. Fair value is defined 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. Additionally, fair value is used either on a periodic basis, typically at least quarterly, or on a non-recurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes. At March 31, 2021 and December 31, 2020, the Bank had no material liabilities that were accounted for at fair value.

The Bank applies the following fair value hierarchy.

Level 1 − Quoted prices for identical instruments in active markets.

Level 2 − Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable.

Level 3 − Instruments whose inputs are unobservable.

The following table sets forth the Bank's assets that are accounted for at fair value as of the dates indicated.

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
March 31, 2021:				
Investment securities AFS :				
U.S. Government agency mortgage-backed securities	$ —	$ 1,978,145	$ —	$ 1,978,145
Obligations of state and political subdivisions	—	1,180,351	10,967	1,191,318
Other U.S. Government agency securities	—	263,783	—	263,783
Corporate obligations	—	729,233	—	729,233
Total investment securities AFS	—	4,151,512	10,967	4,162,479
Nonaccrual loans	—	—	53,282	53,282
Total assets at fair value	$ —	$ 4,151,512	$ 64,249	$ 4,215,761
December 31, 2020:				
Investment securities AFS:				
U.S. Government agency mortgage-backed securities	$ —	$ 1,597,598	$ —	$ 1,597,598
Obligations of state and political subdivisions	—	1,720,288	11,597	1,731,885
Other U.S. Government agency securities	—	75,868	—	75,868
Total investment securities AFS	—	3,393,754	11,597	3,405,351
Nonaccrual loans	—	—	58,030	58,030
Total assets at fair value	$ —	$ 3,393,754	$ 69,627	$ 3,463,381

The following table presents information related to Level 3 non-recurring fair value measurements as of the date indicated.

Description	Fair Value at March 31, 2021	Technique	Unobservable Inputs
	(Dollars in thousands)		
Nonaccrual loans	$ 53,282	Third party appraisal [(1)] or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Life of loan

(1) The Bank utilizes valuation techniques consistent with the market, cost, and income approaches, or a combination thereof in determining fair value.

The following methods and assumptions are used to estimate the fair value of the Bank's assets that are accounted for at fair value.

Investment securities AFS – The Bank utilizes independent third parties as its principal pricing sources for determining fair value of investment securities AFS which are measured on a recurring basis. As a result, the Bank considers estimates of fair value from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities AFS traded in an active market, fair values are based on quoted market prices if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities, broker quotes, comprehensive interest rate tables and pricing matrices or a combination thereof. For investment securities AFS traded in a market that is not active, fair value is determined using unobservable inputs. All fair value estimates of the Bank's investment securities are reviewed on a quarterly basis.

The Bank has determined that certain of its investment securities AFS had a limited to non-existent trading market at March 31, 2021. As a result, the Bank considers these investments as Level 3 in the fair value hierarchy. Specifically, the fair values of certain obligations of state and political subdivisions consisting primarily of certain unrated private placement bonds (the "private placement bonds") in the amount of $11.0 million at March 31, 2021 were calculated using Level 3 hierarchy inputs and assumptions as the trading market for such securities was determined to be "not active." This determination was based on the limited number of trades or, in certain cases, the existence of no reported trades for the private placement bonds. The private placement bonds are generally prepayable at par value at the option of the issuer. As a result, management believes the private placement bonds should be individually valued at the lower of (i) the matrix pricing provided by the Bank's third party pricing sources for comparable unrated municipal securities or (ii) par value. At March 31, 2021, the third parties' pricing matrices valued the Bank's portfolio of private placement bonds at approximately $11.0 million, which was approximately the same as the aggregate par value of the private placement bonds. Accordingly, at March 31, 2021, the Bank reported the private placement bonds at $11.0 million.

Nonaccrual loans – Fair values are measured on a non-recurring basis and are based on the underlying collateral value of the nonaccrual loan, reduced for holding and selling costs, or the estimated discounted cash flows for such loan. At March 31, 2021 the Bank had reduced the carrying value of its nonaccrual loans to the estimated fair value of $53.3 million. The adjustment to reduce the carrying value of such nonaccrual loans to the estimated fair value included $12.3 million of ACL allocations.

The following table presents additional information about assets measured at fair value on a recurring basis and for which the Bank has utilized Level 3 inputs to determine fair value for the periods indicated.

	Investment Securities AFS
	(Dollars in thousands)
Balance – December 31, 2020	$ 11,597
Total realized gains included in earnings	—
Total unrealized gains/(losses) included in other comprehensive income	—
Paydowns and maturities	(630)
Sales	—
Transfers in and/or out of Level 3	—
Balance – March 31, 2021	$ 10,967
Balance – December 31, 2019	$ 14,103
Total realized gains included in earnings	—
Total unrealized gains/(losses) included in other comprehensive income	(5)
Paydowns and maturities	(676)
Sales	—
Transfers in and/or out of Level 3	—
Balance – March 31, 2020	$ 13,422

10. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments.

Cash and cash equivalents – For these short-term instruments, the carrying amount of cash and cash equivalents, including interest earning deposits and due from banks, is a reasonable estimate of fair value.

Investment securities AFS – The Bank utilizes independent third parties as its principal pricing sources for determining fair value of investment securities AFS which are measured on a recurring basis. As a result, the Bank receives estimates of fair value from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities AFS traded in an active market, fair values are based on quoted market prices if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities, broker quotes, comprehensive interest rate tables, pricing matrices or a combination thereof. For investment securities AFS traded in a market that is not active, fair value is determined using unobservable inputs. All fair value estimates of the Bank's investment securities are reviewed on a quarterly basis.

Loans – The fair value of loans, including purchased loans, is estimated by discounting the expected future cash flows using the current rate at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposit liabilities – The fair value of demand deposits, savings accounts, money market deposits and other transaction accounts is the amount payable on demand at the reporting date. The fair value of fixed maturity time deposits is estimated using the rate currently available for deposits of similar remaining maturities.

Repurchase agreements – For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

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

Subordinated notes and debentures – The fair values of these instruments are based primarily upon discounted cash flows using rates for securities with similar terms and remaining maturities.

Off-balance sheet instruments – The fair values of outstanding commitments and letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of outstanding commitments and letters of credit were not material at March 31, 2021 or December 31, 2020.

The fair values of certain of these instruments were calculated by discounting expected cash flows, which contain numerous uncertainties and involve significant judgments by management. 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, the Bank does not know whether these fair values represent values at which the respective financial instruments could be sold individually or in the aggregate.

The following table presents the carrying amounts, estimated fair values and the fair value hierarchy of the Bank's financial instruments as of the dates indicated.

	Fair Value Hierarchy	March 31, 2021 Carrying Amount	March 31, 2021 Estimated Fair Value	December 31, 2020 Carrying Amount	December 31, 2020 Estimated Fair Value
		(Dollars in thousands)			
Financial assets:					
Cash and cash equivalents	Level 1	$ 2,216,336	$ 2,216,336	$ 2,393,662	$ 2,393,662
Investment securities AFS	Levels 2 and 3	4,162,479	4,162,479	3,405,351	3,405,351
Loans, net of ALL(1)	Level 3	18,446,988	18,392,826	18,913,344	18,790,517
Financial liabilities:					
Demand, savings and interest bearing transaction deposits	Level 1	$ 12,725,832	$ 12,725,832	$12,157,528	$ 12,157,528
Time deposits	Level 2	8,570,610	8,590,629	9,292,828	9,326,281
Repurchase agreements with customers	Level 1	5,936	5,936	8,013	8,013
Other borrowings	Level 2	750,361	769,514	750,928	779,227
Subordinated notes	Level 2	224,141	225,556	224,047	227,173
Subordinated debentures	Level 2	120,613	106,970	120,475	105,761

(1) Excludes reserve for losses on unfunded loan commitments.

11. Changes In and Reclassifications From Accumulated Other Comprehensive Income ("AOCI")

The following table presents changes in AOCI for the periods indicated.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(Dollars in thousands)	
Beginning balance of AOCI – unrealized gains and losses on investment securities AFS	$ 58,252	$ 27,255
Other comprehensive income (loss):		
Unrealized gains and losses on investment securities AFS	(10,491)	38,860
Tax effect of unrealized gains and losses on investment securities AFS	2,703	(9,549)
Amounts reclassified from AOCI	—	(2,223)
Tax effect of amounts reclassified from AOCI	—	545
Total other comprehensive (loss) income	(7,788)	27,633
Ending balance of AOCI – unrealized gains and losses on investment securities AFS	$ 50,464	$ 54,888

12. Other Operating Expenses

The following table is a summary of other operating expenses for the periods indicated.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(Dollars in thousands)	
Professional and outside services	$ 6,326	$ 6,764
Software and data processing	5,792	4,974
Deposit insurance and assessments	3,520	3,420
Telecommunication services	2,232	2,177
Postage and supplies	1,645	2,053
Writedowns of foreclosed and other assets	1,363	879
ATM expense	1,283	1,160
Travel and meals	774	2,102
Loan collection and repossession expense	509	694
Advertising and public relations	308	1,703
Amortization of intangibles	1,730	2,795
Amortization of CRA and tax credit investments	4,125	2,740
Other	6,339	5,161
Total other operating expense	$ 35,946	$ 36,622

13. Recent Accounting Pronouncements

In December 2019, FASB issued ASU 2019-12 “Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes” which simplifies the accounting related to franchise taxes and other taxes partially based on income. In addition, ASU 2019-12 clarifies when a step-up in basis should be considered as part of a business combination, as well as when entities should recognize enacted changes in tax law. ASU 2019-12 was effective for annual reporting periods beginning after December 15, 2020 with early adoption permitted. The adoption of ASU 2019-12 did not have a material impact on the Bank’s financial position or results of operations.

In May 2020, FASB issued ASU 2020-04 “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” Reference rate reform relates to the effects undertaken to eliminate certain reference rates such as the London Interbank Offered Rate (“LIBOR”) and introduce new reference rates that may be based on larger or more liquid observations and transactions. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other contracts. Generally, ASU 2020-04 would allow entities to consider contract modifications due to reference rate reform to be a continuation of an existing contract; thus, the Bank would not have to determine if the modification is considered insignificant. As a result of ASU 2020-04, the Bank created an internal working group that is managing its transition away from LIBOR. This working group is a cross-functional team composed of representatives from credit, lending, deposits, retail, investment securities, loan administration, operations, compliance, legal and other support functions to address issues related to the LIBOR transition and phase-out. The Bank is in the process of reviewing loan documentation and other financial instruments and contracts, along with the transition procedures it will need in order to implement reference rate reform. While the Bank has yet to adopt the provision of ASU 2020-04, the standard was effective upon issuance and terminates December 31, 2022 such that changes made to instruments or contracts beginning on or after January 1, 2023 would not apply. The Bank is currently evaluating the impact of ASU 2020-04 and has not determined if reference rate reform will have a material effect on the Bank’s financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context otherwise requires, references in this quarterly report on Form 10-Q to terms such as "Bank," "we," "us," and "our" refer to Bank OZK (the "Bank") and its consolidated subsidiaries.

FORWARD-LOOKING INFORMATION

This quarterly report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), other public filings made by us and other oral and written statements or reports by us and our management include certain forward-looking statements that are intended to be covered by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's expectations as well as certain assumptions and estimates made by, and information available to, management at the time. Those statements are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Forward-looking statements include, without limitation, statements and discussions about economic, real estate market, competitive, employment, credit market and interest rate conditions, including expectations for further changes in monetary and interest rate policy by the Board of Governors of the Federal Reserve System ("FRB"); our plans, goals, beliefs, expectations, thoughts, estimates and outlook for the future with respect to our revenue growth; net income and earnings per common share; net interest margin; net interest income; non-interest income, including service charges on deposit accounts, trust income, bank owned life insurance ("BOLI") income, loan service, maintenance and other fees, and gains (losses) on investment securities and sales of other assets; non-interest expense; efficiency ratio; anticipated future operating results and financial performance; asset quality and asset quality ratios, including the effects of current economic and real estate market conditions; nonperforming loans; nonperforming assets; net charge-offs and net charge-off ratios; provision and allowance for credit losses; past due loans; current or future litigation; interest rate sensitivity, including the effects of possible interest rate changes; future growth and expansion opportunities, including plans for making additional acquisitions; problems with obtaining regulatory approval of or integrating or managing acquisitions; plans for opening new offices or relocating, selling or closing existing offices; opportunities and goals for future market share growth; expected capital expenditures; loan and deposit growth, including growth from unfunded closed loans; changes in the volume, yield and value of our investment securities portfolio; availability of unused borrowings; the issuance or repurchase of debt or equity securities and other similar forecasts and statements of expectation. Forward-looking statements also include statements related to our continuing response to the coronavirus ("COVID-19") pandemic. Words such as "anticipate," "assume," "believe," "could," "estimate," "expect," "goal," "hope," "intend," "look," "may," "plan," "project," "seek," "target," "trend," "will," "would," and similar words and expressions, as they relate to us or our management, identify forward-looking statements.

Actual future performance, outcomes and results may differ materially from those expressed in, or implied by, forward-looking statements made by us and our management due to certain risks, uncertainties and assumptions. Certain factors that may affect our future results include, but are not limited to, potential delays or other problems in implementing our growth, expansion and acquisition strategies, including delays in identifying satisfactory sites, hiring or retaining qualified personnel, obtaining regulatory or other approvals, obtaining permits and designing, constructing and opening new offices or relocating, selling or closing existing offices; the ability to enter into and/or close additional acquisitions; the availability of and access to capital; possible downgrades in our credit ratings or outlook which could increase the costs or availability of funding from capital markets; the ability to attract new or retain existing or acquired deposits or to retain or grow loans, including growth from unfunded closed loans; the ability to generate future revenue growth or to control future growth in non-interest expense; interest rate fluctuations, including changes in the yield curve between short-term and long-term interest rates or changes in the relative relationships of various interest rate indices; the potential impact of the proposed phase-out of the London Interbank Offered Rate ("LIBOR") or other changes involving LIBOR; competitive factors and pricing pressures, including their effect on our net interest margin or core spread; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions and the costs and expenses to comply with new and/or existing legislation and regulatory actions, including those actions in response to the COVID-19 pandemic such as the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), the Consolidated Appropriations Act of 2021, the American Rescue Plan Act of 2021 and any similar or related rules and regulations; changes in U.S. Government monetary and fiscal policy; Federal Deposit Insurance Corporation ("FDIC") special assessments or changes to regular assessments; the ability to keep pace with technological changes, including changes regarding maintaining cybersecurity; the impact of failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business, including as a result of cyber attacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting us or our customers; natural disasters or acts of war or terrorism; the adverse effects of the ongoing global COVID-19 pandemic, including the duration of the pandemic, and actions taken to contain or treat COVID-19 on us, our employees, our customers, the global economy and the financial markets; national, international or political instability; impairment of our goodwill or other intangible assets; adoption of new accounting standards or changes in existing standards; and adverse results (including costs, fines, reputational harm and/or other negative effects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions or rulings as well as other factors described in this quarterly report on Form 10-Q or as detailed from time to time in the other public reports we file with the FDIC, including those factors identified in the disclosures under the heading "Forward-Looking Information" and "Item 1A. Risk Factors" in our most recent annual report on Form 10-K for the year ended December 31, 2020. Should one or more of the foregoing risks materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described in, or implied by, such forward-looking statements. We disclaim any obligation to update or revise any forward-looking statement based on the occurrence of future events, the receipt of new information or otherwise.

SELECTED AND SUPPLEMENTAL FINANCIAL DATA

The following tables set forth selected unaudited consolidated financial data as of and for the three months ended March 31, 2021 and 2020 and supplemental unaudited quarterly financial data for each of the most recent eight quarters beginning with the second quarter of 2019 through the first quarter of 2021. These tables are qualified in their entirety by our consolidated financial statements and related notes presented in Part I, Item 1 – Financial Statements in this quarterly report on Form 10-Q. The calculation of our pre-tax pre-provision net revenue ("PPNR") and the reconciliation to generally accepted accounting principles ("GAAP") are included in this MD&A under "Analysis of Results of Operations" in this quarterly report on Form 10-Q. The calculations of our tangible book value per common share and our annualized returns on average tangible common stockholders' equity and the reconciliations to GAAP are included in this MD&A under "Capital Management" in this quarterly report on Form 10-Q.

Selected Consolidated Financial Data

	Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands, except per share amounts)	
Income statement data:		
Interest income	$ 264,064	$ 271,973
Interest expense	29,428	62,198
Net interest income	234,636	209,775
Provision for credit losses	(31,559)	117,663
Non-interest income	32,117	27,680
Non-interest expense	106,059	103,425
Net income available to common stockholders	148,416	11,866
Pre-tax pre-provision net revenue	160,694	134,030
Common share and per common share data:		
Earnings – diluted	$ 1.14	$ 0.09
Book value	33.79	31.57
Tangible book value	28.60	26.30
Dividends per share	0.2775	0.26
Weighted-average diluted shares outstanding (thousands)	129,816	129,307
End of period shares outstanding (thousands)	129,719	129,324
Balance sheet data at period end:		
Total assets	$ 27,276,892	$ 24,565,810
Total loans	18,715,065	18,228,204
Non-purchased loans	17,979,435	17,030,378
Purchased loans	735,630	1,197,826
Allowance for loan losses	268,077	238,737
Foreclosed assets	8,436	20,616
Investment securities – AFS	4,162,479	2,816,556
Goodwill and other intangible assets, net	673,728	681,747
Deposits	21,296,442	18,809,190
Other borrowings	750,361	1,051,353
Subordinated notes	224,141	223,759
Subordinated debentures	120,613	120,055
Unfunded balance of closed loans	11,780,099	11,334,737
Reserve for losses on unfunded loan commitments	74,230	77,672
Total common stockholders' equity	4,383,205	4,083,150
Loan (including purchased loans) to deposit ratio	87.88%	96.91%
Average balance sheet data:		
Total average assets	$ 27,046,477	$ 23,794,433
Total average common stockholders' equity	4,307,174	4,118,614
Average common equity to average assets	15.93%	17.31%
Performance ratios:		
Return on average assets(1)	2.23%	0.20%
Return on average common stockholders' equity(1)	13.97	1.16
Return on average tangible common stockholders' equity(1)	16.57	1.39
Net interest margin – FTE(1)	3.86	3.96
Efficiency ratio	39.57	43.35
Common stock dividend payout ratio	24.18	282.55
Asset Quality ratios:		
Net charge-offs to average non-purchased loans(1)(2)	0.08%	0.08%
Net charge-offs to average total loans(1)	0.07	0.10
Nonperforming loans to total loans(3)	0.25	0.16
Nonperforming assets to total assets(3)	0.19	0.19
Allowance for loan losses as a percentage of(4):		
Total loans	1.43%	1.31%
Total nonperforming loans	400%	374%
Capital ratios at period end:		
Common equity tier 1	13.93%	13.04%
Tier 1 risk based capital	13.93	13.04
Total risk based capital	16.38	15.36
Tier 1 leverage	13.98	14.62

(1) Ratios annualized based on actual days.
(2) Excludes purchased loans and net charge-offs related to such loans.
(3) Excludes purchased loans, except for their inclusion in total assets.
(4) Excludes reserve for losses on unfunded loan commitments.

