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, 2019

☐ **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)**
17901 CHENAL PARKWAY, 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 per 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, 2019
Common Stock, $0.01 par value per share	128,970,291

BANK OZK
FORM 10-Q
March 31, 2019

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BANK OZK
CONSOLIDATED BALANCE SHEETS
Unaudited

	March 31, 2019	December 31, 2018
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 607,698	$ 290,672
Investment securities - available for sale (“AFS”)	2,769,602	2,862,340
Federal Home Loan Bank of Dallas (“FHLB”) and other banker's bank stocks	12,089	25,941
Non-purchased loans	15,610,681	15,073,791
Purchased loans	1,864,715	2,044,032
Allowance for loan losses	(105,954)	(102,264)
Net loans	17,369,442	17,015,559
Premises and equipment, net	647,032	567,189
Foreclosed assets	14,096	16,171
Accrued interest receivable	85,545	81,968
Bank owned life insurance (“BOLI”)	726,165	721,238
Goodwill and other intangible assets, net	693,316	696,461
Other, net	80,667	110,491
Total assets	$ 23,005,652	$ 22,388,030
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	$ 2,865,213	$ 2,748,273
Savings and interest bearing transaction	9,874,987	9,682,713
Time	5,736,668	5,507,429
Total deposits	18,476,868	17,938,415
Repurchase agreements with customers	25,517	20,564
Other borrowings	1,489	96,692
Subordinated notes	223,375	223,281
Subordinated debentures	119,496	119,358
Accrued interest payable and other liabilities	273,143	216,355
Total liabilities	19,119,888	18,614,665
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock; $0.01 par value; 100,000,000 shares authorized; no shares issued or outstanding at March 31, 2019 or December 31, 2018	—	—
Common stock; $0.01 par value; 300,000,000 shares authorized; 128,947,528 and 128,611,049 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	1,289	1,286
Additional paid-in capital	2,239,404	2,237,948
Retained earnings	1,647,626	1,565,201
Accumulated other comprehensive loss	(5,676)	(34,105)
Total stockholders’ equity before noncontrolling interest	3,882,643	3,770,330
Noncontrolling interest	3,121	3,035
Total stockholders’ equity	3,885,764	3,773,365
Total liabilities and stockholders’ equity	$ 23,005,652	$ 22,388,030

See accompanying notes to consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(Dollars in thousands, except per share amounts)	
Interest income:		
Non-purchased loans	$ 245,864	$ 190,426
Purchased loans	30,195	50,977
Investment securities:		
Taxable	14,897	11,431
Tax-exempt	3,873	4,160
Deposits with banks and federal funds sold	414	498
Total interest income	295,243	257,492
Interest expense:		
Deposits	63,087	34,392
Repurchase agreements with customers	22	159
Other borrowings	1,389	633
Subordinated notes	3,146	3,146
Subordinated debentures	1,711	1,386
Total interest expense	69,355	39,716
Net interest income	225,888	217,776
Provision for loan losses	6,681	5,567
Net interest income after provision for loan losses	219,207	212,209
Non-interest income:		
Service charges on deposit accounts	9,722	9,525
Trust income	1,730	1,793
BOLI income	5,162	7,580
Other income from purchased loans	795	1,251
Loan service, maintenance and other fees	4,874	4,743
Net gains on investment securities	—	17
Gains on sales of other assets	284	1,426
Other	1,505	2,372
Total non-interest income	24,072	28,707
Non-interest expense:		
Salaries and employee benefits	44,868	45,499
Net occupancy and equipment	14,750	14,150
Other operating expenses	37,060	34,161
Total non-interest expense	96,678	93,810
Income before taxes	146,601	147,106
Provision for income taxes	35,889	33,973
Net income	110,712	113,133
Earnings attributable to noncontrolling interest	(6)	11
Net income available to common stockholders	$ 110,706	$ 113,144
Basic earnings per common share	$ 0.86	$ 0.88
Diluted earnings per common share	$ 0.86	$ 0.88

See accompanying notes to consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Net income	$ 110,712	$ 113,133
Other comprehensive income (loss):		
Unrealized gains and losses on investment securities AFS	37,420	(36,990)
Tax effect of unrealized gains and losses on investment securities AFS	(8,991)	8,794
Reclassification of gains and losses on investment securities AFS included in net income	—	—
Tax effect of reclassification of gains and losses on investment securities AFS included in net income	—	—
Total other comprehensive income (loss)	28,429	(28,196)
Total comprehensive income	$ 139,141	$ 84,937

See accompanying notes to consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)					
Balances – December 31, 2017	$ 1,283	$2,221,844	$1,250,313	$ (12,712)	$ 3,060	$3,463,788
Net income	—	—	113,133	—	—	113,133
Earnings attributable to noncontrolling interest	—	—	11	—	(11)	—
Total other comprehensive loss	—	—	—	(28,196)	—	(28,196)
Common stock dividends paid, $0.19 per share	—	—	(24,408)	—	—	(24,408)
Issuance of 200,025 shares of common stock for exercise of stock options	2	5,323	—	—	—	5,325
Issuance of 198,268 shares of unvested restricted common stock	2	(2)	—	—	—	—
Repurchase and cancellation of 70,931 shares of common stock	(1)	(3,729)	—	—	—	(3,730)
Stock-based compensation expense	—	3,742	—	—	—	3,742
Forfeiture of 3,301 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – March 31, 2018	$ 1,286	$2,227,178	$1,339,049	$ (40,908)	$ 3,049	$3,529,654
Balances – December 31, 2018	$ 1,286	$2,237,948	$1,565,201	$ (34,105)	$ 3,035	$3,773,365
Net income	—	—	110,712	—	—	110,712
Earnings attributable to noncontrolling interest	—	—	(6)	—	6	—
Total other comprehensive income	—	—	—	28,429	—	28,429
Common stock dividends paid, $0.22 per share	—	—	(28,281)	—	—	(28,281)
Noncontrolling interest cash contribution	—	—	—	—	80	80
Issuance of 29,300 shares of common stock for exercise of stock options	—	387	—	—	—	387
Issuance of 383,874 shares of unvested restricted common stock	4	(4)	—	—	—	—
Repurchase and cancellation of 62,742 shares of common stock	(1)	(1,646)	—	—	—	(1,647)
Stock-based compensation expense	—	2,719	—	—	—	2,719
Forfeiture of 13,953 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – March 31, 2019	$ 1,289	$2,239,404	$1,647,626	$ (5,676)	$ 3,121	$3,885,764

See accompanying notes to consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Three Months Ended March 31,	
	2019	**2018**
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 110,712	$ 113,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,405	5,579
Amortization	3,377	3,377
Earnings attributable to noncontrolling interest	(6)	11
Provision for loan losses	6,681	5,567
Provision for losses on foreclosed and other assets	562	151
Net amortization of investment securities AFS	4,636	5,724
Net gains on investment securities	—	(17)
Amortization of operating lease right-of-use assets	1,838	—
Proceeds from sales of mortgage loans held for sale	—	8,313
Accretion of purchased loans	(6,810)	(12,650)
Gains on sales of other assets	(284)	(1,426)
Deferred income tax (benefit) expense	(69,931)	4,232
Increase in cash surrender value of BOLI	(5,162)	(4,851)
BOLI death benefits in excess of cash surrender value	—	(2,729)
Stock-based compensation expense	2,719	3,742
Changes in assets and liabilities:		
Accrued interest receivable	(3,577)	(4,518)
Other assets, net	31,181	24,654
Accrued interest payable and other liabilities	58,172	(25,533)
Net cash provided by operating activities	139,513	122,759
Cash flows from investing activities:		
Proceeds from sales of FHLB and other banker's bank stock	20,075	—
Proceeds from maturities/calls/paydowns of investment securities AFS	125,529	134,865
Purchases of investment securities AFS	(6,229)	(164,640)
Net increase of non-purchased loans	(513,120)	(877,409)
Net payments received on purchased loans	157,497	335,142
Purchases of premises and equipment	(27,560)	(18,061)
Purchases of BOLI	—	(30,000)
Proceeds from BOLI death benefits	235	4,659
Proceeds from sales of other assets	3,702	7,679
Net cash invested in unconsolidated investments and noncontrolling interest	(1,278)	(388)
Net cash used by investing activities	(241,149)	(608,153)
Cash flows from financing activities:		
Net increase in deposits	538,453	641,326
Net repayments of other borrowings	(95,203)	(378)
Repayment of fixed-rate callable FHLB advances	—	(20,000)
Net increase in repurchase agreements with customers	4,953	79,744
Proceeds from exercise of stock options	387	5,325
Cash dividends paid on common stock	(28,281)	(24,408)
Repurchase and cancellation of shares of common stock	(1,647)	(3,730)
Net cash provided by financing activities	418,662	677,879
Net increase in cash and cash equivalents	317,026	192,485
Cash and cash equivalents – beginning of period	290,672	440,388
Cash and cash equivalents – end of period	$ 607,698	$ 632,873

See accompanying notes to 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, 2019 the Bank conducted operations through 254 offices, including offices in Arkansas, Georgia, Florida, North Carolina, Texas, Alabama, South Carolina, 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 certain of those 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").

2. Basis of Presentation

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, 2018.

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, 2019 are not necessarily indicative of the results that may be expected for the full year or future periods.

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. 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, of outstanding common stock options and restricted stock units using the treasury stock method. Options to purchase 1,863,973 shares and 1,467,342 shares of the Bank's common stock for the three months ended March 31, 2019 and 2018, respectively, were excluded from the diluted EPS calculations as inclusion of such options would have been anti-dilutive. There were no anti-dilutive restricted stock units as of March 31, 2019 or 2018.

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(In thousands, except per share amounts)	
Numerator:		
Distributed earnings allocated to common stockholders	$ 28,281	$ 24,408
Undistributed earnings allocated to common stockholders	82,425	88,736
Net income available to common stockholders	$ 110,706	$ 113,144
Denominator:		
Denominator for basic EPS – weighted-average common shares	128,848	128,535
Effect of dilutive securities – stock options	116	227
Denominator for diluted EPS – weighted-average common shares and assumed conversions	128,964	128,762
Basic EPS	$ 0.86	$ 0.88
Diluted EPS	$ 0.86	$ 0.88

4. Investment Securities AFS

At both March 31, 2019 and December 31, 2018, 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, reported as a separate component of stockholders' equity and included in accumulated other comprehensive income (loss).