Supplemental Quarterly Financial Data

	6/30/19	9/30/19	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21
	(Dollars in thousands, except per share amounts)							
Earnings Summary:								
Net interest income	$ 224,536	$ 218,780	$ 214,977	$ 209,775	$ 216,593	$ 224,657	$ 237,600	$ 234,636
Federal tax (FTE) adjustment	1,136	1,038	1,028	1,133	1,753	1,605	1,533	1,275
Net interest income (FTE)	225,672	219,818	216,005	210,908	218,346	226,262	239,133	235,911
Provision for credit losses	(6,769)	(7,854)	(4,938)	(117,663)	(72,026)	(7,200)	(6,750)	31,559
Non-interest income	26,603	26,446	30,406	27,680	21,591	26,676	28,661	32,117
Non-interest expense	(99,131)	(100,914)	(104,406)	(103,425)	(100,953)	(105,641)	(103,394)	(106,059)
Pretax income (FTE)	146,375	137,496	137,067	17,500	66,958	140,097	157,650	193,528
FTE adjustment	(1,136)	(1,038)	(1,028)	(1,133)	(1,753)	(1,605)	(1,533)	(1,275)
Provision for income taxes	(34,726)	(32,574)	(35,240)	(4,509)	(14,948)	(29,251)	(35,607)	(43,818)
Noncontrolling interest	(10)	7	7	8	9	12	3	(19)
Net income available to common stockholders	$ 110,503	$ 103,891	$ 100,806	$ 11,866	$ 50,266	$ 109,253	$ 120,513	$ 148,416
Earnings per common share – diluted	$ 0.86	$ 0.81	$ 0.78	$ 0.09	$ 0.39	$ 0.84	$ 0.93	$ 1.14
Non-interest Income:								
Service charges on deposit accounts	$ 10,291	$ 10,827	$ 10,933	$ 10,009	$ 8,281	$ 9,427	$ 9,983	$ 9,665
Trust income	1,839	1,975	2,010	1,939	1,759	1,936	1,909	2,206
BOLI income:								
Increase in cash surrender value	5,178	5,208	5,167	5,067	5,057	5,081	5,034	4,881
Death benefits	—	206	2,989	608	—	—	—	1,409
Loan service, maintenance and other fees	4,565	4,197	4,282	3,716	3,394	3,351	3,797	3,551
Gains on sales of other assets	402	189	1,358	161	621	891	5,189	5,828
Net gains on investment securities	713	—	—	2,223	—	2,244	—	—
Other	3,615	3,844	3,667	3,957	2,479	3,746	2,749	4,577
Total non-interest income	$ 26,603	$ 26,446	$ 30,406	$ 27,680	$ 21,591	$ 26,676	$ 28,661	$ 32,117
Non-interest Expense:								
Salaries and employee benefits	$ 47,558	$ 48,376	$ 52,050	$ 51,473	$ 48,410	$ 53,119	$ 53,832	$ 53,645
Net occupancy and equipment	14,587	14,825	14,855	15,330	15,756	16,676	15,617	16,468
Other operating expenses	36,986	37,713	37,501	36,622	36,787	35,846	33,945	35,946
Total non-interest expense	$ 99,131	$ 100,914	$ 104,406	$ 103,425	$ 100,953	$ 105,641	$ 103,394	$ 106,059
Balance Sheet Data:								
Total assets	$22,960,731	$23,402,679	$23,555,728	$24,565,810	$26,380,409	$26,888,308	$27,162,596	$27,276,892
Non-purchased loans	15,786,809	16,307,621	16,224,539	17,030,378	18,247,431	18,419,958	18,401,495	17,979,435
Purchased loans	1,698,396	1,427,230	1,307,504	1,197,826	1,063,647	938,485	807,673	735,630
Investment securities – AFS	2,548,489	2,414,722	2,277,389	2,816,556	3,299,944	3,468,243	3,405,351	4,162,479
Deposits	18,186,215	18,440,078	18,474,259	18,809,190	20,723,598	21,287,405	21,450,356	21,296,442
Unfunded balance of closed loans	11,167,055	11,429,918	11,325,598	11,334,737	11,411,441	11,604,614	11,847,117	11,780,099
Common stockholders' equity	3,993,247	4,078,324	4,150,351	4,083,150	4,110,666	4,186,285	4,272,271	4,383,205
Allowance for Credit Losses:								
Balance at beginning of period	$ 105,954	$ 106,642	$ 109,001	$ 108,525	$ 316,409	$ 374,494	$ 377,273	$ 377,305
Adoption of CECL(1) methodology	—	—	—	94,512	—	—	—	—
Net charge-offs	(6,081)	(5,495)	(5,414)	(4,291)	(13,941)	(4,421)	(6,718)	(3,439)
Provision for credit losses	6,769	7,854	4,938	117,663	72,026	7,200	6,750	(31,559)
Balance at end of period	$ 106,642	$ 109,001	$ 108,525	$ 316,409	$ 374,494	$ 377,273	$ 377,305	$ 342,307
Allowance for loan losses	$ 106,642	$ 109,001	$ 108,525	$ 238,737	$ 306,196	$ 308,847	$ 295,824	$ 268,077
Reserve for losses on unfunded loan commitments	—	—	—	77,672	68,298	68,426	81,481	74,230
Total allowance for credit losses	$ 106,642	$ 109,001	$ 108,525	$ 316,409	$ 374,494	$ 377,273	$ 377,305	$ 342,307
Selected Ratios:								
Net interest margin – FTE(2)	4.45%	4.26%	4.15%	3.96%	3.74%	3.69%	3.88%	3.86%
Efficiency ratio	39.30	40.98	42.37	43.35	42.07	41.77	38.61	39.57
Net charge-offs to average non-purchased loans(2) (3)	0.12	0.07	0.10	0.08	0.05	0.09	0.14	0.08
Net charge-offs to average total loans(2)	0.14	0.12	0.12	0.10	0.29	0.09	0.14	0.07
Nonperforming loans to total loans(4)	0.15	0.17	0.15	0.16	0.18	0.15	0.25	0.25
Nonperforming assets to total assets(4)	0.25	0.26	0.18	0.19	0.19	0.17	0.21	0.19
Allowance for loan losses to total loans(5)	0.61	0.61	0.62	1.31	1.59	1.60	1.54	1.43
Loans past due 30 days or more, including past due non-accrual loans, to total loans(4)	0.13	0.14	0.19	0.18	0.13	0.13	0.16	0.13

(1) Current Expected Credit Loss.
(2) Ratios for interim periods annualized based on actual days.
(3) Excludes purchased loans and net charge-offs related to such loans.
(4) Excludes purchased loans, except for their inclusion in total assets.
(5) Excludes reserve for losses on unfunded loan commitments.

GENERAL

The following discussion explains our financial condition and results of operations as of and for the three months ended March 31, 2021. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from the consolidated financial statements and related notes. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes presented in Part 1, Item 1 – Financial Statements in this quarterly report on Form 10-Q and in our annual report on Form 10-K for the year ended December 31, 2020. Annualized results for these interim periods may not be indicative of results for the full year or future periods.

Our primary business is commercial banking conducted by the Bank and various subsidiaries of the Bank. Our results of operations depend primarily on net interest income, which is the difference between the interest income from earning assets, such as loans and investments, and the interest expense incurred on interest bearing liabilities, such as deposits, borrowings, subordinated notes and subordinated debentures. We also generate non-interest income, including, among others, service charges on deposit accounts, trust income, BOLI income, loan service, maintenance and other fees and gains (losses) on investment securities and from sales of other assets.

Our non-interest expense consists primarily of employee compensation and benefits, net occupancy and equipment and other operating expenses. Our results of operations are significantly affected by our provision for credit losses and our provision for income taxes.

RECENT DEVELOPMENTS RELATED TO COVID-19

We continue to be impacted by the ongoing COVID-19 pandemic, which has caused and is expected to continue to cause significant disruption in the United States and international economies and financial markets, and has adversely affected and is expected to continue to adversely affect our business, financial condition and results of operations. While at this time it is difficult to ascertain the ultimate adverse impact of the pandemic, it has been and is expected to continue to be material.

As the COVID-19 pandemic is ongoing and dynamic in nature, there remain many uncertainties including, among other things, its ultimate geographic spread, its severity, the duration of the outbreak and the potential for additional outbreaks or new variants of the disease, the effectiveness of vaccination programs in the U.S. and globally, the impact to our customers, employees and vendors, the impact on the financial services and banking industry, and the impact to the economy as a whole as well as the effect of actions taken, or that may yet be taken, by federal, state and local governmental authorities and public health officials to contain the current outbreak or any future outbreaks or mitigate the impact of such outbreaks (both economic and health-related). For a discussion of the risks we face with respect to COVID-19, the steps taken to mitigate the pandemic and the economic disruption resulting therefrom, see "Item 1A – Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2020.

Our Workforce. Throughout the pandemic, we have remained open for business and focused on supporting our employees, customers and communities. Based on vaccine eligibility and availability and a number of other factors, we have developed and begun implementing plans for our employees to return to the office. To ensure the health and well-being of our staff and customers, the workplace protections we implemented early in the pandemic remain in place, including frequent sanitizing of work areas, social distancing and the use of personal protection equipment, health and wellness screening, and prioritization of video conferencing. During the first quarter of 2021, a number of our business units have returned to the office.

Notwithstanding these health and safety protocols, COVID-19 could still affect our essential operations due to staff absenteeism, particularly among key personnel; limited access to or closures of our branch facilities and other physical offices; operational, technical or security-related risks arising from our remaining remote workforce; and government or regulatory agency orders, among other things. The business and operations of our third party vendors, many of whom perform critical services for our business, could also be significantly impacted, which in turn could impact us. As a result, we are unable to fully assess or predict the extent of the effects of COVID-19 on our operations, as the ultimate impact will depend largely on factors that are currently unknown and/or out of our control.

Lending Operations and Accommodations to Borrowers. The CARES Act created a new guaranteed, unsecured loan program under the Small Business Association ("SBA"), commonly referred to as PPP1, to fund operational costs of eligible businesses, organizations and self-employed persons during the pandemic period. One of the notable features of PPP1 is that borrowers are eligible for loan forgiveness if they maintain their staff and payroll and if loan amounts are used to cover payroll, mortgage interest, rents and utilities payments. To date, we have originated $0.46 billion of loans under PPP1 and have begun working with our customers to apply for loan forgiveness. During the first quarter of 2021, we received payments of approximately $0.16 billion from the SBA for full forgiveness of PPP1 loans originated by us. While the timing for forgiveness and repayment is not clear, currently, based on existing program requirements, we would expect a large portion of our remaining PPP1 loans to be forgiven and repaid by the SBA in the second quarter of 2021.

In addition to the above, a second round of PPP funding was appropriated by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act ("Economic Aid Act"), commonly referred to as PPP2, which authorized $28 billion in funds to be distributed by the SBA, extended the SBA's authority to make PPP loans, and revised certain PPP requirements. In January 2021, the SBA began accepting PPP2 loan requests. We are participating in this second round of PPP2 funding for borrowers that have a qualifying relationship with us. During the first quarter of 2021, we originated approximately $0.11 billion of PPP2 loans in conjunction with the Economic Aid Act.

Regulatory. The federal government has taken extraordinary and unprecedented steps, such as the CARES Act and Economic Aid Act, to support the U.S. economy and partially mitigate the effects of the pandemic. The government has provided, among other things, regulatory relief to financial institutions, liquidity to capital markets and direct support to businesses and consumers with the FRB taking decisive and sweeping actions as well. Most recently, on March 11, 2021, the $1.9 trillion American Rescue Plan Act of 2021 was signed into law, which provides for additional support for individuals, extended unemployment benefits, expanded tax credits, funding for state and local governments and support for businesses and targeted support for certain industries particularly impacted by the COVID-19 pandemic. Additional actions may be considered at the federal and state levels. We are currently unable to determine the overall effectiveness of actions that have been taken or will be taken and their ultimate impact on our financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements. Our determination of (i) the provisions to and the adequacy of our allowance for credit losses ("ACL"), (ii) the fair value of our investment securities portfolio, and (iii) accounting for our income taxes all involve a higher degree of judgment and complexity than our other significant accounting policies. Accordingly, we consider each of these to be critical accounting policies. A detailed discussion of our critical accounting policies is included in our annual report on Form 10-K for the year ended December 31, 2020. There has been no change in our critical accounting policies and no material change in the application of critical accounting policies as presented in our annual report on Form 10-K for the year ended December 31, 2020.

ANALYSIS OF RESULTS OF OPERATIONS

General

Net income available to our common stockholders was $148.4 million for the first quarter of 2021 compared to $11.9 million for the first quarter of 2020. Diluted earnings per common share were $1.14 for the first quarter of 2021 compared to $0.09 for the first quarter of 2020.

The COVID-19 pandemic has significantly affected the U.S. and global economies. During the three months ended March 31, 2021, we recorded negative provision of approximately $31.6 million primarily due to improving conditions and prospects for further improvement in the U.S. economy. During the first quarter of 2020, we recorded provision of $117.7 million, reflecting significant economic uncertainty at that time. At March 31, 2021, our ALL was $268.1 million, our reserve for losses on unfunded loan commitments was $74.2 million and our total ACL was $342.3 million. Our ACL and provision for credit losses are tied, in part, to our reasonable and supportable forecast which is related to future economic estimates and perceived economic outlook. Thus, if our reasonable and supportable forecast in future periods suggests economic conditions are expected to deteriorate, we may experience increases in our ACL and provision. Conversely, if our reasonable and supportable forecast suggests economic conditions are expected to improve, we may experience further decreases in our ACL and provision. However, the current economic uncertainty makes predicting future economic conditions and future expectations regarding our ACL and related provision for credit losses difficult.

Our annualized return on average assets was 2.23% for the first quarter of 2021 compared to 0.20% for the first quarter of 2020. Our annualized return on average common stockholders' equity was 13.97% for the first quarter of 2021 compared to 1.16% for the first quarter of 2020. Our annualized return on average tangible common stockholders' equity was 16.57% for the first quarter of 2021 compared to 1.39% for the first quarter of 2020. The calculations of our average tangible common stockholders' equity and our annualized return on average tangible common stockholders' equity and the reconciliations to GAAP are included under the heading "Capital Management" in this MD&A.

Total assets were $27.28 billion at March 31, 2021 compared to $27.16 billion at December 31, 2020. Total loans were $18.72 billion at March 31, 2021 compared to $19.21 billion at December 31, 2020. Non-purchased loans were $17.98 billion at March 31, 2021 compared to $18.40 billion at December 31, 2020. Purchased loans were $0.74 billion at March 31, 2021 compared to $0.81 billion at December 31, 2020. Deposits were $21.30 billion at March 31, 2021 compared to $21.45 billion at December 31, 2020.

Common stockholders' equity was $4.38 billion at March 31, 2021 compared to $4.27 billion at December 31, 2020. Tangible common stockholders' equity was $3.71 billion at March 31, 2021 compared to $3.60 billion at December 31, 2020. Book value per common share was $33.79 at March 31, 2021 compared to $33.03 at December 31, 2020. Tangible book value per common share was

$28.60 at March 31, 2021 compared to $27.81 at December 31, 2020. The calculations of our tangible common stockholders' equity and tangible book value per common share and the reconciliations to GAAP are included under the heading "Capital Management" in this MD&A.

Net Interest Income

Net interest income is our largest source of our revenue and represents the amount by which interest income on interest earning assets exceeds the interest expense paid on interest bearing liabilities. Net interest income is affected by many factors, including our volume and mix of average earning assets; our volume and mix of deposits and other interest bearing liabilities; our net interest margin; our core spread, which is how we describe the difference between the yield on our non-purchased loans and our cost of interest bearing deposits; and other factors.

Net interest income and net interest margin are analyzed in this discussion on a fully taxable equivalent ("FTE") basis. The adjustment to convert net interest income to an FTE basis consists of dividing tax-exempt interest income by one minus the statutory federal income tax rate of 21%. The FTE adjustments to net interest income were $1.3 million and $1.1 million for the three months ended March 31, 2021 and 2020, respectively. No adjustments have been made in this analysis for income exempt from state income taxes or for interest expense deductions disallowed under the provisions of the Internal Revenue Code ("IRC") as a result of investments in certain tax-exempt securities.

Net interest income for the first quarter of 2021 increased 11.9% to $235.9 million compared to $210.9 million for the first quarter of 2020. The increase in net interest income for the first quarter of 2021 compared to the same period in 2020 was primarily due to an increase in average earning assets which increased 15.5% to $24.77 billion for the first quarter of 2021 compared to $21.44 billion for the first quarter of 2020, partially offset by a 10 basis point ("bps") decrease in our net interest margin.

Our net interest margin for the first quarter of 2021 was 3.86% compared to 3.96% for the first quarter of 2020. The 10 bps decrease in net interest margin was due primarily to a decrease in yield on earning assets of 78 bps, partially offset by a decrease in the rate paid on interest bearing liabilities of 87 bps.

The yield on interest earning assets was 4.34% for the first quarter of 2021 compared to 5.12% for the first quarter of 2020. The yield on our non-purchased loans decreased 30 bps to 5.35% for the first quarter of 2021 compared to 5.65% for the comparable period in 2020. This decrease was primarily due to decreases in LIBOR and various other interest rates during the first quarter of 2020. At March 31, 2021, approximately 78% of our non-purchased loans are variable rate and generally reprice with movements in LIBOR and/or the Wall Street Journal Prime Rate ("WSJ Prime").

The yield on our purchased loan portfolio decreased 56 bps to 6.24% for the first quarter of 2021 compared to 6.80% for the first quarter of 2020. The yield on our purchased loan portfolio is significantly affected by both the volume and timing of early payoffs and paydowns which typically result in any remaining purchase accounting valuation amounts treated as yield adjustments. Because the volume and timing of purchased loan payoffs and paydowns may vary significantly from period to period, the yield on such loans will also vary from period to period. At March 31, 2021, approximately 35% of our purchased loans had variable interest rates.

At March 31, 2021, approximately 93% of our total variable rate loans were at their floor rates. To the extent that the Federal Reserve increases the federal funds target rate in future periods and LIBOR and/or WSJ Prime also increase, we would expect some delay before the yield on our variable rate loans would increase until such time as individual loans within those portfolios are able to reprice above their respective floor rates.

The yield on our aggregate investment securities portfolio decreased 126 bps to 1.44% for the first quarter of 2021 compared to 2.70% for the first quarter of 2020. During the first quarter of 2021 and for much of 2020, we increased our on-balance sheet liquidity through the purchase of high-quality, short-term securities. The yield on such purchases was significantly lower than the yield on our existing securities portfolio, resulting in the lower yields for the first quarter of 2021 compared to the same period in 2020.

The overall decrease in rates on average interest bearing liabilities, which decreased 87 bps for the first quarter of 2021 compared to the same period in 2020, was primarily due to a decrease in rates on interest bearing deposits, which decreased 89 bps. The decrease in rates on our interest bearing deposits, the largest component of our interest bearing liabilities, was primarily due to decreases in the federal funds target rate and a shift in the composition of our deposit base to include a larger percentage of lower cost consumer and commercial deposits.

At March 31, 2021, we had approximately $7.51 billion of time deposits with a weighted-average interest rate of approximately 0.89% maturing in the next twelve months, including approximately $3.14 billion with a weighted-average interest rate of approximately 1.13% maturing by June 30, 2021. To the extent that we can renew and/or replace those time deposits at rates currently offered on such deposits, we would expect to experience some further decrease in our rate on interest bearing deposits in future periods.

Our other borrowing sources include (i) repurchase agreements with customers (“repos”), (ii) other borrowings, comprised primarily of FHLB advances and, to a lesser extent, federal funds purchased, (iii) subordinated notes and (iv) subordinated debentures. During the first quarter of 2021 and during much of 2020, we utilized FHLB term advances to support our funding sources and provide us with additional primary liquidity. The rates on our other borrowings increased 46 bps to 0.53% for the first quarter of 2021 compared to 0.07% for the same period of 2020. The rates on our other borrowings have been significantly affected by decreases in capitalized interest primarily associated with the construction of our new corporate headquarters facility that was completed during the second quarter of 2020. Our subordinated notes consist of $225 million in aggregate principal amount of 5.50% fixed-to-floating rate subordinated notes. The rate on these subordinated notes includes amortization of debt issuance costs using a level-yield methodology over the estimated holding period of seven years. (See the “Capital Management” section of this MD&A for a discussion of the expected redemption of these subordinated notes on July 1, 2021.) The rates paid on our subordinated debentures, which are tied to spreads over the 90-day LIBOR and reset periodically, decreased primarily due to decreases in LIBOR on the applicable reset dates.

The increase in average earning assets for the first quarter of 2021 compared to the same period in 2020 was primarily due to an increase in the average balances of non-purchased loans, investment securities and interest earning deposits and federal funds sold, partially offset by a decrease in the average balance of purchased loans. The increase in average interest bearing liabilities for the first quarter of 2021 compared to the same period in 2020 was primarily due to the increase in the average balance of interest bearing deposits and other borrowings used to fund the growth of our average earning assets.

The following table sets forth certain information relating to our average balances of assets and liabilities and our net interest income for the periods indicated.

Average Consolidated Balance Sheets and Net Interest Analysis – FTE

	Three Months Ended March 31,					
	2021			2020		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(Dollars in thousands)					
ASSETS						
Interest earning assets:						
Interest earning deposits and federal funds sold	$ 2,212,680	$ 538	0.10%	$ 1,367,297	$ 4,376	1.29%
Investment securities:						
Taxable	2,422,127	8,083	1.35	1,796,061	10,760	2.41
Tax-exempt – FTE	1,167,827	4,659	1.62	486,062	4,553	3.77
Non-purchased loans – FTE	18,188,269	240,124	5.35	16,526,270	232,030	5.65
Purchased loans	776,097	11,935	6.24	1,265,413	21,387	6.80
Total earning assets – FTE	24,767,000	265,339	4.34	21,441,103	273,106	5.12
Non-interest earning assets	2,279,477			2,353,330		
Total assets	$ 27,046,477			$ 23,794,433		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Deposits:						
Savings and interest bearing transaction	$ 8,337,990	$ 3,616	0.18%	$ 8,131,400	$ 19,747	0.98%
Time deposits of $100 or more	6,095,614	13,913	0.93	4,388,337	22,190	2.03
Other time deposits	2,900,579	6,821	0.95	3,333,529	15,745	1.90
Total interest bearing deposits	17,334,183	24,350	0.57	15,853,266	57,682	1.46
Repurchase agreements with customers	5,800	4	0.26	7,883	6	0.32
Other borrowings (1)	750,384	986	0.53	296,969	50	0.07
Subordinated notes	224,092	3,146	5.69	223,711	3,172	5.70
Subordinated debentures (1)	120,540	942	3.17	119,984	1,288	4.31
Total interest bearing liabilities	18,434,999	29,428	0.65	16,501,813	62,198	1.52
Non-interest bearing liabilities:						
Non-interest bearing deposits	3,972,815			2,927,296		
Other non-interest bearing liabilities	328,401			243,598		
Total liabilities	22,736,215			19,672,707		
Common stockholders' equity	4,307,174			4,118,614		
Noncontrolling interest	3,088			3,112		
Total liabilities and stockholders' equity	$ 27,046,477			$ 23,794,433		
Net interest income – FTE		$ 235,911			$ 210,908	
Net interest margin – FTE			3.86%			3.96%

(1) The interest expense and the rates for "other borrowings" and for "subordinated debentures" were affected by capitalized interest. Capitalized interest included in other borrowings totaled $0.03 million for the first quarter of 2021 compared to $0.36 million for the first quarter of 2020. In the absence of this interest capitalization, these rates on other borrowings would have been 0.55% for the first quarter of 2021 and 0.55% for the first quarter of 2020. Capitalized interest included in subordinated debentures totaled $0.14 million for the first quarter of 2020 (none in the first quarter of 2021). In the absence of this interest capitalization, the rate on subordinated debentures would have been 4.80% for the first quarter of 2020.

Average balances in the previous table are derived from daily average balances for such assets and liabilities. The yields and rates are derived by dividing interest income or interest expense by the average balance of the related assets or liabilities, respectively. The average balances of investment securities are computed based on amortized cost adjusted for unrealized gains and losses on investment securities AFS. The yields on investment securities include amortization of premiums and accretion of discounts. The average balance of loans includes loans on which we have discontinued accruing interest. The yields on loans include late fees, any prepayment penalties, yield maintenance or minimum interest provisions on loan repayments and amortization or accretion of certain deferred fees, origination costs, dealer fees (for non-purchased indirect marine and recreational vehicles ("RV") loans) and, for purchased loans, accretion or amortization of any purchase accounting yield adjustment and accretion of non-credit discounts on PCD loans. Interest expense and rates on our other borrowing sources and our subordinated debentures are presented net of interest capitalized on construction projects and include the amortization of debt issuance costs, if any. The interest expense on the subordinated debentures assumed through an acquisition includes the amortization of any purchase accounting adjustments. Interest expense on subordinated notes includes amortization of debt issuance costs.

The following table reflects how changes in the volume of interest earning assets and interest bearing liabilities and changes in interest rates have affected our interest income—FTE, interest expense and net interest income—FTE for the periods indicated. Information is provided in each category with respect to changes attributable to (1) changes in volume (changes in volume multiplied by prior yield/rate); (2) changes in yield/rate (changes in yield/rate multiplied by prior volume); and (3) changes in both yield/rate and volume (changes in yield/rate multiplied by changes in volume). The changes attributable to the combined impact of yield/rate and volume have all been allocated to the changes due to volume.

Analysis of Changes in Net Interest Income – FTE

	Three Months Ended March 31, 2021 Over Three Months Ended March 31, 2020		
	Volume	Yield/ Rate	Net Change
	(Dollars in thousands)		
Increase (decrease) in:			
Interest income – FTE:			
Interest earning deposits and federal funds sold	$ 206	$ (4,044)	$ (3,838)
Investment securities:			
Taxable	2,089	(4,766)	(2,677)
Tax-exempt – FTE	2,720	(2,614)	106
Non-purchased loans – FTE	21,942	(13,848)	8,094
Purchased loans	(7,525)	(1,927)	(9,452)
Total interest income – FTE	19,432	(27,199)	(7,767)
Interest expense:			
Savings and interest bearing transaction	90	(16,221)	(16,131)
Time deposits of $100 or more	3,897	(12,174)	(8,277)
Other time deposits	(1,018)	(7,906)	(8,924)
Repurchase agreements with customers	(1)	(1)	(2)
Other borrowings	596	340	936
Subordinated notes	5	(31)	(26)
Subordinated debentures	4	(350)	(346)
Total interest expense	3,573	(36,343)	(32,770)
Increase (decrease) in net interest income – FTE	$ 15,859	$ 9,144	$ 25,003

Non-Interest Income

Our non-interest income consists primarily of, among others, service charges on deposit accounts, trust income, BOLI income, loan service, maintenance and other fees and net gains on investment securities and on sales of other assets. Non-interest income for the first quarter of 2021 increased 16.0% to $32.1 million compared to $27.7 million for the first quarter of 2020. The increase in non-interest income was primarily due to a gain of $4.4 million from the sale of our South Carolina branches and, to a lesser extent, an increase in BOLI death benefits.

Service charges on deposit accounts, our largest component of non-interest income, decreased 3.4% to $9.7 million for the first quarter of 2021 compared to $10.0 million for the first quarter of 2020. This decrease was primarily due to the change in customer activity as a result of the COVID-19 pandemic, which reduced service charges on deposit accounts for the first quarter of 2021 compared to the comparable period in 2020.

Trust income increased 13.8% to $2.2 million for the first quarter of 2021 compared to $1.9 million for the first quarter of 2020, primarily due to increases in both corporate and personal trust income.

BOLI income from the change in cash surrender value decreased 3.7% to $4.9 million for the first quarter of 2021 compared to $5.1 million for the first quarter of 2020. BOLI income from death benefits was $1.4 million in the first quarter of 2021 compared to $0.6 million in the first quarter of 2020.

Loan service, maintenance and other fees, which includes fees that are not considered yield adjustments, decreased 4.4% to $3.6 million for the first quarter of 2021 compared to $3.7 million for the first quarter of 2020. While income from these items may vary significantly from period to period, we generally expect that income from these items will continue to decrease in 2021.

Gains on sales of other assets (including the gains from selling our South Carolina branches) were $5.8 million during the first quarter of 2021 compared to $0.2 million during the first quarter of 2020.

We had no net gains on investment securities during the first quarter of 2021 compared to $2.2 million during the first quarter of 2020.

The following table presents non-interest income for the periods indicated.

Non-Interest Income

	Three Months Ended March 31	
	2021	**2020**
	(Dollars in thousands)	
Service charges on deposit accounts	$ 9,665	$ 10,009
Trust income	2,206	1,939
BOLI income:		
Increase in cash surrender value	4,881	5,067
Death benefits	1,409	608
Loan service, maintenance and other fees	3,551	3,716
Gains on sales of other assets	5,828	161
Net gains on investment securities	—	2,223
Other	4,577	3,957
Total non-interest income	$ 32,117	$ 27,680

Non-Interest Expense

Our non-interest expense consists of salaries and employee benefits, net occupancy and equipment and other operating expenses. Non-interest expense increased 2.5% to $106.1 million for the first quarter of 2021 compared to $103.4 million for the first quarter of 2020.

Salaries and employee benefits, our largest component of non-interest expense, increased 4.2% to $53.6 million in the first quarter of 2021 compared to $51.5 million in the first quarter of 2020.

Net occupancy and equipment expenses increased 7.4% to $16.5 million for the first quarter of 2021 compared to $15.3 million for the first quarter of 2020. During the second quarter of 2020, we opened our new corporate headquarters facility, which has contributed to the increase in net occupancy and equipment expense during recent quarters.

Our aggregate other operating expenses decreased 1.8% to $35.9 million for the first quarter of 2021 compared to $36.6 million for the first quarter of 2020.

Our efficiency ratio (non-interest expense divided by the sum of net interest income – FTE and non-interest income) was 39.6% for the first quarter of 2021 compared to 43.4% for the first quarter of 2020.

The following table presents non-interest expense for the periods indicated.

Non-Interest Expense

	Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands)	
Salaries and employee benefits	$ 53,645	$ 51,473
Net occupancy and equipment	16,468	15,330
Other operating expenses:		
Professional and outside services	6,326	6,764
Software and data processing	5,792	4,974
Deposit insurance and assessments	3,520	3,420
Telecommunication services	2,232	2,177
Postage and supplies	1,645	2,053
Writedowns of foreclosed and other assets	1,363	879
ATM expense	1,283	1,160
Travel and meals	774	2,102
Loan collection and repossession expense	509	694
Advertising and public relations	308	1,703
Amortization of intangibles	1,730	2,795
Amortization of CRA and tax credit investments	4,125	2,740
Other	6,339	5,161
Total non-interest expense	$ 106,059	$ 103,425

Pre-Tax Pre-Provision Net Revenue ("PPNR")

As a result of the volatility of our provision for credit losses under CECL, we use PPNR, which is a non-GAAP financial measure, to measure our core earnings and trends thereof. PPNR is a measure of earnings before provision for credit losses and income tax expense. This non-GAAP financial measure should not be viewed as a substitute for financial measures determined in accordance with GAAP, nor is it necessarily comparable to non-GAAP financial measures that may be presented by other companies. The reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure is included in the following table for the periods indicated.

Calculation of Pre-Tax Pre-Provision Net Revenue

	Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands)	
Income before taxes	$ 192,253	$ 16,367
Provision for credit losses	(31,559)	117,663
PPNR	$ 160,694	$ 134,030

Income Taxes

The provision for income taxes was $43.8 million for the first quarter of 2021 compared to $4.5 million for the first quarter of 2020. The effective income tax rate was 22.8% for the first quarter of 2021 compared to 27.5% for the first quarter of 2020. The decrease in the effective tax rate for the first quarter of 2021 was primarily due to a reduction, in the first quarter of 2021 compared to the first quarter of 2020, of tax expense associated with the vesting of equity grants, as well as changes in various other factors related to non-taxable income and non-deductible expenses. Accounting for our income taxes is deemed a critical accounting policy and is discussed in the Critical Accounting Policies section of our annual report on Form 10-K for the year ended December 31, 2020.

ANALYSIS OF FINANCIAL CONDITION

RISK ELEMENTS

Risk is inherent in substantially all of the Bank's operations, and our business exposes us to strategic risk, credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputational risk and compliance and regulatory risk. We use an enterprise-wide risk management framework to identify, measure, monitor, manage and report risks that affect or could affect the achievement of our strategic, financial and other goals and objectives. Accordingly, risk management is an essential element in managing our operations and is a key determinant of our overall performance. Our Board of Directors (the "Board") is responsible for approving our overall risk management framework, including setting our risk appetite for the Basel risk categories, and establishing risk tolerances for each of our key risks. The Board Risk Committee ("BRC"), which is a board-level committee, has been assigned oversight responsibility for our risk management processes. The BRC meets at least quarterly to monitor and review our various enterprise risk management policies and activities, review and approve our overall risk posture, and such other actions as detailed in its charter document. The BRC has appointed the Executive Risk Council ("ERC"), which is comprised of senior executives of the Bank and is chaired by the Chief Risk Officer ("CRO"), to assist BRC in the oversight of our enterprise risk management activities. The ERC, pursuant to its charter, has responsibility for review and approval of detailed risk management processes and procedures, monitoring each of our key performance indicators and key risk indicators against our Board-approved risk thresholds, assessing current and emerging risks, monitoring our risk culture, overseeing compliance with regulatory expectations and requirements, and various other risk management functions and activities.

Our most significant risk exposure has traditionally been, and continues to be, credit risk from the extension of credit to our customers. In addition to credit risk, we are also exposed to risk from various other areas including liquidity risk, market and interest rate risk, strategic risk, compliance risk (including regulatory risk), reputational risk and operational risk (including, among others, information technology risk, business resilience risk, model risk, third party vendor risk, fraud risk, legal risk and cyber security risk). Both our BRC and our ERC review the overall framework, policies, procedures and processes employed by us to manage and monitor each of these risks, including strategies for reducing such risks to appropriate levels consistent with Board-approved risk appetite. Additionally, we utilize various other committees and management councils to monitor risk for each of these specific risk categories.