The following table presents the amortized cost and estimated fair value of investment securities AFS as of the dates indicated. The Bank's investment in the "CRA qualified investment fund" is comprised of shares held in a mutual fund that qualifies under the Community Reinvestment Act of 1977 for community reinvestment purposes.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
March 31, 2019:				
Obligations of state and political subdivisions	$ 604,023	$ 7,120	$ (2,335)	$ 608,808
Mortgage-backed securities [1]	2,129,261	9,759	(21,677)	2,117,343
U.S. Government agency securities	27,473	—	(395)	27,078
Corporate obligations	15,198	109	(13)	15,294
CRA qualified investment fund	1,115	—	(36)	1,079
Total	$ 2,777,070	$ 16,988	$ (24,456)	$ 2,769,602
December 31, 2018:				
Obligations of state and political subdivisions	$ 615,328	$ 3,435	$ (12,147)	$ 606,616
Mortgage-backed securities[1]	2,248,065	3,656	(39,175)	2,212,546
U.S. Government agency securities	27,538	—	(602)	26,936
Corporate obligations	15,188	22	(27)	15,183
CRA qualified investment fund	1,109	—	(50)	1,059
Total	$ 2,907,228	$ 7,113	$ (52,001)	$ 2,862,340

(1) These mortgage-backed securities were issued by U.S. Government agencies.

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, 2019:						
Obligations of state and political subdivisions	$ 1,196	$ 11	$ 195,082	$ 2,324	$ 196,278	$ 2,335
Mortgage-backed securities[(1)]	84	—	1,445,056	21,677	1,445,140	21,677
U.S. Government agency securities	—	—	27,078	395	27,078	395
Corporate obligations	9,987	13	—	—	9,987	13
CRA qualified investment fund	—	—	1,079	36	1,079	36
Total temporarily impaired investment securities	$ 11,267	$ 24	$1,668,295	$ 24,432	$1,679,562	$ 24,456
December 31, 2018:						
Obligations of states and political subdivisions	$ 198,351	$ 3,255	$ 249,761	$ 8,892	$ 448,112	$ 12,147
Mortgage-backed securities [(1)]	242,951	2,004	1,440,618	37,171	1,683,569	39,175
U.S. Government agency securities	1,084	15	25,852	587	26,936	602
Corporate obligations	9,973	27	—	—	9,973	27
CRA qualified investment fund	—	—	1,059	50	1,059	50
Total temporarily impaired investment securities	$ 452,359	$ 5,301	$1,717,290	$ 46,700	$2,169,649	$ 52,001

(1) These mortgage-backed securities were issued by U.S. Government agencies.

In evaluating the Bank's unrealized loss positions for other-than-temporary impairment 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, the severity and duration of the impairments and other factors. At both March 31, 2019 and December 31, 2018, management determined the unrealized losses were the result of fluctuations in interest rates and did not reflect deteriorations of the credit quality of the investments. Accordingly, management considers these unrealized losses to be temporary in nature. 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.

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

	March 31, 2019	
Maturity or Estimated Repayment	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	
One year or less	$ 467,599	$ 465,739
After one year to five years	1,335,000	1,328,651
After five years to ten years	527,806	528,145
After ten years	446,665	447,067
Total	$ 2,777,070	$ 2,769,602

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) the CRA qualified investment fund with no contractual maturity date is shown in the longest maturity category, (ii) 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 (iii) 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 will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

While the Bank had no significant sales activity within its investment securities AFS for the three months ended March 31, 2019 and 2018, it sold approximately $20.1 million of Federal Home Loan Bank of Dallas ("FHLB") and other banker's bank stocks during the three months ended March 31, 2019. There were no sales of FHLB or other banker's bank stocks during the three months ended March 31, 2018.

5. Allowance for Loan Losses (“ALL”) and Credit Quality Indicators

Allowance for Loan Losses

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

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Beginning balance	$ 102,264	$ 94,120
Charge-offs of non-purchased loans	(2,245)	(1,684)
Recoveries of non-purchased loans previously charged off	435	511
Net charge-offs – non-purchased loans	(1,810)	(1,173)
Charge-offs of purchased loans	(1,611)	(1,045)
Recoveries of purchased loans previously charged off	430	628
Net charge-offs – purchased loans	(1,181)	(417)
Net charge-offs – total loans	(2,991)	(1,590)
Provision for loan losses:		
Non-purchased loans	5,500	5,150
Purchased loans	1,181	417
Total provision	6,681	5,567
Ending balance	$ 105,954	$ 98,097
ALL allocated to non-purchased loans	$ 104,354	$ 96,497
ALL allocated to purchased loans	1,600	1,600
Total ALL	$ 105,954	$ 98,097

The following tables are a summary of the Bank’s ALL for the periods indicated.

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
			(Dollars in thousands)		
Three months ended March 31, 2019:					
Non-purchased loans:					
Real estate:					
Residential 1-4 family	$ 13,754	$ (93)	$ 82	$ 218	$ 13,961
Non-farm/non-residential	18,456	(34)	8	(290)	18,140
Construction/land development	27,103	—	2	1,412	28,517
Agricultural	1,343	—	—	136	1,479
Multifamily residential	6,208	—	—	1,118	7,326
Commercial and industrial	9,256	(741)	109	(373)	8,251
Consumer	20,382	(635)	31	3,436	23,214
Other	4,162	(742)	203	(157)	3,466
Total non-purchased loans	100,664	(2,245)	435	5,500	104,354
Purchased loans	1,600	(1,611)	430	1,181	1,600
Total loans	$ 102,264	$ (3,856)	$ 865	$ 6,681	$ 105,954
Three months ended March 31, 2018:					
Non-purchased loans:					
Real estate:					
Residential 1-4 family	$ 12,829	$ (65)	$ 15	$ 88	$ 12,867
Non-farm/non-residential	26,855	(135)	134	1,038	27,892
Construction/land development	27,422	(128)	23	1,905	29,222
Agricultural	1,093	—	30	29	1,152
Multifamily residential	2,395	—	—	254	2,649
Commercial and industrial	10,448	(397)	26	17	10,094
Consumer	8,858	(133)	40	1,679	10,444
Other	2,620	(826)	243	140	2,177
Total non-purchased loans	92,520	(1,684)	511	5,150	96,497
Purchased loans	1,600	(1,045)	628	417	1,600
Total loans	$ 94,120	$ (2,729)	$ 1,139	$ 5,567	$ 98,097

The following table is a summary of the Bank's ALL for non-purchased loans and outstanding principal balance in non-purchased loans as of the dates indicated.

	ALL for Non-Purchased Loans			Non-Purchased Loans		
	ALL for Individually Evaluated Impaired Loans	ALL for All Other Loans	Total ALL[1]	Individually Evaluated Impaired Loans	All Other Loans	Total Loans
	(Dollars in thousands)					
March 31, 2019:						
Real estate:						
Residential 1-4 family	$ 675	$ 13,286	$ 13,961	$ 5,374	$ 704,124	$ 709,498
Non-farm/non-residential	97	18,043	18,140	14,430	3,259,153	3,273,583
Construction/land development	21	28,496	28,517	11,689	6,583,129	6,594,818
Agricultural	12	1,467	1,479	1,401	176,592	177,993
Multifamily residential	—	7,326	7,326	99	1,298,106	1,298,205
Commercial and industrial	75	8,176	8,251	500	696,702	697,202
Consumer	88	23,126	23,214	377	2,061,732	2,062,109
Other	—	3,466	3,466	5	797,268	797,273
Total	$ 968	$ 103,386	$ 104,354	$ 33,875	$15,576,806	$15,610,681
December 31, 2018:						
Real estate:						
Residential 1-4 family	$ 716	$ 13,038	$ 13,754	$ 6,006	$ 697,191	$ 703,197
Non-farm/non-residential	24	18,432	18,456	13,648	3,293,346	3,306,994
Construction/land development	60	27,043	27,103	11,409	6,400,222	6,411,631
Agricultural	—	1,343	1,343	848	160,932	161,780
Multifamily residential	81	6,127	6,208	637	1,050,350	1,050,987
Commercial and industrial	263	8,993	9,256	2,453	770,017	772,470
Consumer	57	20,325	20,382	354	1,935,238	1,935,592
Other	—	4,162	4,162	34	731,106	731,140
Total	$ 1,201	$ 99,463	$ 100,664	$ 35,389	$15,038,402	$15,073,791

(1) Excludes $1.6 million of ALL allocated to the Bank's purchased loans at both March 31, 2019 and December 31, 2018.

The following table is a summary of impaired non-purchased loans as of March 31, 2019.

	Principal Balance	Net Charge-offs to Date	Principal Balance, Net of Charge-offs	Specific ALL
	(Dollars in thousands)			
Impaired loans for which there is a related ALL:				
Real estate:				
Residential 1-4 family	$ 4,388	$ —	$ 4,388	$ 675
Non-farm/non-residential	1,940	—	1,940	97
Construction/land development	423	—	423	21
Agricultural	231	—	231	12
Commercial and industrial	196	—	196	75
Consumer	376	—	376	88
Total impaired loans with a related ALL	7,554	—	7,554	968
Impaired loans for which there is not a related ALL:				
Real estate:				
Residential 1-4 family	1,243	(257)	986	—
Non-farm/non-residential	33,272	(20,782)	12,490	—
Construction/land development	36,816	(25,550)	11,266	—
Agricultural	1,216	(46)	1,170	—
Multifamily residential	232	(133)	99	—
Commercial and industrial	577	(273)	304	—
Consumer	7	(6)	1	—
Other	21	(16)	5	—
Total impaired loans without a related ALL	73,384	(47,063)	26,321	—
Total impaired non-purchased loans	$ 80,938	$ (47,063)	$ 33,875	$ 968

The following table is a summary of the average carrying value of impaired non-purchased loans for the periods indicated.

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	$ 5,690	$ 4,200
Non-farm/non-residential	14,039	3,120
Construction/land development	11,549	1,902
Agricultural	1,125	1,200
Multifamily residential	368	—
Commercial and industrial	1,476	1,740
Consumer	366	453
Other	20	103
Average carrying value of impaired non-purchased loans	$ 34,633	$ 12,718

The following table is a summary of impaired non-purchased loans as of December 31, 2018.

	Principal Balance	Net Charge-offs to Date	Principal Balance, Net of Charge-offs	Specific ALL	Weighted Average Carrying Value
	(Dollars in thousands)				
Impaired loans for which there is a related ALL:					
Real estate:					
Residential 1-4 family	$ 5,138	$ —	$ 5,138	$ 716	$ 3,972
Non-farm/non-residential	970	—	970	24	757
Construction/land development	401	—	401	60	576
Agricultural	—	—	—	—	14
Multifamily residential	538	—	538	81	134
Commercial and industrial	1,345	—	1,345	263	985
Consumer	353	—	353	57	309
Other	—	—	—	—	35
Total impaired loans with a related ALL	8,745	—	8,745	1,201	6,782
Impaired loans for which there is not a related ALL:					
Real estate:					
Residential 1-4 family	1,192	(324)	868	—	930
Non-farm/non-residential	33,425	(20,747)	12,678	—	6,878
Construction/land development	36,559	(25,551)	11,008	—	5,015
Agricultural	883	(35)	848	—	1,058
Multifamily residential	232	(133)	99	—	40
Commercial and industrial	1,208	(100)	1,108	—	695
Consumer	7	(6)	1	—	60
Other	40	(6)	34	—	34
Total impaired loans without a related ALL	73,546	(46,902)	26,644	—	14,710
Total impaired non-purchased loans	$ 82,291	$ (46,902)	$ 35,389	$ 1,201	$21,492

Management has determined that certain of the Bank’s impaired non-purchased loans do not require any specific allowance at March 31, 2019 or at December 31, 2018 because (i) management’s analysis of such individual loans resulted in no impairment or (ii) all identified impairment on such loans had previously been charged off.