Clearly defined roles and responsibilities are critical to the effective management of risk. We utilize the three lines of defense concept to clearly designate risk management activities throughout the Bank.

- First line of defense activities provide for the identification, acceptance and ownership of risks. These defense activities are typically executed by various lines of business personnel and owners.
- Second line of defense activities provide for objective oversight of our risk-taking activities and assessment of our aggregate risk levels. These defense activities are executed under the leadership and guidance of our Corporate Risk Management Group ("CRMG") and our CRO, who reports directly to our BRC.
- Third line of defense activities provide for independent reviews and assessments of risk management practices across the Bank, including those activities of our CRMG. These defense activities are executed by our Internal Audit department, which is led by our Chief Audit Executive, who reports directly to our Audit Committee.

While these various risk management activities help us to identify, measure, monitor, manage and report risks, such activities are not intended to, nor can they eliminate, all risk. Additionally, there is no assurance that such activities will identify or have identified all risks to which we are or might be exposed.

Credit Risk Management

Overview. Credit risk is defined as the risk that arises from the potential that a borrower or counterparty will fail to perform its financial or contractual obligations. Credit risk arises primarily from our lending activities, including our off-balance sheet credit instruments comprised primarily of construction loans that have closed but have not yet funded. The Board is responsible for approving overall credit policies relating to the management of credit risk, along with overseeing and monitoring credit risk. Our lending policies also contain various measures to limit concentration exposures, including customer and commercial real estate ("CRE") exposures for both funded balances and unfunded balances in the aggregate, as well as by property type and geography. Our Loan Committee ("LC") has primary responsibility for monitoring our credit approval process. LC consists of four or more directors and is chaired by our Chief Credit and Administrative Officer ("CCAO"). Loans and aggregate loan relationships exceeding $20 million up to the limits established by our Board must be approved by the LC. At least quarterly, our Board, BRC and/or LC review various reports regarding our credit management activities including, but not limited to, summary reports of past due loans, internally classified and criticized list loans, lending concentration reports, and various other loan and credit management reports.

Credit Management Actions. The daily administration of our lending function is the responsibility of our Chief Executive Officer ("CEO") and our Chief Lending Officer ("CLO"). We maintain a tiered loan limit authorization system. Loan authority is granted to the CEO and CLO by the Board. The loan authorities of other lending officers are granted by the LC on the recommendation of appropriate senior officers in amounts commensurate with the officer's skill level and knowledge.

We have detailed, comprehensive standards for evaluating credit risk, both at the point of origination and thereafter. We utilize a dual risk rating scale that incorporates score cards, which include qualitative models and qualitative factors, in determining the risk rating for our commercial loans. This dual risk rating methodology incorporates an obligor risk rating ("ORR") and a facility risk rating ("FRR") which are combined to create a two-dimensional risk rating for commercial loans. The ORR is influenced by a loan's probability of default as determined from the score cards. The FRR is influenced by a loan's loss given default as determined from the score cards. The combined dual risk rating provides an annualized expected loss estimate for each commercial loan and, based on such loss estimates, a risk rating is assigned. Our consumer loans are not risk rated in the same manner as are our commercial loans. Instead, consumer loans are risk rated based on past due status with all such loans that are less than 30 days past due typically assigned a "pass rating" and all loans that are 30 days or more past due assigned a more adverse rating commensurate with each loan's perceived risk. While our consumer loans are not risk rated using a dual risk rating scale that incorporates both an ORR and an FRR, we do utilize output from the score cards on consumer loans for purposes of determining the necessary ACL for consumer loans.

Oversight of credit risk is provided through loan policy and various other credit-related policies, clearly defined processes and detailed procedures. These policies, processes and procedures place emphasis on strong underwriting standards and detection of potential credit problems in order to develop and implement any necessary action plan(s) on a timely basis to mitigate potential losses and are carried out by our lenders and lending support personnel, our credit administration group, our underwriters and various other officers and personnel in the Bank that have credit management responsibilities. Additionally, our policies, processes and procedures are subject to review by our Credit Risk Management ("CRM") group (second line oversight), our BRC and periodic audits by our Internal Audit group (third line oversight).

Our CRM function is separate from our lending function and provides second line oversight. CRM is responsible for providing an independent evaluation of our loan portfolio, including detailed credit reviews performed for the purpose of reviewing the adequacy of documentation, compliance with loan policy and other credit policies, reviewing individual loan grading, evaluating asset quality, performing and reporting to ERC and BRC credit risk analytics (which includes assessing the trend of credit risk metrics, assessing any trends or material transitions or migrations of our internal risk ratings or credit grading of individual loan portfolios, and various other risk analytics), and reviewing the effectiveness of credit administration, among other items. CRM prepares reports that document their credit risk oversight activities, including identification of underwriting or other deficiencies in the loan approval or credit monitoring process, establishing recommendations for improvement and outlining management's proposed action plan(s) for curing any identified deficiencies. Internal oversight of the CRM function is provided by the Credit Risk Management Council ("CRMC"), which is comprised of senior officers of the Bank and chaired by the Managing Director of CRM. The reports produced by CRM are provided to and reviewed by CRMC. Additionally, key trends or significant issues identified in such reports that might impact credit risk are reported to ERC, BRC and/or the Board.

Our Internal Audit group performs periodic audits of various lending and credit-related activities, including underwriting, closing and funding procedures, credit and asset administration and CRM activities, among others. Internal Audit prepares reports documenting such audits, including recommendations for improvement and management's proposed action plan(s) for remediating such recommendations. These reports are provided to and reviewed by our Audit Committee.

Loan Portfolio. At March 31, 2021, our total loan portfolio was $18.72 billion, a decrease of 2.6% from $19.21 billion at December 31, 2020. Real estate loans, our largest category of loans, include all loans made to finance the development of real property construction projects, provided such loans are secured by real estate and all other loans secured by real estate as evidenced by mortgages or other liens. Total real estate loans were $14.02 billion, or 74.8% of total loans, at March 31, 2021 compared to $14.23 billion, or 74.1% of total loans, at December 31, 2020.

The amount and type of total loans outstanding, as of the dates indicated, and their respective percentage of the total loan portfolio are reflected in the following table.

Total Loan Portfolio

	March 31, 2021		December 31, 2020	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	$ 869,585	4.6%	$ 911,115	4.7%
Non-farm/non-residential	4,406,692	23.5	4,213,636	21.9
Construction/land development	7,733,670	41.3	8,046,978	41.9
Agricultural	212,681	1.1	204,868	1.1
Multifamily residential	797,847	4.3	856,297	4.5
Total real estate	14,020,475	74.8	14,232,894	74.1
Commercial and industrial[(1)]	790,568	4.2	842,206	4.4
Consumer	2,275,011	12.2	2,393,964	12.5
Other	1,629,011	8.8	1,740,104	9.0
Total loans	18,715,065	100.0%	19,209,168	100.0%
Allowance for loan losses	(268,077)		(295,824)	
Net loans	$ 18,446,988		$ 18,913,344	

(1) Included approximately $0.38 billion and $0.43 billion of loans at March 31, 2021 and December 31, 2020, respectively, provided through the SBA's PPP1 and PPP2.

Included in "other" loans at March 31, 2021 and December 31, 2020 are loans totaling approximately $1.40 billion and approximately $1.44 billion, respectively, that were originated to acquire promissory notes from non-depository financial institutions and are typically collateralized by an assignment of the promissory note and all related note documents including mortgages, deeds of trust, etc. While such loans are considered "other" loans in accordance with FDIC instructions for the Federal Financial Institutions Examination Council 041 Consolidated Reports of Condition and Income ("Call Report"), we underwrite these lending transactions based on the fundamentals of the underlying collateral, repayment sources and guarantors, among others, consistent with other similar lending transactions.

Our credit risk management strategies include efforts to diversify our loan portfolio and avoid the risk of undue concentrations of credit in a particular collateral type, geography or with an individual customer. While our loan portfolio is diversified, we do have concentrations in CRE lending. Our Board has adopted and we adhere to various concentration limits on CRE lending, including limits on CRE lending in particular collateral types and in various geographies and Metropolitan Statistical Areas ("MSAs"). All of these limits are monitored and revised as necessary based on the results of our CRE stress testing activities and other factors.

The amount of both the funded and unfunded balances of our top ten largest geographies and MSAs for real estate loans, as of the dates indicated, are included in the following table.

Top Ten Geographies and MSAs for Real Estate Loans

Geography or MSA	Funded Balance	Unfunded Balance	Total Commitment
		(Dollars in thousands)	
March 31, 2021:			
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 2,858,331	$ 1,210,661	$ 4,068,992
Los Angeles–Long Beach–Anaheim, CA MSA	1,540,873	737,241	2,278,114
Miami–Fort Lauderdale–Pompano Beach, FL MSA	1,177,227	979,050	2,156,277
Tampa–St. Petersburg–Clearwater, FL MSA	586,806	575,135	1,161,941
Dallas–Fort Worth–Arlington, TX MSA	614,371	521,712	1,136,083
Chicago–Naperville–Elgin, IL–IN–WI MSA	551,632	560,124	1,111,756
Atlanta–Sandy Springs–Alpharetta, GA MSA	568,981	347,025	916,006
San Francisco–Oakland–Berkeley, CA MSA	389,565	497,574	887,139
Phoenix–Mesa–Chandler, AZ MSA	354,621	429,642	784,263
Philadelphia–Camden–Wilmington, PA–NJ–DE–MD MSA	260,467	449,558	710,025
All other	5,117,601	4,075,789	9,193,390
Total real estate loans	$ 14,020,475	$ 10,383,511	$ 24,403,986
December 31, 2020:			
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 3,481,559	$ 1,473,179	$ 4,954,738
Los Angeles–Long Beach–Anaheim, CA MSA	1,602,817	842,120	2,444,937
Miami–Fort Lauderdale–Pompano Beach, FL MSA	1,166,756	951,134	2,117,890
Tampa–St. Petersburg–Clearwater, FL MSA	530,519	655,332	1,185,851
Chicago–Naperville–Elgin, IL–IN–WI MSA	444,043	639,515	1,083,558
Dallas–Fort Worth–Arlington, TX MSA	509,105	432,887	941,992
Atlanta–Sandy Springs–Alpharetta, GA MSA	602,036	324,294	926,330
San Francisco–Oakland–Berkley, CA MSA	353,011	405,568	758,579
Washington–Arlington–Alexandria, DC–VA–MD–WV–MSA	303,670	427,314	730,984
Phoenix–Mesa–Chandler, AZ MSA	314,720	382,280	697,000
All other	4,924,658	3,810,474	8,735,132
Total real estate loans	$ 14,232,894	$ 10,344,097	$ 24,576,991

Loans originated to acquire promissory notes from non-depository financial institutions may have the underlying property located in one or more of the geographies or MSAs listed above. Such loans are reported as "other" in accordance with Call Report instructions and are excluded from the above table.

In addition to the top ten geographies and MSAs shown above, as of March 31, 2021, we had 68 additional geographies and MSAs that contain total committed balances (both funded and unfunded) of $10 million or more, compared to 67 additional geographies and MSAs at December 31, 2020.

Given that we have substantial balances of certain categories of CRE lending (i.e., non-farm/non-residential and construction/land development lending), we have provided further detail on these two categories of loans. The funded amount and type of total non-farm/non-residential loans, as of the dates indicated, and their respective percentage of the total non-farm/non-residential loan portfolio are reflected in the following table.

Total Non-Farm/Non-Residential Loans

	March 31, 2021		December 31, 2020	
	(Dollars in thousands)			
Hotels and motels	$ 1,056,428	24.0%	$ 1,025,674	24.3%
Office, including medical offices	1,037,403	23.5	959,462	22.8
Mixed use properties	876,792	19.9	711,197	16.9
Retail, including shopping centers and strip centers	300,590	6.8	337,244	8.0
Churches and schools	241,926	5.5	266,462	6.3
Manufacturing and industrial facilities	205,220	4.7	197,969	4.7
Restaurants and bars	146,083	3.3	150,181	3.6
Nursing homes and assisted living centers	96,727	2.2	107,011	2.5
Gasoline stations and convenience stores	71,457	1.6	64,971	1.5
Office warehouse, warehouse and mini-storage	49,852	1.1	56,998	1.4
Golf courses, entertainment and recreational facilities	29,560	0.7	29,106	0.7
Hospitals, surgery centers and other medical	17,919	0.4	18,391	0.4
Other non-farm/non-residential	276,735	6.3	288,970	6.9
Total	$ 4,406,692	100.0%	$ 4,213,636	100.0%

The funded amount and type of total construction/land development loans, as of the dates indicated, and their respective percentage of the total construction/land development loan portfolio are reflected in the following table.

Total Construction/Land Development Loans

	March 31, 2021		December 31, 2020	
	(Dollars in thousands)			
Unimproved land	$ 313,994	4.1%	$ 295,402	3.7%
Land development and lots:				
1-4 family residential and multifamily	370,182	4.8	431,079	5.4
Non-residential	524,456	6.8	496,225	6.2
Construction:				
1-4 family residential:				
Owner occupied	11,982	0.2	6,045	0.1
Non-owner occupied:				
Pre-sold	1,654,813	21.4	1,797,958	22.3
Speculative	111,607	1.4	111,614	1.4
Multifamily	1,200,928	15.5	1,483,862	18.4
Industrial, commercial and other:				
Mixed use properties	1,761,254	22.8	1,677,037	20.8
Offices, including medical offices	730,588	9.4	749,202	9.3
Hotels and motels	690,268	8.9	650,514	8.1
Manufacturing, industrial and warehouse	229,393	3.0	215,616	2.7
Churches and schools	36,901	0.5	34,752	0.4
Agricultural	35,481	0.5	29,870	0.4
Retail, including shopping centers and strip centers	11,100	0.1	21,914	0.3
Restaurants and bars	10,337	0.1	8,684	0.1
Other	40,386	0.5	37,204	0.4
Total	$ 7,733,670	100.0%	$ 8,046,978	100.0%

Many of our construction and development loans provide for the use of interest reserves. When we underwrite construction and development loans, we consider the expected total project costs, including hard costs such as land, site work and construction costs and soft costs such as architectural and engineering fees, closing costs, leasing commissions and construction period interest, among others. For any construction and development loan with interest reserves, we also consider the construction period interest in our underwriting process (otherwise, our underwriting of such loans with and without interest reserves is virtually identical). Based on the total project costs and other factors, we determine the required borrower cash equity contribution and the maximum amount we are willing to lend. In the vast majority of cases, we require that all of the borrower's equity and all other required subordinated elements of the capital structure be fully funded prior to any significant loan advance. As a result of this practice, the borrower's cash equity typically goes toward the purchase of the land and early stage hard costs and soft costs. This results in our funding the loan later as the project progresses, and accordingly, we typically fund the majority of the construction period interest through loan advances.

Generally, as part of our underwriting process, we require the borrower's cash equity to cover a majority, or all, of the soft costs, including an amount equal to construction period interest and an appropriate portion of the hard costs. While we advance interest reserves as part of the funding process, we believe that the borrowers have in most cases provided for these sums as part of their initial equity contribution. During the three months ended March 31, 2021 and 2020, there were no situations where interest reserves were advanced outside of the terms of the contractual loan agreement to avoid such loan from becoming nonperforming. At March 31, 2021 and December 31, 2020, we had no construction and development loans with interest reserves that were nonperforming.

During the first quarter of 2021, we recognized approximately $66 million of interest income on construction and development loans from the advance of interest reserves, compared to approximately $67 million during the comparable period in 2020. We advanced construction period interest on construction and development loans totaling approximately $67 million in the first quarter of 2021 compared to approximately $66 million in the first quarter of 2020.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at March 31, 2021 was approximately $16.70 billion, of which $7.22 billion was outstanding at March 31, 2021 and $9.48 billion remained to be advanced. The weighted-average loan-to-cost ("LTC") on such loans, assuming such loans are ultimately fully advanced, was approximately 50%, which means that the weighted-average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, was approximately 50%. The weighted-average LTV ratio on such loans, based on the most recent appraisals and assuming such loans are ultimately fully advanced, was approximately 43%.

Purchased Loans. Between 2010 and 2016, we made 15 acquisitions. Purchased loans, which are the remaining loans from those 15 acquisitions, accounted for 3.9% of our total loan portfolio at March 31, 2021 compared to 4.2% at December 31, 2020. This portfolio will continue to decrease in future periods as such loans are repaid.

For purchased loans, we segregate this portfolio into loans that contain evidence of credit deterioration, which we refer to as PCD loans, and loans that do not contain evidence of credit deterioration. Unless individually evaluated, all purchased commercial loans, including both PCD and non-PCD loans, are dual risk rated through our score cards, which were previously discussed under Credit Risk Management – Credit Management Actions above. While our purchased consumer loans, including both PCD and non-PCD, are not risk rated, we utilize output from the various consumer score cards for purposes of determining the appropriate ACL for such loans.

The amount of the unpaid principal balance, the valuation discount and the carrying value of purchased loans, as of the dates indicated, are reflected in the following table.