Interest income on impaired non-purchased loans is recognized on a cash basis when and if actually collected. Total interest income recognized on impaired non-purchased loans for the three months ended March 31, 2019 and 2018 was not material.

Credit Quality Indicators

Non-Purchased Loans

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

	Satisfactory	Moderate	Watch	Substandard	Total
			(Dollars in thousands)		
March 31, 2019:					
Real estate:					
Residential 1-4 family [(1)]	$ 696,297	$ —	$ 7,850	$ 5,351	$ 709,498
Non-farm/non-residential	2,374,261	818,080	63,560	17,682	3,273,583
Construction/land development	6,009,108	516,921	56,911	11,878	6,594,818
Agricultural	30,222	139,697	5,752	2,322	177,993
Multifamily residential	1,195,104	99,868	2,155	1,078	1,298,205
Commercial and industrial	134,236	555,378	4,178	3,410	697,202
Consumer [(1)]	2,060,866	—	874	369	2,062,109
Other [(1)]	763,822	33,338	56	57	797,273
Total	$13,263,916	$ 2,163,282	$ 141,336	$ 42,147	$15,610,681
December 31, 2018:					
Real estate:					
Residential 1-4 family[(1)]	$ 691,019	$ —	$ 6,831	$ 5,347	$ 703,197
Non-farm/non-residential	2,422,985	805,483	61,480	17,046	3,306,994
Construction/land development	5,888,359	456,265	54,980	12,027	6,411,631
Agricultural	31,883	121,903	6,116	1,878	161,780
Multifamily residential	951,082	96,465	1,811	1,629	1,050,987
Commercial and industrial	326,951	436,832	3,823	4,864	772,470
Consumer[(1)]	1,934,567	—	873	152	1,935,592
Other[(1)]	692,828	38,198	26	88	731,140
Total	$12,939,674	$ 1,955,146	$ 135,940	$ 43,031	$15,073,791

(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) satisfactory – if they are performing and less than 30 days past due, (ii) watch – 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 used by the Bank.

Satisfactory – Loans in this category are considered to be a satisfactory credit risk and are generally considered to be collectible in full.

Moderate – Loans in this category are considered to be a marginally satisfactory credit risk and are generally considered to be collectible in full.

Watch – Loans in this category are presently protected from apparent loss; however, weaknesses exist which could cause future impairment of repayment of principal or interest.

Substandard – Loans in this category are characterized by deterioration in quality exhibited by a number of weaknesses requiring corrective action and posing risk of some loss.

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

	30-89 Days Past Due [(1)]	90 Days or More [(2)]	Total Past Due	Current[(3)]	Total
			(Dollars in thousands)		
March 31, 2019:					
Real estate:					
Residential 1-4 family	$ 8,456	$ 2,904	$ 11,360	$ 698,138	$ 709,498
Non-farm/non-residential	2,353	12,682	15,035	3,258,548	3,273,583
Construction/land development	1,137	12,268	13,405	6,581,413	6,594,818
Agricultural	811	373	1,184	176,809	177,993
Multifamily residential	—	99	99	1,298,106	1,298,205
Commercial and industrial	1,127	299	1,426	695,776	697,202
Consumer	920	253	1,173	2,060,936	2,062,109
Other	30	5	35	797,238	797,273
Total	$ 14,834	$ 28,883	$ 43,717	$15,566,964	$15,610,681
December 31, 2018:					
Real estate:					
Residential 1-4 family	$ 7,720	$ 3,209	$ 10,929	$ 692,268	$ 703,197
Non-farm/non-residential	3,127	11,574	14,701	3,292,293	3,306,994
Construction/land development	621	11,409	12,030	6,399,601	6,411,631
Agricultural	122	27	149	161,631	161,780
Multifamily residential	538	99	637	1,050,350	1,050,987
Commercial and industrial	1,453	1,718	3,171	769,299	772,470
Consumer	916	109	1,025	1,934,567	1,935,592
Other	—	35	35	731,105	731,140
Total	$ 14,497	$ 28,180	$ 42,677	$15,031,114	$15,073,791

(1) Includes $1.3 million at March 31, 2019 and $2.2 million at December 31, 2018 of loans on nonaccrual status.
(2) All loans greater than 90 days past due were on nonaccrual status at March 31, 2019 and December 31, 2018.
(3) Includes $4.2 million and $4.4 million of loans on nonaccrual status at March 31, 2019 and December 31, 2018, respectively.

Purchased Loans

As provided for under GAAP, management has up to 12 months following the date of an acquisition to finalize the fair values of acquired assets and assumed liabilities, including purchased loans. Once management has finalized the fair values of acquired assets and assumed liabilities within this 12-month period, management considers such values to be the day 1 fair values ("Day 1 Fair Values").

As of March 31, 2019, the Bank had identified purchased loans where it had determined it was probable that the Bank would be unable to collect all amounts according to the contractual terms thereof (for purchased loans without evidence of credit deterioration at date of acquisition) or the expected performance of such loans had deteriorated from management's performance expectations established in conjunction with the determination of the Day 1 Fair Values or since management's most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). At March 31, 2019, the Bank had $16.7 million of impaired purchased loans compared to $7.8 million at December 31, 2018.

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

	Purchased Loans Without Evidence of Credit Deterioration at Date of Acquisition					Purchased Loans With Evidence of Credit Deterioration at Date of Acquisition		Total Purchased Loans
	FV 33	FV 44	FV 55	FV 36	FV 77	FV 66	FV 88	
				(Dollars in thousands)				
March 31, 2019:								
Real estate:								
Residential 1-4 family	$ 46,447	$ 170,274	$ 39,860	$27,705	$ 569	$ 34,193	$ 1,516	$ 320,564
Non-farm/non-residential	102,516	578,924	164,839	1,336	10,830	62,023	2,395	922,863
Construction/land development	33,945	80,399	5,326	524	1,018	3,890	20	125,122
Agricultural	88	908	288	46	—	1,330	—	2,660
Multifamily residential	13,758	41,094	2,765	521	—	1,547	—	59,685
Commercial and industrial	7,762	34,038	3,165	150	12	6,137	—	51,264
Consumer	170,036	178,875	28,149	367	335	20	—	377,782
Other	3,680	1,016	78	—	—	1	—	4,775
Total	$378,232	$1,085,528	$244,470	$30,649	$12,764	$109,141	$ 3,931	$1,864,715
December 31, 2018:								
Real estate:								
Residential 1-4 family	$ 49,105	$ 181,169	$ 47,573	$30,511	$ 489	$ 35,525	$ 1,891	$ 346,263
Non-farm/non-residential	117,578	641,182	174,063	1,450	1,759	73,342	3,020	1,012,394
Construction/land development	37,630	101,478	6,373	650	280	4,122	21	150,554
Agricultural	96	1,092	665	48	—	1,407	—	3,308
Multifamily residential	13,898	46,120	2,785	524	—	1,712	—	65,039
Commercial and industrial	8,393	32,542	3,374	220	18	6,353	47	50,947
Consumer	184,635	193,390	31,408	443	276	119	—	410,271
Other	3,893	1,061	211	—	—	91	—	5,256
Total	$415,228	$1,198,034	$266,452	$33,846	$ 2,822	$122,671	$ 4,979	$2,044,032

The following grades are used for purchased loans without evidence of credit deterioration at the date of acquisition.

FV 33 – Loans in this category are considered to be satisfactory with minimal credit risk and are generally considered collectible.

FV 44 – Loans in this category are considered to be marginally satisfactory with minimal to moderate credit risk and are generally considered collectible.

FV 55 – Loans in this category exhibit weakness and are considered to have elevated credit risk and elevated risk of repayment.

FV 36 – Loans in this category were not individually reviewed at the date of purchase and are assumed to have characteristics similar to the characteristics of the aggregate acquired portfolio.

FV 77 – Loans in this category have deteriorated since the date of purchase and are considered impaired.

The following grades are used for purchased loans with evidence of credit deterioration at the date of acquisition.

FV 66 – Loans in this category are performing in accordance with or exceeding management's performance expectations established in conjunction with the determination of Day 1 Fair Values.

FV 88 – Loans in this category have deteriorated from management's performance expectations established in conjunction with the determination of Day 1 Fair Values.

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

	30-89 Days Past Due	90 Days or More	Total Past Due	Current	Total Purchased Loans
			(Dollars in thousands)		
March 31, 2019:					
Real estate:					
Residential 1-4 family	$ 6,552	$ 4,630	$ 11,182	$ 309,382	$ 320,564
Non-farm/non-residential	9,810	21,802	31,612	891,251	922,863
Construction/land development	423	956	1,379	123,743	125,122
Agricultural	—	202	202	2,458	2,660
Multifamily residential	—	—	—	59,685	59,685
Commercial and industrial	366	738	1,104	50,160	51,264
Consumer	2,415	588	3,003	374,779	377,782
Other	—	—	—	4,775	4,775
Total	$ 19,566	$ 28,916	$ 48,482	$ 1,816,233	$ 1,864,715
Purchased loans without evidence of credit deterioration at date of acquisition	$ 14,478	$ 20,308	$ 34,786	$ 1,716,857	$ 1,751,643
Purchased loans with evidence of credit deterioration at date of acquisition	5,088	8,608	13,696	99,376	113,072
Total	$ 19,566	$ 28,916	$ 48,482	$ 1,816,233	$ 1,864,715
December 31, 2018:					
Real estate:					
Residential 1-4 family	$ 8,950	$ 2,818	$ 11,768	$ 334,495	$ 346,263
Non-farm/non-residential	17,243	14,015	31,258	981,136	1,012,394
Construction/land development	346	1,179	1,525	149,029	150,554
Agricultural	—	204	204	3,104	3,308
Multifamily residential	—	—	—	65,039	65,039
Commercial and industrial	527	785	1,312	49,635	50,947
Consumer	2,828	644	3,472	406,799	410,271
Other	—	—	—	5,256	5,256
Total	$ 29,894	$ 19,645	$ 49,539	$ 1,994,493	$ 2,044,032
Purchased loans without evidence of credit deterioration at date of acquisition	$ 25,304	$ 10,165	$ 35,469	$ 1,880,913	$ 1,916,382
Purchased loans with evidence of credit deterioration at date of acquisition	4,590	9,480	14,070	113,580	127,650
Total	$ 29,894	$ 19,645	$ 49,539	$ 1,994,493	$ 2,044,032

6. Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *"Leases (Topic 842)"* which required lessees to recognize on the lessee's balance sheet a right-of-use asset and lease liability related to their leasing agreements. The Bank adopted ASU 2016-02 effective January 1, 2019 and, as a result, recorded an operating lease right-of-use asset and operating lease liability of $59.6 million at adoption. The Bank's right-of-use asset is included in premises and equipment, net and the Bank's lease liability is included in accrued interest payable and other liabilities on the Bank's consolidated balance sheets. At March 31, 2019, the Bank's leases were comprised primarily of building and ground leases associated with certain of its branch locations or loan production offices. A portion of the Bank's leases are tied to the consumer price index and rent escalations associated with these leases are measured on a periodic basis. The majority of the Bank's lease agreements do not contain residual value guarantees of restricted covenants. In addition, many of the Bank's ground leases contain renewal options. The Bank is

reasonably certain that such options will be exercised; thus, the Bank has included the effects of extending these ground leases in the determination of the lease term.