Purchased Loans

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Loans not deemed PCD:		
Unpaid principal balance	$ 695,425	$ 760,865
Valuation discount	(9,273)	(10,455)
Carrying value	686,152	750,410
PCD loans:		
Unpaid principal balance	57,259	65,433
Valuation discount	(7,781)	(8,170)
Carrying value	49,478	57,263
Total carrying value	$ 735,630	$ 807,673

Nonperforming Assets. Our nonperforming assets consist of (1) nonaccrual loans, (2) accruing loans 90 days or more past due, (3) certain troubled and restructured loans for which a concession has been granted by us to the borrower because of a deterioration in the financial position of the borrower and (4) real estate or other assets that have been acquired in partial or full satisfaction of loan obligations or upon foreclosure.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. We generally place a loan on nonaccrual status when such loan is (i) deemed nonperforming or (ii) 90 days or more past due, or earlier when doubt exists as to the ultimate collection of payments. We may continue to accrue interest on certain loans contractually past due 90 days or more if such loans are both well secured and in the process of collection. At the time a loan is placed on nonaccrual status, interest previously accrued but uncollected is reversed and charged against interest income. Nonaccrual loans are generally returned to accrual status when payments are no longer past due, the loan has performed in accordance with its contractual terms for a reasonable period of time (generally at least six months), and is expected to continue to perform in accordance with its contractual terms. If a loan is determined to be uncollectible, the portion of the principal determined to be uncollectible is charged against the ACL. Loans for which the terms have been modified and for which (i) the borrower is experiencing financial difficulties and (ii) we have granted a concession to the borrower are considered troubled debt restructurings ("TDRs") and are included in nonperforming loans. Income on nonaccrual loans, including nonperforming loans, is recognized on a cash basis when and if actually collected. Income on TDRs is recognized on a cash basis until such time as the TDR has performed in accordance with its modified terms for a reasonable period of time (generally at least six months) and is expected to continue to perform. Once such performance and expected performance conditions are met, the TDR is returned to accrual status but continues to be reported as a nonperforming loan.

As of March 31, 2021, we had outstanding approximately $0.21 billion in loans that continued to be subject to short-term payment deferrals through our Disaster Relief Loan Program that was implemented in 2020. In accordance with applicable guidance, loans subject to such deferrals are not considered TDRs.

The following table presents information concerning nonperforming assets, including nonaccrual loans, TDRs and foreclosed assets as of the dates indicated.

Nonperforming Assets

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Nonaccrual loans[1]	$ 39,157	$ 40,093
Accruing loans 90 days or more past due	—	—
TDRs – nonaccruing[1]	3,902	4,309
TDRs – accruing[1]	1,380	1,483
Total nonperforming loans, excluding purchased loans	44,439	45,885
Nonperforming purchased loans	22,562	25,335
TDRs - nonaccruing purchased loans	49	—
Total nonperforming loans	67,050	71,220
Foreclosed assets	8,436	11,085
Total nonperforming assets	$ 75,486	$ 82,305
Nonperforming loans to total loans, excluding purchased loans[2]	0.25%	0.25%
Nonperforming loans to total loans	0.36	0.37
Nonperforming assets to total assets, excluding purchased loans[2]	0.19	0.21
Nonperforming assets to total assets	0.28	0.30

(1) Excludes purchased loans.
(2) Excludes purchased loans, except for their inclusion in total assets.

For loans that are individually evaluated and for which we utilize the loan's collateral in determining the ACL, we seek to establish an appropriate value for the collateral. This assessment may include (i) obtaining an updated appraisal, (ii) obtaining one or more broker price opinions or comprehensive market analyses, (iii) internal evaluations or (iv) other methods deemed appropriate considering the size and complexity of the loan and the underlying collateral. On an ongoing basis, we evaluate the underlying collateral on all collateral dependent nonperforming loans and, if needed, due to changes in market or property conditions, the underlying collateral is reassessed and the estimated fair value is revised. The determination of collateral value includes any adjustments considered necessary related to estimated holding periods and estimated selling costs.

At March 31, 2021, we had reduced the carrying value of our nonperforming loans to the estimated fair value of such loans of $54.1 million. The adjustment to reduce the carrying value of such nonperforming loans to the estimated fair value consisted of $13.0 million of loan loss allocations. Nonperforming non-purchased loans at March 31, 2021 and December 31, 2020, respectively, included $1.4 million and $1.5 million of accruing loans that were determined to be TDRs.

At March 31, 2021 and December 31, 2020 substandard loans, excluding purchased loans, not designated as nonperforming, nonaccrual or 90 days past due, totaled $48.6 million and $49.9 million, respectively. No loans were designated as doubtful or loss at March 31, 2021 or December 31, 2020. Included in substandard loans not deemed as nonperforming, nonaccrual or 90 days or more past due at March 31, 2021 and December 31, 2020 is a single credit at our Real Estate Specialty Group that was downgraded to substandard during the fourth quarter of 2019. This credit, which is collateralized by a lot development and townhouse construction project near Lake Tahoe, California, had an outstanding balance of $34.8 million at March 31, 2021 and $33.0 million at December 31, 2020. This credit was not past due at March 31, 2021 or December 31, 2020.

The following table is a summary of the amount and type of foreclosed assets as of the dates indicated.

Foreclosed Assets

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	$ 536	$ 253
Non-farm/non-residential	3,846	5,244
Construction/land development	3,340	4,683
Agricultural	267	497
Total real estate	7,989	10,677
Consumer	447	408
Total foreclosed assets	$ 8,436	$ 11,085

The following table is a summary of activity within foreclosed assets during the periods indicated.

Activity Within Foreclosed Assets

	Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands)	
Balance – beginning of period	$ 11,085	$ 19,096
Loans and other assets transferred into foreclosed assets	4,004	5,190
Sales of foreclosed assets	(5,290)	(2,791)
Writedowns of foreclosed assets	(1,363)	(879)
Balance – end of period	$ 8,436	$ 20,616

The following table presents information concerning the geographic location of nonperforming assets at March 31, 2021. Nonperforming loans are reported in the physical location of the principal collateral. Foreclosed assets are reported in the physical location of the asset. Repossessions are reported at the physical location where the borrower resided or had its principal place of business at the time of repossession.

Geographic Distribution of Nonperforming Assets

	Total Nonperforming Loans	Foreclosed Assets and Repossessions	Total Nonperforming Assets
	(Dollars in thousands)		
Georgia	$ 13,079	$ 1,921	$ 15,000
Arkansas	11,058	2,450	13,508
Florida	12,757	551	13,308
North Carolina	3,870	2,727	6,597
Texas	4,215	291	4,506
New York	3,846	—	3,846
Mississippi	2,302	267	2,569
All other	15,923	229	16,152
Total	$ 67,050	$ 8,436	$ 75,486

Allowance for Credit Losses. Our total provision for credit losses for the quarter just ended was a negative $31.6 million, including a negative $24.3 million related to our ALL for outstanding loans and a negative $7.3 million related to our reserve for losses on unfunded loan commitments. Our provision for credit losses for the first quarter of 2020 was $117.7 million, including $94.9 million related to our ALL for outstanding loans and $22.7 million related to our reserve for losses on unfunded loan commitments. Our provision for credit losses recorded during the first quarter of 2021 decreased our ALL for outstanding loans to $268.1 million, or 1.43% of total loans, and decreased our reserve for losses on unfunded loan commitments to $74.2 million, or 0.63% of unfunded loan commitments, bringing our total ACL to $342.3 million at March 31, 2021. Our provision for credit losses recorded during the first three months of 2020 increased our ALL for outstanding loans to $238.7 million, or 1.31% of total loans, and increased our reserve for losses on unfunded loan commitments to $77.7 million, or 0.69% of unfunded loan commitments, bringing our total ACL to $316.4 million at March 31, 2020.

The calculations of our provision for credit losses for the first quarter of 2021 and our total ACL at March 31, 2021 were based on a number of key estimates, assumptions and economic forecasts. Management utilized several economic forecasts provided by Moody's, including their baseline forecast and certain of their other economic scenarios. In selecting the weightings for the various economic scenarios for purposes of determining our ACL at March 31, 2021, we assigned the largest weighting to the Moody's Baseline and Moody's S3 (Moderate Recession) scenario and assigned lesser weighting to the Moody's S4 (Protracted Slump) scenario. Our selection and weightings of these scenarios reflected improving conditions in and prospects for improvement in the U.S. economy as well as the uncertainty about the course and duration of the COVID-19 pandemic, the timing and magnitude of any additional U.S. fiscal policy stimulus, global trade and geopolitical matters, and various other factors. These forecasts included a number of economic variables, including gross domestic product, unemployment rates, and commercial and residential real estate prices, among others. For purposes of the forecasts used in our CECL methodology, management utilized a reasonable and supportable forecast period of two years, followed by a reversion of estimated losses on a systematic basis back to our historical mean. Management also utilized certain qualitative adjustments to increase our ACL estimates in order to capture items that management believed were not fully reflected in our modeled results. Those qualitative adjustments utilized at March 31, 2021 were intended to adjust for imprecision in economic forecasts, including the velocity and severity of the negative effects of COVID-19 on the economy and financial markets, model data limitations and other factors. CECL has and is expected to continue to increase the volatility from quarter to quarter in our provision for credit losses and associated ACL. While we have noted improving conditions in and prospects for improvement in the U.S. economy, the current situation surrounding the COVID-19 pandemic continues to evolve, and the ultimate depth and duration of resulting economic impacts are not yet fully known.

The following table is a summary of activity within our ACL for the periods indicated.

Allowance for Credit Losses

	Allowance for Loan Losses	Reserve for Losses on Unfunded Loan Commitments	Total Allowance for Credit Losses
		(Dollars in thousands)	
Three months ended March 31, 2021:			
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Net charge-offs	(3,439)	—	(3,439)
Provision for credit losses	(24,308)	(7,251)	(31,559)
Balances – March 31, 2021	$ 268,077	$ 74,230	$ 342,307
Three months ended March 31, 2020:			
Balances – December 31, 2019	$ 108,525	$ —	$ 108,525
Adoption of Current Expected Credit Loss ("CECL") methodology	39,588	54,924	94,512
Balances – January 1, 2020	148,113	54,924	203,037
Net charge-offs	(4,291)	—	(4,291)
Provision for credit losses	94,915	22,748	117,663
Balances – March 31, 2020	$ 238,737	$ 77,672	$ 316,409

A summary of our net charge-off ratios and certain other ACL and ALL ratios, as of and for the periods indicated, is presented in the following table.

Net Charge-off and ACL/ALL Ratios

	As of and for the Three Months Ended March 31,		As of and for the Year Ended December 31,
	2021	2020	2020
Net charge-offs of non-purchased loans to total average non-purchased loans(1)(2)	0.08%	0.08%	0.09%
Net charge-offs of total loans to total average loans(1)	0.07	0.10	0.16
ALL to total loans(3)	1.43	1.31	1.54
Reserve for losses on unfunded loan commitments to total unfunded loan commitments	0.63	0.69	0.69
ACL to total loans	1.83	1.74	1.97
ACL to total loans and unfunded loan commitments	1.12	1.07	1.22
ALL to nonperforming loans(3)	400%	374%	415%

(1) Ratios for interim periods annualized.
(2) Excludes purchased loans and net charge-offs related to such loans.
(3) Excludes reserve for losses on unfunded loan commitments.

The following table sets forth the sum of the amounts of the ACL as of the dates indicated. The amounts shown in this table are not necessarily indicative of the actual future losses that may occur within particular categories or in the aggregate.

Allocation of ACL

	ALL	Reserve for Losses on Unfunded Loan Commitments	Total ACL
		(Dollars in thousands)	
March 31, 2021:			
Real estate:			
Residential 1-4 family	$ 23,159	$ 1,162	$ 24,321
Non-farm/non-residential	79,591	2,031	81,622
Construction/land development	78,624	60,430	139,054
Agricultural	3,099	143	3,242
Multi-family residential	5,612	112	5,724
Commercial and industrial	9,176	925	10,101
Consumer	44,443	176	44,619
All other	24,373	9,251	33,624
Total	$ 268,077	$ 74,230	$ 342,307
December 31, 2020:			
Real estate:			
Residential 1-4 family	$ 26,655	$ 1,521	$ 28,176
Non-farm/non-residential	93,173	2,026	95,199
Construction/land development	72,500	65,022	137,522
Agricultural	3,064	82	3,146
Multi-family residential	12,352	641	12,993
Commercial and industrial	13,758	1,832	15,590
Consumer	45,657	190	45,847
All other	28,665	10,167	38,832
Total	$ 295,824	$ 81,481	$ 377,305

Liquidity Risk Management

Overview. Liquidity risk is the potential that we will be unable to meet our obligations as they come due because of an inability to liquidate assets or obtain adequate funding (referred to as "funding liquidity risk") or that we cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions (referred to as "market liquidity risk"). Our Assets and Liability Committee ("ALCO") has primary responsibility for oversight of our liquidity, funds management, asset/liability (interest rate risk) position, capital and our investment portfolio functions.

The objective of managing liquidity risk is to ensure the cash flow requirements resulting from depositor, borrower (including our ability to fund our significant balance of closed but unfunded loans) and other creditor demands are met, as well as our operating cash needs, and the cost of funding such requirements and needs is reasonable. We maintain an asset/liability and interest rate risk policy and liquidity and funds management policy, including a contingency funding plan that, among other things, include policies and procedures for managing and monitoring liquidity risk. On a quarterly basis, we perform a comprehensive liquidity stress test. This stress test is intended to identify and quantify sources of potential liquidity strain and vulnerabilities related to liquidity and to analyze possible impacts on our Bank for a variety of institution-specific and market-wide events across multiple time horizons. Also, pursuant to these various liquidity and funds management policies, we maintain a buffer of highly liquid assets to protect against cash outflows in the event of a liquidity crisis.

Liquidity Management Actions. Generally, we rely on deposits, repayments of loans, and cash flows from our investment securities as our primary sources of funds. Our principal deposit sources include consumer and commercial customers in our markets. We have used these funds, together with public funds customers, FHLB advances and secondary funding sources, including wholesale deposit sources such as brokered deposits, and federal funds purchased and other sources of short-term borrowings to make loans, acquire investment securities and other assets and to fund continuing operations.

Deposits. Our deposits decreased $0.15 billion during the first quarter of 2021. The amount of deposits by account type, as of the dates indicated, and their respective percentage of total deposits are reflected in the following table.

Deposits – By Account Type

	March 31, 2021		December 31, 2020	
	(Dollars in thousands)			
Non-interest bearing	$ 4,196,603	19.7%	$ 3,996,546	18.6%
Interest bearing:				
Transaction (NOW)	3,253,715	15.3	3,124,007	14.6
Savings and money market	5,275,514	24.8	5,036,975	23.5
Time deposits less than $100	2,657,568	12.5	3,075,845	14.3
Time deposits of $100 or more	5,913,042	27.7	6,216,983	29.0
Total deposits	$ 21,296,442	100.0%	$ 21,450,356	100.0%

In recent quarters, we have enhanced the quality of our deposit base by growing our consumer and commercial deposits while reducing our public funds, brokered and reciprocal deposits. The amount of deposits by customer type, as of the dates indicated, and their respective percentage of total deposits are reflected in the following table.

Deposits – By Customer Type

	March 31, 2021		December 31, 2020	
	(Dollars in thousands)			
Consumer	$ 11,252,744	52.8%	$ 11,165,603	52.1%
Commercial	6,259,409	29.4	6,056,536	28.2
Public Funds	2,048,909	9.6	2,111,971	9.8
Brokered	1,210,155	5.7	1,600,116	7.5
Reciprocal	525,225	2.5	516,130	2.4
Total deposits	$ 21,296,442	100.0%	$ 21,450,356	100.0%

At March 31, 2021 brokered deposits totaled $1.21 billion, or 5.7% of total deposits, compared to $1.60 billion, or 7.5% of total deposits, at December 31, 2020. We use brokered deposits, subject to certain limitations and requirements, as a source of funding to augment deposits generated from our branch network, which are our principal source of funding. Our Board has established policies and procedures with respect to the use of brokered deposits. Such policies and procedures require, among other things, that (i) we limit the amount of brokered deposits as a percentage of total deposits and (ii) ALCO monitor our use of brokered deposits on a regular basis, including interest rates and the volume of such deposits in relation to our total deposits.

The following table reflects the average balance and average rate paid for each deposit category shown for the periods indicated.

Average Deposit Balances and Rates

	Three Months Ended March 31,			
	2021		2020	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(Dollars in thousands)			
Non-interest bearing	$ 3,972,815	—	$ 2,927,296	—
Interest bearing:				
Transaction (NOW)	3,165,389	0.16%	2,770,860	0.85%
Savings and money market	5,172,601	0.18	5,360,540	1.04
Time deposits less than $100	2,900,579	0.95	3,333,529	1.90
Time deposits of $100 or more	6,095,614	0.93	4,388,337	2.03
Total deposits	$ 21,306,998	0.57%	$ 18,780,562	1.46%

The calculation of the average rate paid on total interest bearing deposits of 0.57% for the three months ended March 31, 2021 and 1.46% for the three months ended March 31, 2020 includes interest paid and average balances of all categories of interest bearing deposits. The average rate paid for all deposits, including both interest bearing and non-interest bearing deposits, was 0.46% for the three months ended March 31, 2021 and 1.24% for the three months ended March 31, 2020.

We expect our average rate paid on total interest bearing deposits to decrease throughout the remainder of 2021. At March 31, 2021, we had approximately $7.51 billion of time deposits maturing in the next 12 months that we expect to replace at lower rates. The following table sets forth time deposits by time remaining to maturity as of the dates indicated.

Maturity Distribution of Time Deposits

	Time Deposits Under $100	Time Deposits $100 - $250	Total Deposits Over $250	Total Time Deposits
	(Dollars in thousands)			
March 31, 2021:				
3 months or less	$ 1,056,270	$ 1,266,880	$ 812,899	$ 3,136,049
Over 3 to 6 months	674,354	994,395	677,668	2,346,417
Over 6 to 12 months	621,948	833,438	573,873	2,029,259
Over 12 months	304,995	421,849	332,041	1,058,885
Total	$ 2,657,567	$ 3,516,562	$ 2,396,481	$ 8,570,610
December 31, 2020:				
3 months or less	$ 642,127	$ 466,857	$ 491,152	$ 1,600,136
Over 3 to 6 months	1,081,830	1,267,012	814,335	3,163,177
Over 6 to 12 months	1,003,642	1,456,822	915,135	3,375,599
Over 12 months	348,246	442,858	362,812	1,153,916
Total	$ 3,075,845	$ 3,633,549	$ 2,583,434	$ 9,292,828

The amount and percentage of our deposits by state, as of the dates indicated, are reflected in the following table.