ASU 2016-02 also requires that lessees evaluate other contracts to determine whether any embedded leases are included in such contracts. In evaluating such contracts for potential embedded leases, the Bank considered whether a contract contained an identified asset, did the Bank have the right to obtain substantially all of the economic benefits from the use of the identified asset, and did the Bank have the right to direct how and for what purposes the identified asset is used.

For the three month period ended March 31, 2019, the Bank incurred $2.6 million in operating cost that is included in net occupancy and equipment expense in the Bank's consolidated statements of income. The Bank's variable lease costs were not material for the three months ended March 31, 2019. At March 31, 2019, the Bank's weighted average remaining life for its right-of-use lease assets and weighted average interest rate for its lease liability were 16.9 years and 3.6%, respectively.

For leases whose term is less than one year, the Bank elected to apply the short-term measurement and recognition exception provided under Topic 842. Additionally, the Bank elected certain transition relief provisions whereby the Bank did not reassess (i) whether any expired or existing contract is a lease or contains a lease, (ii) the lease classification of any expired or existing lease, and (iii) initial direct costs for any existing leases. Also, the Bank elected not to restate previous periods as a result of adoption.

7. Goodwill and Intangible Assets

Goodwill and intangible assets consist of goodwill, bank charter costs, core deposit and intellectual property intangibles. Goodwill represents the excess purchase price over the fair value of net assets acquired in business acquisitions. The Bank had goodwill of $660.8 million at both March 31, 2019 and December 31, 2018. The Bank performed its annual impairment test of goodwill as of September 30, 2018. This test indicated no impairment of the Bank's goodwill. Subsequent to the Bank's September 30, 2018 annual impairment test, the Bank experienced a decline in market capitalization as a result of a decline in the share price of the Bank's common stock. As a result, the Bank performed an additional goodwill impairment test as of March 31, 2019. The March 31, 2019 impairment test included various valuation considerations including comparable peer data, precedent transaction comparables, overall Bank financial performance, share price of the Bank's common stock and other factors. The March 31, 2019 impairment test indicated no impairment of goodwill.

8. Supplemental Data for Cash Flows

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

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Cash paid (received) during the period for:		
Interest	$ 69,984	$ 42,603
Taxes	(4,613)	3,241
Supplemental schedule of non-cash investing and financing activities:		
Net change in unrealized gains/losses on investment securities AFS	37,420	36,990
Loans transferred to foreclosed assets	1,869	2,069
Unsettled loan purchases	—	24,000
Unsettled AFS security purchases	—	3,104

9. 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, 2019 was $11.7 million. The Bank holds collateral to support guarantees when deemed necessary. Collateralized commitments at March 31, 2019 totaled $9.7 million.

At March 31, 2019, the Bank had outstanding commitments totaling $11.54 billion to extend credit, consisting primarily of loans closed but not yet funded. These commitments may or may not fund in whole or part prior to maturity; however, such funding is subject to a number of factors, including, among others, economic conditions, real estate market conditions and competitive factors.

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

Contractual Maturities at March 31, 2019

Maturity		Amount
(Dollars in thousands)		
2019	$	860,126
2020		3,087,533
2021		4,165,627
2022		2,180,569
2023		570,973
Thereafter		679,390
Total	$	11,544,218

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 Bank is a party as both plaintiff and defendant to various claims arising in the ordinary course of business, including administrative and/or legal proceedings that may include employment-related claims as well as claims of lender liability, breach of contract, and other similar lending-related claims encountered on a routine basis. 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.

10. Stock-Based Compensation

The Bank has a nonqualified stock option plan for certain employees and officers of the Bank. This plan provides for the granting of nonqualified options to purchase shares of common stock in the Bank. No option may be granted under this plan for less than the fair market value of the common stock, defined by the plan as the average of the highest reported asked price and the lowest reported bid price, on the date of the grant. The benefits or amounts that may be received by or allocated to any particular officer or employee of the Bank or any subsidiary under this plan are determined in the sole discretion of the Bank's board of directors or its personnel and compensation committee. All employee options outstanding at March 31, 2019 were issued with a vesting date three years after issuance and an expiration date seven years after issuance. All shares issued in connection with options exercised under the employee nonqualified stock option plan were in the form of newly issued shares. At March 31, 2019, there were 417,166 shares available for future grants under this plan.

The Bank previously had a nonqualified stock option plan for non-employee directors. No options were granted under this plan during the three months ended March 31, 2019 or 2018. All options previously granted under this plan were exercisable immediately and expire ten years after issuance.

The following table summarizes stock option activity for both the employee and non-employee director stock option plans 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, 2019:				
Outstanding – January 1, 2019	1,877,123	$ 46.68		
Granted	280,558	31.66		
Exercised	(29,300)	13.27		
Forfeited	(43,797)	48.91		
Outstanding – March 31, 2019	2,084,584	45.08	4.7	$ 1.2 (1)
Fully vested and exercisable – March 31, 2019	833,776	$ 42.12	3.2	$ 1.2 (1)

(1) Based on closing price of $28.98 per share on March 29, 2019.

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 was $0.5 million and $5.0 million during the three months ended March 31, 2019 and 2018, respectively.

Options to purchase 280,558 shares were granted during the three months ended March 31, 2019 with a weighted-average grant date fair value of $7.72. The fair value for each option grant is estimated on the date of the grant using the Black-Scholes option pricing model. The following table is a summary of the weighted-average assumptions used in the Black-Sholes option pricing model for stock options granted during the period indicated.

	Three Months Ended March 31, 2019
Risk-free interest rate	2.58%
Expected dividend yield	3.10%
Expected stock volatility	33.7%
Expected life (years)	5.0

The Bank uses the U.S. Treasury yield curve in effect at the time of the grant to determine the risk-free interest rate. The expected dividend yield is estimated using the current annual dividend level and recent stock price of the Bank's common stock at the date of grant. Expected stock volatility is based on historical volatilities of the Bank's common stock. The expected life of the options is calculated based on the "simplified" method as provided for under Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 110.

Stock-based compensation expense for stock options included in non-interest expense was $0.8 million and $1.5 million for the three months ended March 31, 2019 and 2018, respectively. Total unrecognized compensation cost related to non-vested stock option grants was $7.5 million at March 31, 2019 and is expected to be recognized over a weighted-average period of 1.8 years.

The Bank has a restricted stock and incentive plan (the "Employee Plan") that permits issuance of up to 2,400,000 shares of restricted stock, restricted stock units or performance awards. All officers and employees of the Bank are eligible to receive awards under the Employee Plan. The benefits or amounts received by or allocated to any particular officer or employee of the Bank, or subsidiary, under the Employee Plan are determined in the sole discretion of the Bank's board of directors or its personnel and compensation committee. Shares of common stock issued under the Employee Plan may be shares of original issuance or shares held in treasury that have been reacquired by the Bank. The Bank issued 383,874 shares of restricted common stock under the Employee Plan during the three months ended March 31, 2019. At March 31, 2019 there were 533,089 shares available for future grants under this plan. The vesting period for all restricted stock awards granted under the plan shall be not less than three years from the date of grant, subject to limited exceptions.

The Bank has a Non-Employee Director Stock Plan (the "Director Plan") that provides for stock awards to eligible non-employee directors. Effective May 7, 2018, the Director Plan was amended and restated to change the annual director grant to include a one-year vesting period. Pursuant to the Director Plan, as amended and restated, each non-employee director of the Bank receives a grant for shares of restricted common stock on the day of his or her election, re-election or appointment as director of the Bank. The maximum number of shares of restricted common stock to be awarded per recipient per year is $100,000 worth of shares of restricted common stock. There were no shares issued under the Director Plan during the three months ended March 31, 2019 or 2018. At March 31, 2019 there were 47,818 shares available for future grants under the Director Plan. On May 6, 2019, the Bank's board of directors approved the issuance of restricted stock awards for 22,200 shares of its common stock under the Director Plan.

The following table summarizes non-vested restricted stock activity for the Employee and Director Plans for the period indicated.

	Three Months Ended March 31, 2019
Outstanding – December 31, 2018	543,999
Granted	383,874
Forfeited	(13,953)
Vested	(159,502)
Outstanding – March 31, 2019	754,418
Weighted-average grant date fair value	$ 41.36

Restricted stock awards totaling 383,874 shares with a weighted-average grant date fair value of $31.655 were granted pursuant to the Employee Plan during the three months ended March 31, 2019. 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 $1.6 million and $2.2 million for the three months ended March 31, 2019 and 2018. Unrecognized compensation expense for non-vested restricted stock awards was $18.4 million at March 31, 2019 and is expected to be recognized over a weighted-average period of 2.3 years.

On January 23, 2019, pursuant to the Employee Plan, the Bank's personnel and compensation committee awarded its executive officers an aggregate of 170,003 performance-based restricted stock units (PSUs"), based on target performance, with each PSU representing the right to receive one share of common stock at a future date. 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 common 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, 2019 (for the TSR component) and compared to the Bank's 2018 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. 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.

Compensation expense for PSU awards included in non-interest expense was $0.3 million for the three months ended March 31, 2019. Unrecognized compensation expense for non-vested PSU awards was $5.1 million at March 31, 2019 and is expected to be recognized over a weighted-average period of 2.8 years.

11. 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. The Bank had no material liabilities that were accounted for at fair value at March 31, 2019 or December 31, 2018.

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, as of the dates indicated, that are accounted for at fair value.

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
March 31, 2019:				
Investment securities AFS :				
Mortgage-backed securities[1]	$ —	$ 2,117,343	$ —	$ 2,117,343
Obligations of state and political subdivisions	—	594,078	14,730	608,808
U.S. Government agency securities	—	27,078	—	27,078
Corporate obligations	—	15,294	—	15,294
CRA qualified investment fund	1,079	—	—	1,079
Total investment securities AFS	1,079	2,753,793	14,730	2,769,602
Impaired non-purchased loans	—	—	32,907	32,907
Impaired purchased loans	—	—	16,695	16,695
Foreclosed assets	—	—	14,096	14,096
Total assets at fair value	$ 1,079	$ 2,753,793	$ 78,428	$ 2,833,300
December 31, 2018:				
Investment securities AFS:				
Mortgage-backed securities[1]	$ —	$ 2,212,546	$ —	$ 2,212,546
Obligations of state and political subdivisions	—	591,380	15,236	606,616
U.S. Government agency securities	—	26,936	—	26,936
Corporate obligations	—	15,183	—	15,183
CRA qualified investment fund	1,059	—	—	1,059
Total investment securities AFS	1,059	2,846,045	15,236	2,862,340
Impaired non-purchased loans	—	—	34,188	34,188
Impaired purchased loans	—	—	7,801	7,801
Foreclosed assets	—	—	16,171	16,171
Total assets at fair value	$ 1,059	$ 2,846,045	$ 73,396	$ 2,920,500

(1) These mortgage-backed securities were issued by U.S. Government agencies.

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, 2019	Technique	Unobservable Inputs
	(Dollars in thousands)		
Impaired non-purchased loans	$ 32,907	Third party appraisal [1] or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Life of loan
Impaired purchased loans	$ 16,695	Third party appraisal [1] and/or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Life of loan
Foreclosed assets	$ 14,096	Third party appraisal, [1] broker price opinions and/or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Discount rate 3. Holding period

(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, 2019. 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 $14.7 million at March 31, 2019 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 services for comparable unrated municipal securities or (ii) par value. At March 31, 2019, the third parties' pricing matrices valued the Bank's portfolio of private placement bonds at $14.7 million, which was approximately the same as the aggregate par value of the private placement bonds. Accordingly, at March 31, 2019, the Bank reported the private placement bonds at $14.7 million.

Impaired non-purchased loans – Fair values are measured on a non-recurring basis and are based on the underlying collateral value of the impaired loan, reduced for holding and selling costs, or the estimated discounted cash flows for such loan. At March 31, 2019 the Bank had reduced the carrying value of its impaired non-purchased loans (all of which are included in nonaccrual loans) by $48.0 million to the estimated fair value of $32.9 million. The $48.0 million adjustment to reduce the carrying value of such impaired loans to estimated fair value consisted of $47.1 million of partial charge-offs and $0.9 million of specific allowance allocations for loan losses.

Impaired purchased loans – Impaired purchased loans are measured at fair value on a non-recurring basis. As of March 31, 2019, the Bank had identified purchased loans where current information indicates it is probable that (i) the Bank will not be able to collect all amounts according to the contractual terms thereof (for purchased loans without evidence of credit deterioration at date of acquisition) or (ii) the expected performance of such loans had deteriorated from management's performance expectations established in conjunction with the determination of the Day 1 Fair Values or since management's most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). At March 31, 2019, the Bank had $16.7 million of impaired purchased loans.

Foreclosed assets – Repossessed personal properties and real estate acquired through or in lieu of foreclosure, excluding purchased foreclosed assets, are measured on a non-recurring basis and are initially recorded at fair value less estimated cost to sell at the date of repossession or foreclosure. Purchased foreclosed assets are initially recorded at Day 1 Fair Values. Valuations of these assets are periodically reviewed by management with the carrying value of such assets adjusted through non-interest expense to the then estimated fair value net of estimated selling costs, if lower, until disposition. At March 31, 2019, the Bank had $14.1 million of foreclosed assets.

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

	Investment Securities AFS
	(Dollars in thousands)
Balance – December 31, 2018	$ 15,236
Total realized gains (losses) included in earnings	—
Total unrealized gains (losses) included in comprehensive income	207
Paydowns and maturities	(713)
Sales	—
Transfers in and/or out of Level 3	—
Balance – March 31, 2019	$ 14,730
Balance – December 31, 2017	$ 16,425
Total realized gains (losses) included in earnings	—
Total unrealized gains (losses) included in comprehensive income	(171)
Paydowns and maturities	(607)
Sales	—
Transfers in and/or out of Level 3	—
Balance – March 31, 2018	$ 15,647

12. 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 these 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, 2019 or December 31, 2018.

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 the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

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

	Fair Value Hierarchy	March 31, 2019 Carrying Amount	March 31, 2019 Estimated Fair Value	December 31, 2018 Carrying Amount	December 31, 2018 Estimated Fair Value
		(Dollars in thousands)			
Financial assets:					
Cash and cash equivalents	Level 1	$ 607,698	$ 607,698	$ 290,672	$ 290,672
Investment securities AFS	Levels 1, 2 and 3	2,769,602	2,769,602	2,862,340	2,862,340
Loans, net of ALL	Level 3	17,369,442	17,302,067	17,015,559	16,735,923
Financial liabilities:					
Demand, savings and interest bearing transaction deposits	Level 1	$ 12,740,200	$ 12,740,200	$12,430,986	$ 12,430,986
Time deposits	Level 2	5,736,668	5,769,859	5,507,429	5,532,908
Repurchase agreements with customers	Level 1	25,517	25,517	20,564	20,564
Other borrowings	Level 2	1,489	1,496	96,692	96,686
Subordinated notes	Level 2	223,375	220,486	223,281	217,571
Subordinated debentures	Level 2	119,496	107,057	119,358	107,712

13. Repurchase Agreements With Customers

At March 31, 2019 and December 31, 2018, securities sold under agreements to repurchase ("repurchase agreements") totaled $25.5 million and $20.6 million, respectively. Securities utilized as collateral for repurchase agreements are primarily U.S. Government agency securities and are maintained by the Bank's safekeeping agents. These securities are reviewed by the Bank on a daily basis, and the Bank may be required to provide additional collateral due to changes in the fair market value of these securities. The terms of the Bank's repurchase agreements are continuous but may be cancelled at any time by the Bank or the customer.

14. Changes In and Reclassifications From Accumulated Other Comprehensive Loss ("AOCI")

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(Dollars in thousands)	
Beginning balance of AOCI – unrealized gains and losses on investment securities AFS	$ (34,105)	$ (12,712)
Other comprehensive income (loss):		
Unrealized gains and losses on investment securities AFS	37,420	(36,990)
Tax effect of unrealized gains and losses on investment securities AFS	(8,991)	8,794
Amounts reclassified from AOCI	—	—
Tax effect of amounts reclassified from AOCI	—	—
Total other comprehensive income (loss)	28,429	(28,196)
Ending balance of AOCI – unrealized gains and losses on investment securities AFS	$ (5,676)	$ (40,908)

15. Other Operating Expenses

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(Dollars in thousands)	
Professional and outside services	$ 8,564	$ 8,705
Software and data processing	4,709	3,340
Deposit insurance and assessments	3,652	3,562
Telecommunication services	3,344	3,197
Travel and meals	2,669	2,153
Postage and supplies	2,103	2,195
Advertising and public relations	1,683	1,331
ATM expense	987	1,363
Loan collection and repossession expense	984	790
Writedowns of foreclosed and other assets	562	151
Amortization of intangibles	3,145	3,145
Other	4,658	4,229
Total other operating expense	$ 37,060	$ 34,161

16. Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *"Leases (Topic 842)*." ASU 2016-02 requires lessees to recognize a right-of-use asset and a lease liability on their balance sheet. The Bank adopted the provisions of ASU 2016-02 as of January 1, 2019. See Note 6 for additional disclosure related to the adoption of ASU 2016-02.

In June 2016, FASB issued ASU 2016-13 *"Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* which significantly revises the guidance related to impairment of financial instruments. The new guidance replaces the current incurred loss model that is utilized in estimating the ALL with a model that requires management to estimate all contractual cash flows that are not expected to be collected over the life of the loan. This revised model is what FASB describes as the current expected credit loss ("CECL") model, and FASB believes the CECL model will result in more timely recognition of credit losses since the CECL model incorporates expected credit losses versus incurred credit losses. The scope of ASU 2016-13 includes loans, including purchased loans with credit deterioration, available-for-sale debt instruments, lease receivables, loan commitments and financial guarantees that are not accounted for at fair value. ASU 2016-13 is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted for interim and annual periods beginning after December 15, 2018. The Bank engaged outside third parties to assist with data analysis, model development and implementation. In addition, the Bank has formed a cross-functional advisory council comprised of individuals from credit, corporate finance, risk management and other disciplines. While much of the Bank's data analysis has been completed and the Bank has acquired and begun implementation and validation of the various models necessary to comply with ASU 2016-13, the Bank is currently unable to quantify the effect that ASU 2016-13 will have on its financial position, results of operations, and its financial statement disclosures.

In January 2017, FASB issued ASU 2017-04 *"Intangibles-Goodwill and Other (Topic 350)"* which amends the requirement that entities compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test. As a result, entities should perform their annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment if the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 is effective for annual periods beginning after December 15, 2019. The Bank currently expects the adoption of ASU 2017-04 will not have a significant effect on its annual goodwill impairment test or its financial position or results of operations.

In March 2017, FASB issued ASU 2017-08 *"Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20)"* which amends the accounting for the amortization of premiums for certain purchased callable debt securities by shortening the amortization period to the earliest call date. ASU 2017-08 is effective for interim and annual periods beginning after December 15, 2019. The Bank is evaluating the effect that ASU 2017-08 may have, if any, on its financial position or results of operations.

In August 2018, FASB issued ASU 2018-13 *"Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement."* ASU 2018-13 modifies various disclosure requirements on fair value measurements in Topic 820. These modifications include, but are not limited to, the removal of the requirement to disclose the reasons for and amounts of transfers between Level 1 and Level 2 assets and liabilities, and certain other disclosures that are no longer considered cost beneficial. In addition, ASU 2018-13 requires additional disclosures related to certain Level 3 unobservable inputs as well as disclosures related to changes in unrealized gains and losses for Level 3 assets and liabilities. ASU 2018-13 is effective for

interim and annual periods beginning after December 15, 2019. The Bank is evaluating the effect that ASU-2018-13 may have, if any, on its financial statement disclosures.

In August 2018, FASB issued ASU 2018-15 *"Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract."* ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. ASU 2018-15 is effective for interim and annual periods beginning after December 15, 2019. The Bank is evaluating the affect that ASU 2018-15 may have, if any, on its 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 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, other income from purchased loans, 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 loan 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; the effect of the announcement of any future acquisition on customer relationships and operating results; plans for opening new offices or relocating 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 need to issue debt or equity securities and other similar forecasts and statements of expectation. 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 or closing existing offices; the ability to enter into and/or close additional acquisitions; problems with, or additional expenses relating to, integrating acquisitions; the inability to realize expected cost savings and/or synergies from acquisitions; problems with managing acquisitions; the effect of the announcement of any future acquisition on customer relationships and operating results; 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; 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; 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; 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, 2018. 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, 2019 and 2018 and supplemental unaudited quarterly financial data for each of the most recent eight quarters beginning with the second quarter of 2017 through the first quarter of 2019. 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 calculations of our tangible book value per common share and our annualized returns on average tangible common stockholders' equity and the reconciliations to generally accepted accounting principles ("GAAP") are included in this MD&A under "Capital Resources and Liquidity" in this quarterly report on Form 10-Q.