Deposits by State

Deposits Attributable to Offices In	March 31, 2021		December 31, 2020	
	(Dollars in thousands)			
Arkansas	$ 7,141,345	33.5%	$ 7,063,100	33.0%
Georgia	5,820,561	27.3	5,545,658	25.9
Florida	3,946,452	18.5	3,776,212	17.6
Texas	2,511,040	11.8	2,735,106	12.8
North Carolina	1,674,707	7.9	1,598,745	7.5
New York	202,337	1.0	608,151	2.8
South Carolina	—	—	123,384	0.4
Total	$ 21,296,442	100.0%	$ 21,450,356	100.0%

Deposit levels may be affected by a number of factors including rates paid by competitors, general interest rate levels, returns available to customers on alternative investments, general economic and market conditions and other factors.

Loan Portfolio. In addition to customer deposits, cash flows from our loan portfolio provide us with a significant source of liquidity. The following table reflects total loans grouped by remaining maturities at March 31, 2021 by type and by fixed or floating interest rates. This table is based on actual maturities and does not reflect amortizations, projected paydowns or the earliest repricing for floating rate loans. Many loans have principal paydowns scheduled in periods prior to the period in which they mature. In addition, many floating rate loans are subject to repricing in periods prior to the period in which they mature.

Loan Maturities

	1 Year or Less	Over 1 Through 5 Years	Over 5 Years	Total
	(Dollars in thousands)			
Real estate	$ 6,235,672	$ 6,097,123	$ 1,687,680	$ 14,020,475
Commercial and industrial	48,183	693,487	48,898	790,568
Consumer	8,998	27,649	2,238,364	2,275,011
Other	798,505	816,931	13,575	1,629,011
Total	$ 7,091,358	$ 7,635,190	$ 3,988,517	$ 18,715,065
Fixed rate	$ 373,820	$ 1,439,604	$ 2,628,358	$ 4,441,782
Floating rate (not at a floor or ceiling rate) (1)	416,905	171,339	454,334	1,042,578
Floating rate (at floor rate) (1)	6,300,269	6,024,247	905,777	13,230,293
Floating rate (at ceiling rate)	364	—	48	412
Total	$ 7,091,358	$ 7,635,190	$ 3,988,517	$ 18,715,065

(1) We have included a floor rate in many of our floating rate loans. As a result of such floor rates, floating rate loans may not immediately reprice in a rising rate environment if the interest rate index and margin on such loans continue to result in a computed interest rate less than the applicable floor rate.

Loan repayments are generally a relatively stable source of funds but are subject to the borrowers' ability to repay the loans, which can be adversely affected by a number of factors including changes in general economic conditions, adverse trends or events affecting business industry groups or specific businesses, declines in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters and other factors. Furthermore, loans generally are not readily convertible to cash.

During 2020 and the first three months of 2021, we originated loans under the SBA's PPP1 and/or PPP2 programs. At March 31, 2021, we had outstanding approximately $0.38 billion in PPP1 and PPP2 loans. All such loans we originated were structured to be fully guaranteed by the SBA. Our current expectation is that we will continue originating PPP2 loans during the second quarter of 2021 and a large portion of our PPP1 and PPP2 loans that remain outstanding will be forgiven and repaid by the SBA in 2021.

At March 31, 2021, we had $11.78 billion in unfunded balances on loans already closed, the vast majority of which is attributable to construction and development loans for which construction has commenced. In most cases the borrower's equity and all other required subordinated elements of the capital structure must be fully funded before we advance funds. Typically we are the last to advance funds and the first to be repaid. In many cases we do not advance funds on loans for many months after closing because the borrower's equity and other funding sources must fund first. This conservative practice for handling construction loans has led to the large unfunded balance of closed loans. As a result, we maintain a detailed 36-month forward funding forecast projecting all loan fundings and loan pay downs and pay offs. Our ability to project monthly net portfolio growth with a substantial degree of accuracy is an important part of our liquidity management process.

Investment Securities AFS. Cash flows from our investment securities portfolio also provide us with an additional significant source of liquidity. The following table reflects the expected maturity distribution of our investment securities, at estimated fair value, at March 31, 2021.

Expected Maturity Distribution of Investment Securities

	1 Year Or Less	Over 1 Through 5 Years	Over 5 Through 10 Years	Over 10 Years	Total
			(Dollars in thousands)		
Obligations of states and political subdivisions	$ 364,081	$ 311,676	$ 125,493	$ 390,068	$1,191,318
U.S. Government agency mortgage-backed securities	531,759	1,189,141	246,667	10,578	1,978,145
Other U.S. Government agency securities	26,667	237,116	—	—	263,783
Corporate obligations	513,700	215,533	—	—	729,233
Total	$1,436,207	$1,953,466	$ 372,160	$ 400,646	$4,162,479
Percentage of total	34.5%	46.9%	8.9%	9.7%	100.0%
Cumulative percentage of total	34.5%	81.4%	90.3%	100.0%	

The maturity for all investment securities is shown based on each security's contractual maturity date, except (1) mortgage-backed securities, which are allocated among various maturities based on an estimated repayment schedule utilizing Bloomberg median prepayment speeds or other estimates of prepayment speeds and interest rate levels at March 31, 2021 and (2) callable investment securities for which we have received notification of call, which are included in the maturity category in which the call occurs or is expected to occur. Actual maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Other Interest Bearing Liabilities. Given that deposit levels, loan repayments and cash flow from our investment securities portfolio may be affected by a number of factors, we may be required from time to time to rely on other sources of liquidity to meet growth in loans and deposit withdrawal demands or otherwise fund operations. Such other sources include, among others, repurchase agreements with customers, secured and unsecured federal funds lines of credit from correspondent banks, other borrowings (primarily FHLB advances and, to a lesser extent, federal funds purchased), FRB borrowings, subordinated notes, subordinated debentures and/or accessing the capital markets.

The following table reflects the average balance and average rate paid for each category of other interest bearing liabilities for the periods indicated.

Average Balances and Rates of Other Interest Bearing Liabilities

	Three Months Ended March 31,			
	2021		2020	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
		(Dollars in thousands)		
Repurchase agreements with customers	$ 5,800	0.26%	$ 7,883	0.32%
Other borrowings[(1)]	750,384	0.53	296,969	0.07
Subordinated notes	224,092	5.69	223,711	5.70
Subordinated debentures[(1)]	120,540	3.17	119,984	4.31
Total other interest bearing liabilities	$ 1,100,816	1.87%	$ 648,547	2.80%

(1) The interest expense and rates for "other borrowings" and for "subordinated debentures" were impacted by interest capitalized. Capitalized interest included in other borrowings totaled $0.03 million for the first quarter of 2021 compared to $0.36 million for the first quarter of 2020. In the absence of this interest capitalization, the rates on other borrowings would have been 0.55% for the first quarter of 2021 and 0.55% for the first quarter of 2020. Capitalized interest included in subordinated debentures totaled $0.14 million for the first quarter of 2020 (none in the first quarter of 2021). In the absence of this interest capitalization, the rate on subordinated debentures would have been 4.80% for the first quarter of 2020.

In recent quarters, we have utilized FHLB advances to support our funding sources and provide additional on-balance sheet liquidity to the Bank. Details of our FHLB advances, at March 31, 2021, are shown in the following table.

FHLB Advances

Borrowing Type		Balance	Interest Rate	Maturity Date	Expiration of Lockout Term
			(Dollars in thousands)		
Fixed-rate FOTO advance(1)	$	500,000	0.48%	February 28, 2035	Currently callable
Fixed-rate FOTO advance(1)		250,000	0.65%	February 28, 2035	February 28, 2022
Other FHLB advances(2)		361	Various	Various	N/A
Total	$	750,361	0.54%		

(1) These borrowings are FHLB advances where the FHLB owns the option ("FOTO"), at its sole discretion, to terminate the advance on a quarterly basis after expiration of the lockout term.

(2) These other FHLB advances have rates ranging from 1.30% to 2.37% and a weighted-average rate of 1.87%. Final maturity dates on these advances range from May 2021 to March 2023.

At March 31, 2021, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) $4.62 billion of available blanket borrowing capacity with the FHLB, (2) $3.25 billion of investment securities available to pledge for federal funds or other borrowings, (3) $1.08 billion of available unsecured federal funds borrowing lines and (4) up to $0.55 billion of available borrowing capacity from borrowing programs of the FRB.

We anticipate we will continue to rely primarily on deposits, repayments of loans and cash flows from our investment securities to provide liquidity, as well as other funding sources as appropriate. Additionally, where necessary, the other funding sources described above, including the use of FHLB advances, will be used to augment our primary funding sources.

Sources and Uses of Funds. Operating activities provided net cash of $158 million for the first three months of 2021 and $102 million for the first three months of 2020. Net cash provided by operating activities is comprised primarily of net income, adjusted for certain non-cash items and for changes in various operating assets and liabilities.

Investing activities used net cash of $256 million in the first three months of 2021 and $1.24 billion in the first three months of 2020. The decrease in net cash used by investing activities in the first three months of 2021 compared to the first three months of 2020 was primarily the result of changes in our total loan portfolio, which provided net cash of $492 million in the first three months of 2021 and used net cash of $693 million in the first three months of 2020.

Financing activities used net cash of $80 million in the first three months of 2021 and provided net cash of $992 million in the first three months of 2020. The decrease in net cash provided by financing activities was primarily the result of proceeds from callable FHLB advances which provided $0.75 billion in the first quarter of 2020 compared to none in the first quarter of 2021, and to a lesser extent changes in our deposits, which used $43 million in the first quarter of 2021 and provided $335 million in the first quarter of 2020.

Market and Interest Rate Risk Management

Overview. Market risk is the risk to a financial institution's condition resulting from adverse movements in market rates or prices, including, but not limited to, interest rates, foreign exchange rates, commodity prices, or equity prices. We are exposed to both interest rate risk and equity price risk. Interest rate risk is the risk that arises from increased volatility in net interest income due to a change of interest rates. There are different types of risk exposures that can arise when there is a change of interest rates, such as basis risk, options risk, term structure and repricing risk. Equity price risk is the risk that arises from security price volatility – the risk of a decline in the value of a security or a portfolio. Equity price risk can be either systematic or unsystematic risk. Unsystematic risk can be mitigated through diversification, whereas systematic cannot be. In a global economic crisis, equity price risk is systematic because it affects multiple asset classes.

Interest Rate Risk Management Actions. Our Board is responsible for approving the overall policies related to the management of market risks, including interest rate risk and equity price risk. The Board has delegated to ALCO, which is chaired by our Chief Financial Officer, the responsibility of managing interest rate and equity price risk consistent with Board-approved policies and limits.

ALCO regularly reviews our exposure to changes in interest rates. Among the factors considered are changes in the mix of interest earning assets and interest bearing liabilities, interest rate spreads and repricing periods. ALCO uses an earnings simulation model, which analyzes the expected change in near term (one year) net interest income in response to changes in interest rates, and economic value of equity ("EVE"), which measures the expected change in the fair value of equity in response to changes in interest rates, to analyze our interest rate risk and interest rate sensitivity.

Earnings Simulation Model. Our earnings simulation modeling process projects a baseline net interest income (assuming no changes in interest rate levels) and estimates changes to that baseline net interest income resulting from changes in interest rate levels. We rely primarily on the results of this model in evaluating our interest rate risk. This model incorporates a number of additional factors including: (1) the expected exercise of call features on various assets and liabilities, (2) the expected rates at which various rate sensitive assets and rate sensitive liabilities will reprice, (3) the expected growth in various interest earning assets and interest bearing liabilities and the expected interest rates on new assets and liabilities, (4) the expected relative movements in different interest rate indices which are used as the basis for pricing or repricing various assets and liabilities, (5) existing and expected contractual ceiling and floor rates on various assets and liabilities, (6) expected changes in administered rates on interest bearing transaction, savings, money market and time deposit accounts and the expected impact of competition on the pricing or repricing of such accounts, (7) the timing and amount of cash flows expected to be received on investment securities and purchased loans, (8) the timing and amount of prepayments that are anticipated from our loan portfolio, (9) the need, if any, for additional capital and/or debt to support continued growth and (10) other relevant factors. Inclusion of these factors in the model is intended to more accurately project our expected changes in net interest income resulting from interest rate changes. We typically model our change in net interest income assuming interest rates go up 100 bps, up 200 bps, up 300 bps, down 100 bps, down 200 bps, and down 300 bps. Based on current conditions, we believe that modeling our change in net interest income assuming interest rates go down 200 bps or down 300 bps is not meaningful. For purposes of this model, we have assumed that the change in interest rates phases in over a 12-month period. While we believe this model provides a reasonably accurate projection of our interest rate risk, the model includes a number of assumptions and predictions which may or may not be correct and may impact the model results. These assumptions and predictions include inputs to compute baseline net interest income, growth rates, prepayment assumptions, expected changes in administered rates on interest bearing deposit accounts, competition and a variety of other factors that are difficult to accurately predict. Accordingly, there can be no assurance the earnings simulation model will accurately reflect future results.

The following table presents the earnings simulation model's projected impact of a change in interest rates on the projected baseline net interest income for the 12-month period commencing April 1, 2021. This change in interest rates assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve.

Earnings Simulation Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline Net Interest Income
+300	7.3%
+200	3.7
+100	1.3
-100	(3.0)

In the event of a shift in interest rates, we may take certain actions intended to mitigate the negative impact to net interest income or to maximize the positive impact to net interest income. These actions may include, but are not limited to, restructuring of interest earning assets and interest bearing liabilities, seeking alternative funding sources or investment opportunities and modifying the pricing or terms of loans and deposits.

EVE Model. EVE is calculated as the fair value of all assets minus the fair value of liabilities and incorporates a number of assumptions including (1) the timing and amount of cash flows expected to be received or paid on various assets and liabilities, (2) the expected exercise of call features on various assets and liabilities, (3) estimated discount rates, and (4) other relevant factors. We measure changes in the dollar amount of EVE for parallel shifts in interest rates. Due to embedded optionality and asymmetric rate risk, changes in EVE can be useful in quantifying risks not apparent for small rate changes. We typically run our EVE model assuming interest rates go up 100 bps, up 200 bps, down 100 bps and down 200 bps. Based on current conditions, we believe modeling our EVE assuming rates go down 200 bps is not meaningful.

The following table presents our EVE results as of March 31, 2021.

EVE Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline EVE
+200	7.3%
+100	4.1
-100	(7.8)

Variable Rate Loans and Loan Repricing. At March 31, 2021, approximately 76% of our total loans had variable rates. Additionally, approximately 99% of our variable rate loans had floor rates. The following table reflects a summary, at March 31, 2021, of the percentage of our variable rate loans currently at a floor and changes in such percentage of variable rate loans at a floor given changes in interest rates.

Variable Rate Loan Analysis

Changes in Interest Rate	Percentage of Variable Rate Loans at Floor
Up 200 bps	17%
Up 150 bps	42
Up 100 bps	59
Up 75 bps	66
Up 50 bps	76
Up 25 bps	87
Currently at floor	93
Down 25 bps	97

The following table reflects total loans as of March 31, 2021 grouped by expected amortizations, expected paydowns or the earliest repricing opportunity for floating rate loans. This cash flow or repricing schedule approximates our ability to reprice the outstanding principal of loans either by adjusting rates on existing loans or reinvesting principal cash flow into new loans.

Loan Cash Flows or Repricing

	1 Year or Less	Over 1 Through 2 Years	Over 2 Through 3 Years	Over 3 Through 5 Years	Over 5 Years	Total
			(Dollars in thousands)			
Fixed rate	$ 684,643	$639,122	$395,799	$ 706,135	$2,016,083	$ 4,441,782
Floating rate (not at a floor or ceiling rate)(1)	736,166	83,210	68,002	127,923	27,277	1,042,578
Floating rate (at floor rate)(1)	12,545,206	113,961	115,995	349,316	105,815	13,230,293
Floating rate (at ceiling rate)	412	—	—	—	—	412
Total	$13,966,427	$836,293	$579,796	$1,183,374	$2,149,175	$18,715,065
Percentage of total	74.6%	4.5%	3.1%	6.3%	11.5%	100.0%
Cumulative percentage of total	74.6%	79.1%	82.2%	88.5%	100.0%	

(1) We have included a floor rate in many of our floating rate loans. As a result of such floor rates, floating rate loans may not immediately reprice in a rising rate environment if the interest rate index and margin on such loans continue to result in a computed interest rate less than the applicable floor rate.

Most of our floating rate loans are tied to three major benchmark interest rates, the 1-month LIBOR, 3-month LIBOR and WSJ Prime. The following table is a summary of our floating rate loan portfolio and contractual interest rate indices at March 31, 2021.

Contractual Indices of Floating Rate Loans

Contractual Interest Rate Index	Floating Rate (at floor rate)	Floating Rate (not at a floor or ceiling rate)	Floating Rate (at ceiling rate)	Total Floating Rate
	(Dollars in thousands)			
1-month LIBOR	$ 11,327,458	$ 534,502	$ —	$ 11,861,960
3-month LIBOR	112,621	—	—	112,621
WSJ Prime	1,631,924	462,220	412	2,094,556
Other contractual interest rate indices	158,290	45,856	—	204,146
Total	$ 13,230,293	$ 1,042,578	$ 412	$ 14,273,283

While changes in these contractual interest rate indices are typically affected by changes in the federal funds target rate, the effect on our floating rate loan portfolio may not be immediate and proportional to changes in the federal funds target rate.