Selected Consolidated Financial Data – Unaudited

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands, except per share amounts)	
Income statement data:		
Interest income	$ 295,243	$ 257,492
Interest expense	69,355	39,716
Net interest income	225,888	217,776
Provision for loan losses	6,681	5,567
Non-interest income	24,072	28,707
Non-interest expense	96,678	93,810
Net income available to common stockholders	110,706	113,144
Common share and per common share data:		
Earnings – diluted	$ 0.86	$ 0.88
Book value	30.11	27.42
Tangible book value	24.73	21.93
Cash dividends per share	0.22	0.19
Weighted-average diluted shares outstanding (thousands)	128,964	128,762
End of period shares outstanding (thousands)	128,948	128,612
Balance sheet data at period end:		
Total assets	$ 23,005,652	$ 22,039,439
Total loans	17,475,396	16,609,096
Non-purchased loans	15,610,681	13,674,561
Purchased loans	1,864,715	2,934,535
Allowance for loan losses	105,954	98,097
Foreclosed assets	14,096	21,931
Investment securities	2,781,691	2,612,961
Goodwill and other intangible assets	693,316	705,896
Deposits	18,476,868	17,833,672
Repurchase agreements with customers	25,517	149,075
Other borrowings	1,489	1,942
Subordinated notes	223,375	222,993
Subordinated debentures	119,496	118,938
Unfunded balance of closed loans	11,544,218	12,551,032
Total common stockholders' equity	3,882,643	3,526,605
Loan (including purchased loans) to deposit ratio	94.58%	93.13%
Average balance sheet data:		
Total average assets	$ 22,556,365	$ 21,280,848
Total average common stockholders' equity	3,813,979	3,484,297
Average common equity to average assets	16.91%	16.37%
Performance ratios:		
Return on average assets[(1)]	1.99%	2.16%
Return on average common stockholders' equity[(1)]	11.77	13.17
Return on average tangible common stockholders' equity[(1)]	14.40	16.53
Net interest margin – FTE[(1)]	4.53	4.69
Efficiency ratio	38.49	37.88
Common stock dividend payout ratio	25.54	21.57
Asset Quality ratios:		
Net charge-offs to average non-purchased loans[(1)(2)]	0.05%	0.04%
Net charge-offs to average total loans[(1)]	0.07	0.04
Nonperforming loans to total loans[(3)]	0.22	0.09
Nonperforming assets to total assets[(3)]	0.21	0.16
Allowance for loan losses as a percentage of:		
Total non-purchased loans[(4)]	0.67%	0.71%
Nonperforming loans[(4)]	308%	774%
Capital ratios at period end:		
Common equity tier 1	12.66%	11.37%
Tier 1 risk based capital	12.66	11.37
Total risk based capital	14.45	13.13
Tier 1 leverage	14.52	13.80

(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 purchased loans and any allowance for such loans.

Supplemental Quarterly Financial Data – Unaudited

(Dollars in thousands, except per share amounts)

	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
Earnings Summary:								
Net interest income	$ 202,105	$ 209,722	$ 214,831	$ 217,776	$ 224,661	$ 220,614	$ 228,382	$ 225,888
Federal tax (FTE) adjustment	3,396	3,014	2,450	1,166	1,151	1,132	1,219	1,207
Net interest income (FTE)	205,501	212,736	217,281	218,942	225,812	221,746	229,601	227,095
Provision for loan losses	(6,103)	(7,777)	(9,279)	(5,567)	(9,610)	(41,949)	(7,271)	(6,681)
Non-interest income	31,840	32,747	30,213	28,707	27,386	24,121	27,560	24,072
Non-interest expense	(83,828)	(84,399)	(86,177)	(93,810)	(89,107)	(102,942)	(94,893)	(96,678)
Pretax income (FTE)	147,410	153,307	152,038	148,272	154,481	100,976	154,997	147,808
FTE adjustment	(3,396)	(3,014)	(2,450)	(1,166)	(1,151)	(1,132)	(1,219)	(1,207)
Provision for income taxes	(53,488)	(54,246)	(3,434)	(33,973)	(38,589)	(25,665)	(38,750)	(35,889)
Noncontrolling interest	6	(40)	10	11	10	1	3	(6)
Net income available to common stockholders	$ 90,532	$ 96,007	$ 146,164	$ 113,144	$ 114,751	$ 74,180	$ 115,031	$ 110,706
Earnings per common share – diluted	$ 0.73	$ 0.75	$ 1.14	$ 0.88	$ 0.89	$ 0.58	$ 0.89	$ 0.86
Non-interest Income:								
Service charges on deposit accounts	$ 11,764	$ 9,729	$ 10,058	$ 9,525	$ 9,704	$ 9,730	$ 10,585	$ 9,722
Trust income	1,577	1,755	1,729	1,793	1,591	1,730	1,821	1,730
BOLI income	4,594	4,453	5,166	7,580	5,259	5,321	5,751	5,162
Other income from purchased loans	4,777	2,933	2,009	1,251	2,744	1,418	2,370	795
Loan service, maintenance and other fees	3,427	5,274	4,289	4,743	5,641	4,724	5,245	4,874
Net gains on investment securities	404	2,429	1,201	17	—	—	—	—
Gains (losses) on sales of other assets	672	1,363	1,899	1,426	844	(518)	465	284
Other	4,625	4,811	3,862	2,372	1,603	1,716	1,323	1,505
Total non-interest income	$ 31,840	$ 32,747	$ 30,213	$ 28,707	$ 27,386	$ 24,121	$ 27,560	$ 24,072
Non-interest Expense:								
Salaries and employee benefits	$ 39,892	$ 35,331	$ 38,417	$ 45,499	$ 41,665	$ 41,477	$ 41,837	$ 44,868
Net occupancy expense	12,937	13,595	13,474	14,150	13,827	14,358	14,027	14,750
Other operating expenses	30,999	35,473	34,286	34,161	33,615	47,107	39,029	37,060
Total non-interest expense	$ 83,828	$ 84,399	$ 86,177	$ 93,810	$ 89,107	$ 102,942	$ 94,893	$ 96,678
Balance Sheet Data:								
Total assets	$20,064,589	$20,768,493	$21,275,647	$22,039,439	$22,220,380	$22,086,539	$22,388,030	$23,005,652
Non-purchased loans	11,025,203	12,047,094	12,733,937	13,674,561	14,183,533	14,440,623	15,073,791	15,610,681
Purchased loans	4,159,139	3,731,536	3,309,092	2,934,535	2,580,341	2,285,168	2,044,032	1,864,715
Investment securities	2,101,751	1,975,102	2,622,796	2,612,961	2,617,859	2,706,156	2,888,281	2,781,691
Deposits	16,241,440	16,823,359	17,192,345	17,833,672	17,897,085	17,822,915	17,938,415	18,476,868
Unfunded balance of closed loans	11,883,679	12,519,839	13,192,439	12,551,032	11,999,661	11,891,247	11,364,975	11,544,218
Common stockholders' equity	3,260,123	3,334,740	3,460,728	3,526,605	3,613,903	3,653,596	3,770,330	3,882,643
Allowance for Loan Losses:								
Balance at beginning of period	$ 78,224	$ 82,320	$ 86,784	$ 94,120	$ 98,097	$ 104,638	$ 98,200	$ 102,264
Net charge-offs	(2,007)	(3,313)	(1,943)	(1,590)	(3,069)	(48,387)	(3,207)	(2,991)
Provision for loan losses	6,103	7,777	9,279	5,567	9,610	41,949	7,271	6,681
Balance at end of period	$ 82,320	$ 86,784	$ 94,120	$ 98,097	$ 104,638	$ 98,200	$ 102,264	$ 105,954
Selected Ratios:								
Net interest margin – FTE[1]	4.99%	4.84%	4.72%	4.69%	4.66%	4.47%	4.55%	4.53%
Efficiency ratio	35.32	34.38	34.82	37.88	35.19	41.87	36.90	38.49
Net charge-offs to average non-purchased loans[1] [2]	0.03	0.08	0.08	0.04	0.05	1.32	0.06	0.05
Net charge-offs to average total loans[1]	0.05	0.09	0.05	0.04	0.07	1.14	0.07	0.07
Nonperforming loans to total loans[3]	0.11	0.11	0.10	0.09	0.10	0.23	0.23	0.22
Nonperforming assets to total assets[3]	0.23	0.20	0.18	0.16	0.15	0.23	0.23	0.21
Allowance for loan losses to total non-purchased loans[4]	0.73	0.71	0.73	0.71	0.73	0.67	0.67	0.67
Loans past due 30 days or more, including past due non-accrual loans, to total loans[3]	0.15	0.12	0.15	0.14	0.12	0.17	0.28	0.28

(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 purchased loans and any allowance for such loans.

OVERVIEW

The following discussion explains our financial condition and results of operations as of and for the three months ended March 31, 2019. 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, 2018. 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, other income from purchased loans, loan service, maintenance and other fees and gains on investment securities and from sales of other assets.

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

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 the (i) provisions to and the adequacy of the allowance for loan losses (“ALL”), (ii) 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 the determination of (i) provisions to and the adequacy of the ALL, (ii) the fair value of our investment securities portfolio, and (iii) accounting for our income taxes to be critical accounting policies. A detailed discussion of each of these critical accounting policies is included in our annual report on Form 10-K for the year ended December 31, 2018. 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, 2018.

ANALYSIS OF RESULTS OF OPERATIONS

General

Net income available to our common stockholders was $110.7 million for the first quarter of 2019, a 2.2% decrease from $113.1 million for the first quarter of 2018. Diluted earnings per common share were $0.86 for the first quarter of 2019, a 2.3% decrease from $0.88 for the first quarter of 2018.

Our annualized return on average assets was 1.99% for the first quarter of 2019 compared to 2.16% for the first quarter of 2018. Our annualized return on average common stockholders’ equity was 11.77% for the first quarter of 2019 compared to 13.17% for the first quarter of 2018. Our annualized return on average tangible common stockholders’ equity was 14.40% for the first quarter of 2019 compared to 16.53% for the first quarter of 2018. 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 Resources and Liquidity” in this MD&A.

Total assets were $23.01 billion at March 31, 2019 compared to $22.39 billion at December 31, 2018. Non-purchased loans were $15.61 billion at March 31, 2019 compared to $15.07 billion at December 31, 2018. Purchased loans were $1.86 billion at March 31, 2019 compared to $2.04 billion at December 31, 2018. Total loans were $17.48 billion at March 31, 2019 compared to $17.12 billion at December 31, 2018. Deposits were $18.48 billion at March 31, 2019 compared to $17.94 billion at December 31, 2018.

Common stockholders’ equity was $3.88 billion at March 31, 2019 compared to $3.77 billion at December 31, 2018. Tangible common stockholders’ equity was $3.19 billion at March 31, 2019 compared to $3.07 billion at December 31, 2018. Book value per common share was $30.11 at March 31, 2019 compared to $29.32 at December 31, 2018. Tangible book value per common share was $24.73 at March 31, 2019 compared to $23.90 at December 31, 2018. 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 Resources and Liquidity” 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 of average earning assets; our mix of average earning assets between non-purchased loans, purchased loans and investment securities; our volume and mix of deposits; our net interest margin; our core spread, which is how we describe the differences 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 a 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 $1.2 million for both the three months ended March 31, 2019 and 2018. 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 2019 increased 3.7% to $227.1 million compared to $218.9 million for the first quarter of 2018. The increase in net interest income for the first quarter of 2019 compared to the same period in 2018 was primarily due to the increase in average earning assets, which increased 7.4% to $20.32 billion for the first quarter of 2019 compared to $18.92 billion for the first quarter of 2018, partially offset by a decrease in net interest margin of 16 basis points ("bps").

Our net interest margin for the first quarter of 2019 was 4.53% compared to 4.69% for the first quarter in 2018. This 16 bps decrease was due, in part, to a 70 bps increase in the rate paid on interest bearing liabilities, partially offset by a 38 bps increase in the yield on interest earning assets.

The yield on interest earning assets was 5.92% for the first quarter of 2019 compared to 5.54% for the first quarter of 2018. The yield on our non-purchased loans increased 50 bps to 6.44% for the first quarter of 2019 compared to 5.94% for the first quarter of 2018. This increase was primarily due to (i) increases in London Interbank Offered Rates ("LIBOR") and the federal funds target rate in recent quarters and (ii) elevated levels of prepayment penalties, yield maintenance and/or minimum interest provisions on certain loans that paid off early during the first quarter of 2019. At March 31, 2019, approximately 76% of our non-purchased loans are variable rate and generally reprice with movements in LIBOR or the Wall Street Journal Prime Rate. The yield on our purchased loan portfolio decreased 21 bps to 6.29% for the first quarter of 2019 compared to a 6.50% for the first quarter of 2018. 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, 2019, approximately 42% of our purchased loan portfolio contained loans with variable interest rates. The yield on our aggregate investment securities portfolio increased 25 bps to 2.84% for the first quarter of 2019 compared to 2.59% for the first quarter of 2018. This increase in yield on our aggregate investment securities portfolio was primarily the result of higher yielding taxable securities that were purchased during 2018.

The overall increase in rates on average interest bearing liabilities, which increased 70 bps for the first quarter of 2019 compared to the same period in 2018, was primarily due to an increase in rates on interest bearing deposits, which increased 72 bps for the first quarter of 2019 compared to the same period in 2018. The increase in rates on our interest bearing deposits, the largest component of our interest bearing liabilities, was primarily due to increases in the federal funds target rate and increased competition for deposits. To the extent that deposit competition continues or there are future increases in the federal funds target rate, we could expect to experience further increases in the costs of our interest bearing deposits in future periods. Additionally, the need to grow deposits to fund potential future earning asset growth or to otherwise provide additional on-balance sheet liquidity could result in increased deposit costs in future periods.

Our other borrowing sources include (i) repurchase agreements with customers ("repos"), (ii) other borrowings, comprised primarily of Federal Home Loan Bank of Dallas ("FHLB") advances and, to a lesser extent, federal funds purchased, (iii) subordinated notes and (iv) subordinated debentures. The increase in rates on our other borrowings for the first quarter of 2019 compared to the same period in 2018 was due to increases in the federal funds target rate and increased utilization of short-term FHLB advances, partially off-set by interest capitalized, primarily for our corporate headquarters facility that is currently under construction. 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. The rates paid on our subordinated debentures, which are tied to spreads over the 90-day LIBOR and reset periodically, increased primarily due to increases in LIBOR on the applicable reset dates.

The increase in average earning assets for the first quarter of 2019 compared to the same period in 2018 was primarily due to an increase in the average balances of non-purchased loans and investment securities, partially offset by a decrease in the average balance of purchased loans. Average non-purchased loans increased $2.47 billion, or 19.0%, to $15.48 billion for the first quarter of 2019 compared to the same period in 2018. The increase in the average balance of our non-purchased loans was due primarily to continued

growth in loan fundings, partially offset by continued elevated levels of paydowns. Average investment securities increased $0.21 billion, or 7.9%, to $2.83 billion for the first quarter of 2019 compared to the same period in 2018. The increase in the average balance of investment securities was primarily due to the purchase, during 2018, of approximately $850 million of investment securities. The average balance of our purchased loans decreased $1.23 billion, or 38.8%, for the first quarter of 2019 compared to the same period in 2018. This decrease was due to continued paydown and payoff activity in that portfolio.

The following table sets forth certain information relating to our average balances of assets and liabilities, our net interest income and our core spread for the periods indicated. Average balances 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 available for sale ("AFS") and other-than-temporary impairment writedowns, if any. The yields on investment securities include amortization of premiums and accretion of discounts. The average balance of non-purchased loans includes loans on which we have discontinued accruing interest. The yields on non-purchased loans and purchased loans without evidence of credit deterioration at date of acquisition include late fees, any prepayment penalties, yield maintenance or minimum interest provisions on loan repayments and amortization of certain deferred fees, origination costs, dealer fees (for non-purchased indirect marine and RV loans) and, for such purchased loans, accretion or amortization of any purchase accounting yield adjustment. The yields on purchased loans with evidence of credit deterioration at date of acquisition include accretion of the net present value of expected future cash flows using the effective yield method over the term of the loans and include late fees and any prepayment penalties. Interest expense and rates on our other borrowing sources are presented net of interest capitalized on construction projects and include the amortization of debt issuance costs, if any. Interest expense on subordinated notes includes amortization of debt issuance costs. The interest expense on the subordinated debentures assumed through an acquisition includes the amortization of any purchase accounting adjustments.

Average Consolidated Balance Sheets and Net Interest Analysis – FTE

	Three Months Ended March 31,					
	2019			2018		
	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	$ 67,015	$ 414	2.50%	$ 110,085	$ 498	1.83%
Investment securities:						
Taxable	2,310,770	14,897	2.61	2,062,358	11,431	2.25
Tax-exempt – FTE	515,613	4,903	3.86	556,776	5,265	3.84
Non-purchased loans – FTE	15,482,768	246,041	6.44	13,010,093	190,487	5.94
Purchased loans	1,947,783	30,195	6.29	3,181,740	50,977	6.50
Total earning assets – FTE	20,323,949	296,450	5.92	18,921,052	258,658	5.54
Non-interest earning assets	2,232,416			2,359,796		
Total assets	$22,556,365			$21,280,848		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Deposits:						
Savings and interest bearing transaction	$ 9,531,133	$ 36,103	1.54%	$ 9,857,347	$ 22,570	0.93%
Time deposits of $100 or more	3,170,510	15,555	1.99	3,036,123	8,781	1.17
Other time deposits	2,435,425	11,429	1.90	1,445,948	3,041	0.85
Total interest bearing deposits	15,137,068	63,087	1.69	14,339,418	34,392	0.97
Repurchase agreements with customers	22,192	22	0.40	112,434	159	0.57
Other borrowings [(1)]	269,588	1,389	2.09	165,943	633	1.55
Subordinated notes	223,321	3,146	5.71	222,947	3,146	5.72
Subordinated debentures	119,412	1,711	5.81	118,864	1,386	4.73
Total interest bearing liabilities	15,771,581	69,355	1.78	14,959,606	39,716	1.08
Non-interest bearing liabilities:						
Non-interest bearing deposits	2,757,110			2,666,111		
Other non-interest bearing liabilities	210,588			167,778		
Total liabilities	18,739,279			17,793,495		
Common stockholders' equity	3,813,979			3,484,297		
Noncontrolling interest	3,107			3,056		
Total liabilities and stockholders' equity	$22,556,365			$21,280,848		
Net interest income – FTE		$ 227,095			$ 218,942	
Net interest margin – FTE			4.53%			4.69%
Core spread [(2)]			4.75%			4.97%

(1) The interest expense and rates for other borrowings were affected by interest capitalized, primarily for our new corporate headquarters facility that is currently under construction, totaling $0.3 million in the first quarter of 2019 and $0.1 million in the first quarter of 2018. In the absence of this interest capitalization, these rates on other borrowings would have been 2.62% in the first quarter of 2019 and 1.73% in the first quarter of 2018.

(2) Represents the yield on non-purchased loans, less the cost of interest bearing deposits.

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 volume and yield/rate have all been allocated to the changes due to volume.

Analysis of Changes in Net Interest Income – FTE

	Three Months Ended March 31, 2019 Over Three Months Ended March 31, 2018		
	Volume	**Yield/ Rate**	**Net Change**
		(Dollars in thousands)	
Increase (decrease) in:			
Interest income – FTE:			
Interest earning deposits and federal funds sold	$ (266)	$ 182	$ (84)
Investment securities:			
Taxable	1,601	1,865	3,466
Tax-exempt – FTE	(391)	29	(362)
Non-purchased loans – FTE	39,294	16,260	55,554
Purchased loans	(19,129)	(1,653)	(20,782)
Total interest income – FTE	21,109	16,683	37,792
Interest expense:			
Savings and interest bearing transaction	(1,236)	14,769	13,533
Time deposits of $100 or more	659	6,115	6,774
Other time deposits	4,644	3,744	8,388
Repurchase agreements with customers	(90)	(47)	(137)
Other borrowings	534	222	756
Subordinated notes	5	(5)	—
Subordinated debentures	8	317	325
Total interest expense	4,524	25,115	29,639
Increase in net interest income – FTE	$ 16,585	$ (8,432)	$ 8,153

Non-Interest Income

Our non-interest income consists primarily of, among others, service charges on deposit accounts, trust income, BOLI income, other income from purchased loans, loan service, maintenance and other fees and gains on investment securities and on sales of other assets. Non-interest income for the first quarter of 2019 decreased 16.1% to $24.1 million compared to $28.7 million for the first quarter of 2018.

Service charges on deposit accounts, our largest component of non-interest income, increased 2.1% to $9.7 million for the first quarter of 2019 compared to $9.5 million for the first quarter of 2018. This increase was due primarily to net growth in the number of core checking accounts during recent quarters.

Trust income decreased 3.5% to $1.7 million for the first quarter of 2019 compared to $1.8 million for the first quarter of 2018 due to decreases in both corporate and personal trust income.

BOLI income decreased 31.9% to $5.2 million for the first quarter of 2019 compared to $7.6 million for the first quarter of 2018. Our BOLI income for the first quarter of 2019 included no BOLI death benefits compared to $2.7 million of tax-exempt BOLI death benefits in the first quarter of 2018.

Other income from purchased loans was $0.8 million in the first quarter of 2019 compared to $1.3 million in the first quarter of 2018. Other income from purchased loans consists primarily of income recognized on purchased loan prepayments and payoffs that

are not considered yield adjustments. Because other income from purchased loans may be significantly affected by purchased loan payments and payoffs, this income item may vary significantly from period to period.

Loan service, maintenance and other fees, which includes fees that are not considered yield adjustments, increased 2.8% to $4.9 million for the first quarter of 2019 compared to $4.7 million for the first quarter of 2018.

Gains on sales of other assets were $0.3 million for the first quarter of 2019 compared to $1.4 million for the first quarter of 2018.