Our subordinated debentures and related trust preferred securities, our subordinated notes and significant portions of our loan portfolio are tied to LIBOR benchmark interest rates. Most LIBOR index tenors are expected to be phased-out by June 2023. The Federal Reserve formed the Alternative Reference Rates Committee ("ARRC") to guide the transition process in the United States. ARRC has issued a number of recommendations including the adoption of the Secured Overnight Financing Rate ("SOFR") as a replacement for LIBOR. We have created an internal working group that is managing our transition away from LIBOR. This working group is a cross-functional team composed of representatives from credit, lending, deposits, retail, investment securities, loan administration, operations, compliance, legal and other support functions to address issues related to the LIBOR transition and phase-out. We are in the process of reviewing loan documentation and other financial instruments and contracts, along with the procedures we will need to implement for the transition. The majority of our loans that are tied to LIBOR benchmark interest rates and the governing documents for our subordinated debentures and related trust preferred securities, and our subordinated notes include fallback language for when LIBOR ceases to exist. For our loans that are tied to LIBOR benchmark interest rates that do not include fallback language, we identified loans that will mature prior to June 2023 and we expect to be able to change the reference rate if those loans are renewed, and for the loans that mature after June 2023, we are currently developing plans for modifying these loans prior to that time. The financial impact regarding pricing, valuation and operations of the transition is not yet known. For further details see "Item 1A. - Risk Factors" in our annual report Form 10-K for the year ended December 31, 2020.

Market Risk Management Actions. We are exposed to market risk primarily through changes in fair value of our fixed income investment securities portfolio. Investment portfolio strategies are set by senior management and are subject to the oversight and direction of ALCO. At March 31, 2021 and December 31, 2020, we classified all of our investment securities portfolio as available for sale. Accordingly, our investment securities are reported at estimated fair value with the unrealized gains and losses, net of related income tax, reported as a separate component of stockholders' equity and included in other comprehensive income (loss). At March 31, 2021, we had $66.9 million of net unrealized gain in our investment securities portfolio that was reported, net of applicable income taxes, in accumulated other comprehensive income.

The following table presents the amortized cost and estimated fair value of investment securities AFS as of the dates indicated.

Investment Securities – AFS

	March 31, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Obligations of state and political subdivisions	$ 1,167,625	$ 1,191,318	$ 1,703,967	$ 1,731,885
U.S. Government agency mortgage-backed securities	1,934,628	1,978,145	1,548,101	1,597,598
U.S. Government agency securities	263,765	263,783	75,872	75,868
Corporate obligations	729,541	729,233	—	—
Total	$ 4,095,559	$ 4,162,479	$ 3,327,940	$ 3,405,351

Our investment securities portfolio is reported at estimated fair value, which included gross unrealized gains of $71.3 million and gross unrealized losses of $4.4 million at March 31, 2021 and gross unrealized gains of $78.4 million and gross unrealized losses of $1.0 million at December 31, 2020. We believe that all unrealized losses on individual investment securities at March 31, 2021 and

December 31, 2020 are the result of fluctuations in interest rates and do not reflect deterioration in the credit quality of these investments. If we intend to sell an AFS security, or if it is more likely than not that we will be required to sell an AFS security before recovery of its amortized cost basis, the security's amortized cost basis is written down to fair value through current period expense. If we do not intend to sell an AFS security or if it is more likely than not that we will not sell an AFS security that is in an unrealized loss position, we are required to assess whether the decline in fair value has resulted from credit losses or non-credit factors. If our assessment determines a credit loss exists, the present value of cash flows expected to be collected from the AFS security is compared to the amortized cost basis of the security and if the present value cash flows expected to be collected is less than amortized cost, an allowance for credit losses and a provision for credit loss expense is recorded. If our assessment determines that a credit loss does not exist, we record the decline in fair value through other comprehensive income, net of related tax effects.

The following table presents the unaccreted discount and unamortized premium of our investment securities as of the dates indicated.

Unaccreted Discount and Unamortized Premium

	Amortized Cost	Unaccreted Discount	Unamortized Premium	Par Value
	(Dollars in thousands)			
March 31, 2021:				
Obligations of states and political subdivisions	$ 1,167,625	$ 1,310	$ (26,527)	$ 1,142,408
U.S. Government agency mortgage-backed securities	1,934,628	142	(54,213)	1,880,557
Other U.S. Government agency securities	263,765	94	—	263,859
Corporate obligations	729,541	—	(15,136)	714,405
Total	$ 4,095,559	$ 1,546	$ (95,876)	$ 4,001,229
December 31, 2020:				
Obligations of states and political subdivisions	$ 1,703,967	$ 1,141	$ (30,702)	$ 1,674,406
U.S. Government agency mortgage-backed securities	1,548,101	161	(36,359)	1,511,903
Corporate obligations	75,872	—	—	75,872
Total	$ 3,327,940	$ 1,302	$ (67,061)	$ 3,262,181

We recognized premium amortization, net of discount accretion, of $14.1 million during the three months ended March 31, 2021 and $4.0 million during the three months ended March 31, 2020. Any premium amortization or discount accretion is considered an adjustment to the yield of our investment securities.

We had no net gains from the sale of approximately $592 million of investment securities AFS during the first quarter of 2021, consisting entirely of variable rate demand notes which were purchased at, carried at and called at their par value, compared to net gains of $2.2 million from the sale of approximately $27 million of investment securities AFS in the first quarter months of 2020. Investment securities AFS totaling $272 million in the first quarter of 2021 and $123 million in the first quarter of 2020 matured, were called or were otherwise paid down by the issuer. We purchased $1.65 billion of investment securities AFS in the first quarter of 2021 compared to $0.66 billion of investment securities AFS purchased during the first quarter of 2020.

We invest in securities we believe offer good relative value at the time of purchase, and we will, from time to time, reposition our investment securities portfolio. In making decisions to sell or purchase securities, we consider credit quality, call features, maturity dates, relative yields, corporate tax rates, current market factors, interest rate risk and interest rate environment, current and projected liquidity needs and other relevant factors. During the first quarter of 2021, our investment securities AFS portfolio increased $0.91 billion primarily from purchases of high quality, short-term securities.

At March 31, 2021, approximately 97% of our investment securities had an investment grade credit rating (i.e., the equivalent of a rating of BBB- or better) and approximately 3% of our investment securities were not rated. For those securities that were not rated, we have performed our own evaluation of the security and/or the underlying issuer and believe that such security or its issuer has credit characteristics equivalent to those which would warrant an investment grade credit rating.

Capital Management

Overview. The primary function of capital is to support our operations, including growth expectations, and act as a cushion to absorb unanticipated losses. Accordingly, our management has developed and our Board has approved a detailed capital policy that addresses, among other things, capital adequacy, considers capital planning strategies for expected future growth, provides plans and actions for capital contingency needs, provides a capital distribution strategy and includes provisions and procedures for developing, reviewing and modifying our capital strategy and our internal capital guidelines and limits based on the results of budgeting and forecasting activities, capital stress testing results and other factors. Oversight of our capital management plan and capital monitoring activities has been delegated to our ALCO.

Capital Management Actions. We primarily rely on our common stockholders' equity, comprised of common stock, additional paid-in capital, our retained earnings and our accumulated other comprehensive income (loss) to support our operations and act as a cushion to absorb unanticipated losses. Our common stockholders' equity totaled $4.38 billion at March 31, 2021 compared to $4.27 billion at December 31, 2020. Additionally, our common stockholders' equity is augmented by our subordinated notes, our subordinated debentures and our ACL.

Subordinated Notes. At March 31, 2021, we had $225 million in aggregate principal amount of 5.50% Fixed-to-Floating Rate Subordinated Notes due 2026 (the "Notes"). The Notes are unsecured, subordinated debt obligations and mature on July 1, 2026. From and including the date of issuance to, but excluding July 1, 2021, the Notes bear interest at an initial rate of 5.50% per annum. From and including July 1, 2021 to, but excluding the maturity date or earlier redemption, the Notes will bear interest at a floating rate equal to three-month LIBOR as calculated on each applicable date of determination plus a spread of 442.5 basis points; provided, however, that in the event three-month LIBOR is less than zero, then three-month LIBOR shall be deemed to be zero.

As previously discussed, most LIBOR tenors are expected to be phased out after June 2023. Currently, we are unable to determine the effect, if any, that the phase out of LIBOR might have on our financial instruments tied to LIBOR.

We currently expect to redeem the Notes on July 1, 2021, in whole, at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest. Assuming redemption occurs, we anticipate approximately $0.8 million of remaining unamortized debt service costs associated with the subordinated notes will be recognized as other non-interest expense during the third quarter of 2021.We may also redeem the Notes at any time, including prior to July 1, 2021, at our option, in whole but not in part, if: (i) a change or prospective change in law occurs that could prevent us from deducting interest payable on the Notes for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the Notes from being recognized as Tier 2 capital for regulatory capital purposes; or (iii) we are required to register as an investment company under the Investment Company Act of 1940, as amended; in each case, at a redemption price equal to 100% of the principal amount of the Notes plus any accrued and unpaid interest to but excluding the redemption date. The Notes provide us with additional Tier 2 regulatory capital to support our expected future growth.

Subordinated Debentures. We own eight 100%-owned finance subsidiary business trusts – Ozark Capital Statutory Trust II ("Ozark II"), Ozark Capital Statutory Trust III ("Ozark III"), Ozark Capital Statutory Trust IV ("Ozark IV"), Ozark Capital Statutory Trust V ("Ozark V"), Intervest Statutory Trust II ("Intervest II"), Intervest Statutory Trust III ("Intervest III"), Intervest Statutory Trust IV ("Intervest IV") and Intervest Statutory Trust V ("Intervest V"), (collectively, the "Trusts"). At March 31, 2021, we had the following issues of trust preferred securities and subordinated debentures owed to the Trusts.

Trust Preferred Securities and Subordinated Debentures

	Subordinated Debentures Owed to Trusts	Unamortized Discount at March 31, 2021	Carrying Value of Subordinated Debentures at March 31, 2021	Trust Preferred Securities of the Trusts	Contractual Interest Rate at March 31, 2021	Final Maturity Date
			(Dollars in thousands)			
Ozark II	$ 14,433	$ —	$ 14,433	$ 14,000	3.10%	September 29, 2033
Ozark III	14,434	—	14,434	14,000	3.19	September 25, 2033
Ozark IV	15,464	—	15,464	15,000	2.40	September 28, 2034
Ozark V	20,619	—	20,619	20,000	1.78	December 15, 2036
Intervest II	15,464	(166)	15,298	15,000	3.13	September 17, 2033
Intervest III	15,464	(192)	15,272	15,000	2.97	March 17, 2034
Intervest IV	15,464	(349)	15,115	15,000	2.59	September 20, 2034
Intervest V	10,310	(332)	9,978	10,000	1.83	December 15, 2036
	$ 121,652	$ (1,039)	$ 120,613	$ 118,000		

Our subordinated debentures and securities generally mature 30 years after issuance and may be prepaid at par, subject to regulatory approval. These subordinated debentures and the related trust preferred securities provide us additional Tier 2 regulatory capital to support our expected future growth.

Other Sources of Capital. We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs. As a publicly traded bank, a likely source of additional funds is the capital markets, which can provide us with funds through the public issuance of equity, both common and preferred stock, and the issuance of senior debt and/or subordinated debentures. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. Other than common stock, any issuance of equity or debt by the Bank will require the prior approval of the Arkansas State Bank Department ("ASBD"), and may be accompanied by time delays associated with obtaining such approval. If market conditions change during any time delays associated with obtaining regulatory approval, we may not be able to issue equity or debt on as favorable terms as were contemplated at the time of commencement of the process, or at all.

Common Stockholders' Equity and Reconciliation of Non-GAAP Financial Measures. We use non-GAAP financial measures, specifically tangible common stockholders' equity, tangible common stockholders' equity to total tangible assets, tangible book value per common share and return on average tangible common stockholders' equity as important measures of the strength of our capital and our ability to generate earnings on tangible common equity invested by our shareholders. We believe presentation of these non-GAAP financial measures provides useful supplemental information that contributes to a proper understanding of our financial results and capital levels. These non-GAAP disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the following tables.

Calculation of Total Tangible Common Stockholders' Equity and the Ratio of Total Tangible Common Stockholders' Equity to Total Tangible Assets

	March 31, 2021	March 31, 2020	December 31, 2020
	(Dollars in thousands)		
Total common stockholders' equity before noncontrolling interest	$ 4,383,205	$ 4,083,150	$ 4,272,271
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(12,939)	(20,958)	(14,669)
Total intangibles	(673,728)	(681,747)	(675,458)
Total tangible common stockholders' equity	$ 3,709,477	$ 3,401,403	$ 3,596,813
Total assets	$ 27,276,892	$ 24,565,810	$ 27,162,596
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(12,939)	(20,958)	(14,669)
Total intangibles	(673,728)	(681,747)	(675,458)
Total tangible assets	$ 26,603,164	$ 23,884,063	$ 26,487,138
Ratio of total common stockholders' equity to total assets	16.07%	16.62%	15.73%
Ratio of total tangible common stockholders' equity to total tangible assets	13.94%	14.24%	13.58%

Calculation of Total Tangible Common Stockholders' Equity and Tangible Book Value Per Common Share

	March 31, 2021	March 31, 2020	December 31, 2020
	(In thousands, except per share amounts)		
Total common stockholders' equity before noncontrolling interest	$ 4,383,205	$ 4,083,150	$ 4,272,271
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(12,939)	(20,958)	(14,669)
Total intangibles	(673,728)	(681,747)	(675,458)
Total tangible common stockholders' equity	$ 3,709,477	$ 3,401,403	$ 3,596,813
Shares of common stock outstanding	129,719	129,324	129,350
Book value per common share	$ 33.79	$ 31.57	$ 33.03
Tangible book value per common share	$ 28.60	$ 26.30	$ 27.81

Calculation of Average Tangible Common Stockholders' Equity and
Annualized Return on Average Tangible Common Stockholders' Equity

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(Dollars in thousands)	
Net income available to common stockholders	$ 148,416	$ 11,866
Average common stockholders' equity before noncontrolling interest	$ 4,307,174	$ 4,118,614
Less average intangible assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(13,828)	(22,412)
Total average intangibles	(674,617)	(683,201)
Average tangible common stockholders' equity	$ 3,632,557	$ 3,435,413
Return on average common stockholders' equity(1)	13.97%	1.16%
Return on average tangible common stockholders' equity(1)	16.57%	1.39%

(1) Ratios annualized based on actual days.

Common Stock Dividend Policy. During the first quarter of 2021, we paid cash dividends of $0.2775 per common share. On April 1, 2021, our Board approved a cash dividend of $0.28 per common share that was paid on April 19, 2021. The determination of future dividends on our common stock will depend on conditions existing at that time and approval of our Board. In addition, our ability to pay dividends to our shareholders is subject to the restrictions set forth in Arkansas law, by our federal regulator, and by certain covenants contained in the indentures governing the trust preferred securities, the subordinated debentures and the subordinated notes.

Regulatory Capital. We are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial condition and results of operations. 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 classification are also subject to qualitative judgments and adjustments by the regulators about component weightings and other factors.

In recent years, the FDIC and other federal banking regulators revised the risk-based capital requirements applicable to insured depository institutions, including us, to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision ("Basel III") and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Basel III Rules"). The Basel III Rules require the maintenance of minimum amounts and ratios of common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets, and of tier 1 capital to adjusted quarterly average assets.

Under the Basel III Rules, common equity tier 1 capital consists of common stock and paid-in capital (net of treasury stock) and retained earnings. Common equity tier 1 capital is reduced by goodwill, certain intangible assets, net of associated deferred tax liabilities, deferred tax assets that arise from tax credit and net operating loss carryforwards, net of any valuation allowance, and certain other items as specified by the Basel III Rules.

Tier 1 capital includes common equity tier 1 capital and certain additional tier 1 items as provided under the Basel III Rules. At March 31, 2021 and December 31, 2020, we had no additional tier 1 items that were not also included in common equity tier 1 capital.

Total capital includes tier 1 capital and tier 2 capital. Tier 2 capital includes, among other things, the allowable portion of the ACL, the trust preferred securities and the subordinated notes.

The common equity tier 1 capital, tier 1 capital and total capital ratios are calculated by dividing the respective capital amounts by risk-weighted assets. The leverage ratio is calculated by dividing tier 1 capital by adjusted quarterly average total assets.

Basel III Rules allowed for insured depository institutions to make a one-time election not to include most elements of accumulated other comprehensive income (loss) in regulatory capital and instead effectively use the existing treatment under the general risk-based capital rules. We made this opt-out election to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of our investments securities portfolio.

In connection with the adoption of CECL, the FDIC and other banking regulators allowed depository institutions various alternatives on accounting and reporting for regulatory and Call Report purposes regarding the initial effect of adoption of CECL. Those alternatives included (i) taking the full effects of the adoption of CECL as an adjustment to regulatory capital, (ii) phasing in the effects of the adoption of CECL over a three-year period, or (iii) deferring for two years the effects of the adoption of CECL, followed by a three-year phase-in period. We elected to phase in the effects of CECL over a three-year period (without the two-year deferral) to lessen the impact of the adoption of CECL on our regulatory capital and regulatory capital ratios.

The Basel III Rules limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" in addition to the amount necessary to meet minimum risk-based capital requirements for common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets. At March 31, 2021 and December 31, 2020, the Basel III Rules required us to maintain (i) a minimum ratio of common equity tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 7.0%, (ii) a minimum ratio of tier 1 capital to risk-weighted assets of at least 6.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 8.5%, (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 10.5% and (iv) a minimum leverage ratio of 4.0%. Additionally, in order to be considered well-capitalized under the Basel III Rules, we must maintain (i) a ratio of common equity tier 1 capital to risk-weighted assets of at least 6.5%, (ii) a ratio of tier 1 capital to risk-weighted assets of at least 8.0%, (iii) a ratio of total capital to risk-weighted assets of at least 10.0% and (iv) a leverage ratio of at least 5.0%.

The following table presents actual and required capital ratios as of the dates indicated under the Basel III Rules. The minimum required capital amounts presented include the minimum required capital levels plus the capital conservation buffer. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Rules. At March 31, 2021 and December 31, 2020, capital levels exceed all minimum capital requirements and requirements to be considered well capitalized under the Basel III Rules.

Regulatory Capital Ratios

	Actual		Minimum Capital Required – Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
			(Dollars in thousands)			
March 31, 2021:						
Common equity tier 1 to risk-weighted assets	$3,679,118	13.93%	$1,848,973	7.00%	$1,716,903	6.50%
Tier 1 capital to risk-weighted assets	3,679,118	13.93	2,245,181	8.50	2,113,112	8.00
Total capital to risk-weighted assets	4,326,752	16.38	2,773,459	10.50	2,641,390	10.00
Tier 1 leverage to average assets	3,679,118	13.98	1,052,627	4.00	1,315,784	5.00
December 31, 2020:						
Common equity tier 1 to risk-weighted assets	$3,573,471	13.36%	$1,872,748	7.00%	$1,738,980	6.50%
Tier 1 capital to risk-weighted assets	3,573,471	13.36	2,274,051	8.50	2,140,283	8.00
Total capital to risk-weighted assets	4,237,268	15.84	2,809,122	10.50	2,675,354	10.00
Tier 1 leverage to average assets	3,573,471	13.70	1,043,413	4.00	1,304,266	5.00

Capital Stress Testing. We completed our capital stress tests utilizing multiple economic scenarios, including an adverse idiosyncratic scenario unique to our Bank. The results of the most recent stress test completed in the third quarter of 2020 reflected that we would maintain well-capitalized status for all capital ratios over the stress test time horizon.

Our historically strong earnings and earnings retention rate have contributed to our building strong capital ratios. We are focused on strategies to utilize our capital for the long-term interests of shareholders, including organic loan growth, adding new business lines, continuing to increase our quarterly cash dividend and/or paying a special dividend, financially attractive acquisitions and various other options.

Growth and Branching. During the first quarter of 2021, we opened a branch in Atlanta, Georgia and we replaced a leased facility with a bank-owned facility in Brookhaven, Georgia. Additionally, during the first quarter of 2021, we sold our only two branches in South Carolina. During the remainder of 2021, we expect to close four branches, including one in Georgia, two in Arkansas, and one in Florida.

We may open additional branches and loan production offices as our needs and resources permit. Additionally, as we have done in recent quarters, we may relocate offices, sell offices and/or close certain offices and consolidate the business of such offices into other offices. Opening new offices is subject to local banking market conditions, availability of satisfactory sites, hiring qualified personnel, obtaining regulatory and other approvals and many other conditions and contingencies that we cannot predict with certainty. We may increase or decrease our expected number of new office openings or relocate, sell or close current offices as a result of a variety of factors including our financial results, changes in economic or competitive conditions, strategic opportunities, individual office profitability metrics or other factors.

Capital Expenditures. During the first three months of 2021, we spent approximately $6.4 million on capital expenditures for premises and equipment. Our capital expenditures for the remainder of 2021 are expected to be in the range of $15 million to $25 million, including progress payments on construction projects expected to be completed in 2021 or 2022, furniture and equipment costs and acquisition of sites for future development. Actual expenditures may vary significantly from those expected, depending on the number and cost of additional branch offices acquired or constructed and sites acquired for future development, progress or delays encountered on ongoing and new construction projects, delays in obtaining or inability to obtain required approvals, potential premises and equipment expenditures associated with acquisitions, if any, and other factors.

Operational Risk Management

Overview. Operational risk is the risk to current or anticipated earnings or capital arising from inadequate or failed internal processes or systems, human errors or misconduct, reputational damage or adverse external events. Operational risk is inherent in all of our businesses. To assist in our operational risk management, in addition to monitoring our operational risk appetite using key performance and risk metrics, we utilize risk control and self-assessments across the Bank to identify key operational risks and associated key internal controls. We have in place a number of controls that assist in the management of operational risk including, but not limited to, transactional documentation requirements; systems and procedures to monitor transactions; systems and procedures to detect and mitigate attempts to commit fraud, penetrate our systems, access customer data, and/or deny access to our systems by legitimate customers; regulatory compliance reviews; and periodic reviews by various components of our CRMG and our Internal Audit function. Reconciliation procedures have also been established to ensure that data processing systems accurately capture data and transactions. Further, we have programs and procedures to maintain contingency and business continuity plans for operational support in the event of disruptions to our business, including disruptions attributable to the effects of the COVID-19 pandemic. We also mitigate certain operational risks through the purchase of insurance. Our Operational Risk Management group, which reports to our CRO, has responsibilities for assisting the business units in identifying, managing and monitoring various other risks including risks resulting from the use of technology, cyber security risk, third party vendor management risk, risks associated with the introduction of new products and services, and various other operational risks.

Model Risk. Model risk is the risk that the various models and tools utilized throughout the Bank do not provide accurate results, particularly in times of market stress or other unforeseen circumstances, or prove to be inadequate or inaccurate because of flaws in their design or implementation. We have an internal Model Risk Management group, which reports to our CRO, that has developed and implemented a model framework, in compliance with FRB Supervision and Regulation Letter *SR 11-7: Guidance on Model Risk Management*, whereby all models and tools utilized throughout the Bank are inventoried, assessed, and validated in accordance with this framework. Ownership of our internal models resides within our analytics and modeling team, who, along with our business units, manages the use of such models in accordance to our model framework.

Legal Risk. As part of our operational risk management program, we also actively monitor our legal risk exposure. Legal risk arises from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect our operations or condition. These risks are inherent in all of our businesses. Legal risk exposures are actively and primarily managed by our business units in conjunction with our legal department. Our ERC, BRC and our Board oversee our legal risk management.

Reputational Risk Management

Reputational risk is the risk that adverse perceptions regarding our business practices or financial health, or adverse developments, customer sentiment or other external perceptions regarding the practices of our competitors, or the financial services industry, may adversely impact our reputation and business prospects. We have a team of bankers and risk professionals that monitor our reputational risk exposure by tracking and measuring a variety of social media posts, and enforcing detailed policies and procedures that are intended to govern our employees regarding the use of social media, websites and other external communications made by employees. Additionally, we also monitor our reputational risk exposure by frequently monitoring other financial and non-financial reputational risk-related metrics.

Strategic Risk Management

Strategic risk is the risk to current or anticipated earnings or capital, or franchise or enterprise value arising from, among other items, adverse business decisions, poor implementation of business decisions, deteriorations in national or regional macro-economic conditions, or lack of responsiveness to changes in the financial services industry and operating environment. This risk is a function of the compatibility of our strategic goals, business strategies, resources, and quality of implementation. The assessment of strategic risk includes more than an analysis of our written strategic plan. It focuses on opportunity costs and how plans, systems, and implementation affect our franchise or enterprise value. It also incorporates how management analyzes external factors, such as economic, technological, competitive, regulatory, and other environmental changes that affect our strategic direction. Our strategic risk exposure is measured against our Board-approved strategic risk appetite by our CRMG, which monitors our performance against our strategic objectives in addition to measuring our financial performance against our peer group. Also, as part of our strategic risk monitoring process, the current and expected systemic macroeconomic environment is monitored using a combination of metrics, models and various other tools.

Compliance Risk Management

Compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements, or codes of conduct and other standards of self-regulatory organizations applicable to us. Compliance risk exposures are actively and primarily managed by our business units in conjunction with our Corporate Compliance group, our legal department and the associated compliance programs operated under our compliance framework and our compliance management system that govern the management of compliance risk. Our ERC and BRC oversee our compliance program.

Risks related to compliance matters are heightened by the heavily regulated environment in which we operate. We have designed our processes and systems and provide education of applicable regulatory standards to our employees in an effort to comply with these requirements. Our Corporate Compliance group and various other teams throughout the Bank perform various monitoring and testing activities, and our Internal Audit Group performs periodic reviews of our various compliance programs, including reviews of our Corporate Compliance group.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 13 to the Consolidated Financial Statements for a discussion of certain recently issued and recently adopted accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information required by this Item is included in “Market and Interest Rate Risk Management” in the MD&A beginning on page 49 and is hereby incorporated by reference.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this report, our management carried out an evaluation, under the supervision and with the participation of the Bank’s Chairman and Chief Executive Officer (principal executive officer) and its Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures as defined in SEC Rule 13a-15(e) under the Exchange Act. Disclosure controls and procedures are controls and other procedures designed to ensure that the information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow for timely decisions regarding required disclosure. Based on that evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Bank’s disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting.

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On October 26, 2018, a purported class action complaint alleging violations of federal securities laws was filed against Bank OZK in the United States District Court for the Eastern District of Arkansas, captioned Jordan Colbert et al. v. Bank OZK et al., case number now 4:18-cv-793-DPM. Under applicable federal law, the federal district court in the Colbert Case named Strathclyde Pension Fund as the lead class plaintiff. The Colbert complaint, as first amended on June 21, 2019, alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, by the Bank, its CEO, George Gleason, and its CFO, Greg McKinney, for making allegedly false and misleading statements and allegedly failing to disclose material facts relating to the risk of loss regarding two commercial real estate loans. The first amended complaint alleged essentially that the Bank lacked adequate internal controls to assess credit risk; as a result, such loans, which were classified as substandard, posed an increased risk of loss and were reasonably likely to lead to charge-offs, which actually occurred in the third quarter of 2018; and consequently, defendants' public statements during the class period about the Bank's business, operations, and prospects were materially misleading and/or lacked a reasonable basis. The first amended complaint identified the proposed class period as encompassing persons who purchased the Bank's common stock between February 19, 2016 and October 18, 2018, and sought damages against the Bank and the individual defendants. On April 3, 2020, the Court ruled on the Bank's and the individual defendants' motion to dismiss the action, granting the motion in part, dismissing all claims against Mr. McKinney, and denying the motion in part, allowing certain of the claims against the Bank and Mr. Gleason to move forward. On October 8, 2020, lead plaintiff filed a second amended complaint to reassert certain of the claims that had been dismissed, but not to reassert claims against Mr. McKinney. On January 29, 2021, the Court ruled on the Bank's and Mr. Gleason's motion to dismiss the second amended complaint, confirming dismissal of the previously dismissed claims and allowing the claims previously allowed to move forward against the Bank and Mr. Gleason. The Bank and Mr. Gleason intend to vigorously defend against the alleged claims.

On December 4, 2018, a shareholder derivative complaint was filed in the Circuit Court of Pulaski County, Arkansas, case number 60CV-18-8280, by Barbara Peak as plaintiff, against the Bank, as a nominal defendant, and the Bank's directors and CFO, Greg McKinney. As amended on July 15, 2019, the complaint alleges, among other things, that the individual named defendants, including particularly the members of the Board's audit committee and risk committee, respectively, breached their fiduciary duties in the context of the same factual circumstances recited in the purported class action complaint noted in the preceding paragraph, by allegedly failing to properly maintain oversight over the Bank's internal controls and practices and procedures, and allegedly allowing the Bank to disseminate materially misleading information through its public disclosures. The amended complaint seeks damages against the individual defendants and disgorgement of any profits, benefits and other compensation received by them. The Bank intends to vigorously oppose the ability of the plaintiff to proceed in a derivative capacity. All defendants have moved to dismiss the action, and the individual defendants intend to vigorously defend against the claims against them.

On August 14, 2019, a shareholder derivative complaint was filed in the United States District Court for the Eastern District of Arkansas, case number 4:19-cv-567-KGB, by Barbara Bonessi as plaintiff, against the Bank, as nominal defendant, the current members of the board of directors, and certain current and former officers and directors of the Bank. As amended on January 20, 2020, the complaint alleged claims against the current members of the board of directors of breach of fiduciary duty, waste of corporate assets, unjust enrichment, failing to prevent other officers and directors from alleged insider trading in the Bank's stock, and violation of Section 14(a) of the Securities Exchange Act of 1934, as amended, and Rule 14a-9 promulgated thereunder, all in the context of the same factual circumstances recited in the actions noted in the two preceding paragraphs. Based on the same factual circumstances, the amended complaint also alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, and unlawful sales of Bank stock against certain current and former directors and officers of the Bank while in possession of non-public material adverse information. Under the amended complaint, the plaintiff sought damages against the individual defendants and disgorgement of any profits, benefits and other compensation received by them. The Bank opposed the ability of the plaintiff to proceed in a derivative capacity, and on September 4, 2020 the United States District Court granted the defendants' motion to dismiss the amended complaint and dismissed the amended complaint in its entirety without prejudice. On October 2, 2020, the plaintiff moved to alter or amend the judgment and for leave to further amend the amended complaint. On February 23, 2021, the Court issued an order denying plaintiff's motion to amend the judgment and the plaintiff's motion to further amend the complaint.

In the ordinary course of business, we are or may be involved in various legal or regulatory proceedings, claims, including claims related to employment, wage-hour and labor law claims, consumer and privacy claims, lender liability claims, breach of contract, and other similar lending-related claims encountered on a routine basis, some of which may be styled as "class action" or representative cases. While the ultimate resolution of these ordinary course claims and proceedings cannot be determined at this time, management believes that such claims and proceedings, individually or in the aggregate, will not have a material adverse effect on the Bank's financial condition or results of operations.

Item 1A. Risk Factors

There are no material changes from the risk factors disclosed under Item 1A. of our annual report on Form 10-K for the year ended December 31, 2020, as filed with the FDIC on February 25, 2021.

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

During the first quarter of 2021, the Bank issued an aggregate of 128,100 shares of common stock in connection with the exercise of stock options issued to certain participants under the Bank's Stock Option Plans. The shares were issued in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933, because the sales involved securities issued by a bank.

During the first quarter of 2021, the Bank issued an aggregate of 312,503 shares of restricted common stock to certain officers and employees pursuant to the Bank's 2019 Omnibus Equity Incentive Plan. The Bank did not receive any cash consideration in connection with these restricted stock grants. These grants were exempt from registration pursuant to Section (3)(a)(2) of the Securities Act of 1933 because the grants involved securities issued by a bank.

During the first quarter of 2021, the Bank repurchased shares of its common stock in connection with its equity incentive plan awards, as indicated in the following table.

Period	Total Number of Shares Purchased [(1)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program
January 1-31, 2021	55,740	$ 35.345	—	—
February 1-28, 2021	—	—	—	—
March 1-31, 2021	—	—	—	—
Total	55,740	$ 35.345	—	—

(1) 143,750 shares of the Bank common stock were issued to certain of its officers under the Amended and Restated Restricted Stock and Incentive Plan vested in January 2021 and were no longer subject to the vesting restriction or substantial risk of forfeiture. The Bank withheld 55,740 of such shares to satisfy federal and state tax withholding requirements related to the vesting of these shares

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Reference is made to the Exhibit Index set forth immediately following the signature page of this report.

SIGNATURE

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

Bank OZK

DATE: May 06, 2021

/s/ Greg McKinney
Greg McKinney
Chief Financial Officer
(Principal Financial Officer and Authorized Officer)

Bank OZK

Exhibit Index

Exhibit Number	
2.1	Agreement and Plan of Merger, dated April 10, 2017, by and between Bank of the Ozarks, Inc. and Bank of the Ozarks (previously filed as Exhibit 2.1 to the Bank's Current Report on Form 8-K filed with the FDIC on June 26, 2017, and incorporated herein by reference).
3.1	Amended and Restated Articles of Incorporation of Bank of the Ozarks (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on June 26, 2017, and incorporated herein by reference).
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank of the Ozarks (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on July 16, 2018, and incorporated herein by reference).
3.3	Second Amended and Restated Bylaws of Bank OZK (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on August 10, 2018, and incorporated herein by reference).
4.1	Instruments defining the rights of security holders, including indentures. The Bank hereby agrees to furnish to the FDIC upon request copies of instruments defining the rights of holders of long-term debt of the Bank and its consolidated subsidiaries; no issuance of debt exceeds ten percent of the assets of the Bank and its subsidiaries on a consolidated basis.
4.2	Form of Common Stock Certificate (previously filed as Exhibit 4.2 to the Bank's Current Report on Form 8-K filed with the FDIC on July 16, 2018, and incorporated herein by reference).
4.3	Description of Bank OZK's common stock registered under Section 12 of the Securities Exchange Act of 1934 (previously filed as Exhibit 4.3 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 28, 2020, and incorporated herein by reference).
10.1*	Form of 2021 Performance Based Restricted Stock Unit Award Agreement for Executive Officers (previously filed as Exhibit 10.27 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference.)
10.2*	Bank OZK 2021 Executive Management Cash-Based Performance Plan (previously filed as Exhibit 10.28 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference.)
10.3*	Bank OZK Non-Qualified Deferred Compensation Plan, as amended and restated effective January 1, 2021 (previously filed as Exhibit 10.8 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference.)
31.1	Certification of Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes Oxley Act of 2002, filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002, filed herewith.
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.

*Management contract or a compensatory plan or arrangement.

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY
ACT OF 2002

I, George Gleason, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bank OZK;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 6, 2021

/s/ George Gleason
George Gleason
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY
ACT OF 2002

I, Greg McKinney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bank OZK;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

/s/ Greg McKinney
Greg McKinney
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of Bank OZK (the Bank) on Form 10-Q for the period ended March 31, 2021, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, George Gleason, Chairman and Chief Executive Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

May 6, 2021

/s/ George Gleason
George Gleason
Chairman and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report of Bank OZK (the Bank) on Form 10-Q for the period ended March 31, 2021, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, Greg McKinney, Chief Financial Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

May 6, 2021

/s/ Greg McKinney
Greg McKinney
Chief Financial Officer