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

Non-Interest Income

	Three Months Ended March 31,	
	2019	**2018**
	(Dollars in thousands)	
Service charges on deposit accounts	$ 9,722	$ 9,525
Trust income	1,730	1,793
BOLI income	5,162	7,580
Other income from purchased loans	795	1,251
Loan service, maintenance and other fees	4,874	4,743
Net gains on investment securities	—	17
Gains on sales of other assets	284	1,426
Other	1,505	2,372
Total non-interest income	$ 24,072	$ 28,707

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 3.1% to $96.7 million for the first quarter of 2019 compared to $93.8 million for the first quarter of 2018. In recent quarters, our non-interest expense has included elevated expenses related to our continued focus on expanding and enhancing our infrastructure for information technology, cybersecurity, business resilience, enterprise risk management, internal audit, compliance, Bank Secrecy Act and anti-money laundering monitoring and a number of other important areas, including expanding our infrastructure to serve low-to-moderate income and majority-minority markets and customer segments.

Salaries and employee benefits, our largest component of non-interest expense, decreased 1.4% to $44.9 million in the first quarter of 2019 compared to $45.5 million in the first quarter of 2018. This decrease in salaries and employee benefits was due primarily to increased loan cost deferrals as a result of an increase in loan originations, partially offset by increases in salaries and employee benefits expense in the first quarter of 2019 compared to the first quarter of 2018.

Our aggregate other operating expenses increased 8.5% to $37.1 million for the first quarter of 2019 compared to $34.2 million for the first quarter of 2018. These increases were primarily due to the growth of the Bank as it continues to focus on expanding and enhancing its infrastructure in a number of important areas.

Our efficiency ratio (non-interest expense divided by the sum of net interest income – FTE and non-interest income) was 38.5% for the first quarter of 2019 compared to 37.9% for the first quarter of 2018.

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

Non-Interest Expense

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Salaries and employee benefits	$ 44,868	$ 45,499
Net occupancy and equipment	14,750	14,150
Other operating expenses:		
Professional and outside services	8,564	8,705
Software and data processing	4,709	3,340
Deposit insurance and assessments	3,652	3,562
Telecommunication services	3,344	3,197
Travel and meals	2,669	2,153
Postage and supplies	2,103	2,195
Advertising and public relations	1,683	1,331
ATM expense	987	1,363
Loan collection and repossession expense	984	790
Writedowns of foreclosed and other assets	562	151
Amortization of intangibles	3,145	3,145
Other	4,658	4,229
Total non-interest expense	$ 96,678	$ 93,810

Income Taxes

The provision for income taxes was $35.9 million for the first quarter of 2019 compared to $34.0 million for the first quarter of 2018. The effective income tax rate was 24.5% for the first quarter of 2019 compared to 23.1% for the first quarter of 2018. The increase in the effective tax rate for the first quarter of 2019 compared to the first quarter of 2018 is primarily due to adjustments to the state income tax apportionment factors based on changes in lending volumes in higher income tax rate states and municipalities, a reduction, in the first quarter of 2019 compared to the first quarter of 2018, of tax benefit associated with the vesting of equity grants and 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, 2018.

ANALYSIS OF FINANCIAL CONDITION

Loan Portfolio

At March 31, 2019, our total loan portfolio was $17.48 billion compared to $17.12 billion at December 31, 2018. Real estate loans, our largest category of loans, consist of all loans secured by real estate as evidenced by mortgages or other liens, including all loans made to finance the development of real property construction projects, provided such loans are secured by real estate. Total real estate loans were $13.48 billion at March 31, 2019 compared to $13.21 billion at December 31, 2018. The amount and type of 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, 2019		December 31, 2018	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	$ 1,030,062	5.9%	$ 1,049,460	6.1%
Non-farm/non-residential	4,196,446	24.0	4,319,388	25.2
Construction/land development	6,719,940	38.4	6,562,185	38.4
Agricultural	180,653	1.0	165,088	1.0
Multifamily residential	1,357,890	7.8	1,116,026	6.5
Total real estate	13,484,991	77.1	13,212,147	77.2
Commercial and industrial	748,466	4.3	823,417	4.8
Consumer	2,439,891	14.0	2,345,863	13.7
Other	802,048	4.6	736,396	4.3
Total loans	$ 17,475,396	100.0%	$ 17,117,823	100.0%

Included in our consumer loans at March 31, 2019 and December 31, 2018 are loans totaling approximately $2.31 billion and $2.19 billion, respectively, which were originated to finance the acquisition of RV and marine collateral.

Included in "other" loans at March 31, 2019 and December 31, 2018 are loans totaling approximately $740 million and $656 million, respectively, which 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.

The amount and type of our total real estate loans at March 31, 2019, based on the metropolitan statistical area ("MSA") and other geographic areas in which the principal collateral is located, are reflected in the following table. Data for individual states and MSAs is separately presented when aggregate real estate loans in that state or MSA exceed $10 million.

Geographic Distribution of Total Real Estate Loans

	Residential 1-4 Family	Non-Farm/ Non-Residential	Construction/ Land Development	Agricultural	Multifamily Residential	Total
			(Dollars in thousands)			
New York:						
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 4,290	$ 355,906	$ 2,820,424	$ —	$ 108,186	$3,288,806
All other New York[1]	569	15,354	—	—	—	15,923
Total New York	4,859	371,260	2,820,424	—	108,186	3,304,729
Florida:						
Miami–Fort Lauderdale–West Palm Beach, FL MSA	55,443	304,448	767,103	379	103,051	1,230,424
Tampa–St. Petersburg–Clearwater, FL MSA	69,353	159,334	117,883	203	9,923	356,696
Orlando–Kissimmee–Sanford, FL MSA	6,245	98,838	26,498	—	68,987	200,568
North Port–Sarasota–Bradenton, FL MSA	41,251	49,204	12,626	—	1,754	104,835
Cape Coral–Fort Myers, FL MSA	14,008	44,538	10,069	—	6	68,621
Naples–Immokalee–Marco Island, FL MSA	1,871	4,875	44,363	—	—	51,109
Crestview–Fort Walton Beach–Destin, FL MSA	6,416	37,039	127	108	—	43,690
Jacksonville, FL MSA	2,430	30,244	6,014	—	—	38,688
Ocala, FL MSA	2,883	21,708	52	—	—	24,643
Punta Gorda, FL MSA	7,917	8,165	2,257	—	—	18,339
Lakeland–Winter Haven, FL MSA	185	12,979	1,333	—	19	14,516
Gainesville, FL MSA	30	12,662	—	—	—	12,692
Deltona–Daytona Beach–Ormond Beach, FL MSA	267	9,850	400	—	—	10,517
All other Florida[1]	8,505	101,344	681	234	1,445	112,209
Total Florida	216,804	895,228	989,406	924	185,185	2,287,547
Texas:						
Dallas–Fort Worth–Arlington, TX MSA	55,552	294,406	361,177	163	108,600	819,898
Austin–Round Rock, TX MSA	12,470	32,810	196,445	—	19,966	261,691
Houston–The Woodlands–Sugar Land, TX MSA	9,327	44,450	113,969	—	30,495	198,241
College Station–Bryan, TX MSA	—	29,557	26,126	—	—	55,683
Texarkana, TX–AR MSA	8,641	4,487	534	158	1,155	14,975
San Antonio–New Braunfels, TX MSA	866	6,064	3,674	—	406	11,010
All other Texas[1]	836	36,796	11,800	9,989	—	59,421
Total Texas	87,692	448,570	713,725	10,310	160,622	1,420,919
Georgia:						
Atlanta–Sandy Springs–Roswell, GA MSA	164,270	424,766	188,545	4,843	24,612	807,036
Gainesville, GA MSA	3,343	14,314	8,039	—	687	26,383
Dalton, GA MSA	8,930	12,224	750	2,437	1,018	25,359
Athens–Clarke County, GA MSA	2,857	18,892	791	95	—	22,635
Macon, GA MSA	4,006	6,759	234	—	4,720	15,719
Brunswick, GA MSA	7,381	3,418	135	—	—	10,934
All other Georgia[1]	52,893	120,075	28,864	9,821	16,135	227,788
Total Georgia	243,680	600,448	227,358	17,196	47,172	1,135,854

Geographic Distribution of Total Real Estate Loans (continued)

	Residential 1-4 Family	Non-Farm/ Non-Residential	Construction/ Land Development	Agricultural	Multifamily Residential	Total
			(Dollars in thousands)			
Arkansas:						
Little Rock–North Little Rock–Conway, AR MSA	134,778	261,463	48,814	15,349	16,731	477,135
Fayetteville–Springdale–Rogers, AR–MO MSA	23,761	39,191	12,950	27,506	7,104	110,512
Hot Springs, AR MSA	40,650	53,439	5,794	798	1,584	102,265
Fort Smith, AR–OK MSA	26,982	41,464	5,030	5,166	11,922	90,564
Western Arkansas[2]	15,308	23,636	6,711	5,725	1,886	53,266
Southern Arkansas[3]	18,427	15,261	1,635	13,144	549	49,016
Northern Arkansas[4]	23,767	8,740	1,662	11,124	51	45,344
Jonesboro, AR MSA	3,011	5,505	2,292	—	—	10,808
All other Arkansas[1]	18,016	21,719	3,434	49,373	3,659	96,201
Total Arkansas	304,700	470,418	88,322	128,185	43,486	1,035,111
California:						
Los Angeles–Long Beach–Anaheim, CA MSA	721	57,582	335,558	—	—	393,861
San Francisco–Oakland–Hayward, CA MSA	—	—	197,533	—	—	197,533
Sacramento–Roseville–Arden–Arcade, CA MSA	—	122,933	50,317	—	—	173,250
San Jose–Sunnyvale–Santa Clara, CA MSA	—	95,854	52,902	—	—	148,756
San Diego–Carlsbad, CA MSA	—	—	35,960	—	—	35,960
Riverside–San Bernardino–Ontario, CA MSA	—	14,372	—	—	—	14,372
Total California	721	290,741	672,270	—	—	963,732
Illinois:						
Chicago–Naperville–Elgin, IL–IN–WI MSA	—	339,111	212,289	—	169,828	721,228
All other Illinois[1]	—	3,517	—	—	—	3,517
Total Illinois	—	342,628	212,289	—	169,828	724,745
North Carolina:						
Charlotte–Concord–Gastonia, NC–SC MSA	42,481	106,197	67,071	1,342	78,587	295,678
Winston–Salem, NC MSA	35,579	30,748	4,093	—	1,228	71,648
Greensboro–High Point, NC MSA	13,467	25,907	3,911	693	27,519	71,497
North Carolina Foothills[5]	32,460	24,475	1,474	2,266	721	61,396
Wilmington, NC MSA	3,437	36,522	4,355	387	—	44,701
Raleigh, NC MSA	212	1,458	21,059	—	15	22,744
All other North Carolina[1]	8,321	12,543	38,801	—	7,991	67,656
Total North Carolina	135,957	237,850	140,764	4,688	116,061	635,320
Colorado:						
Denver–Aurora–Lakewood, CO MSA	2	17,190	224,114	—	136,603	377,909
All other Colorado[1]	1,036	2,156	4,641	—	—	7,833
Total Colorado	1,038	19,346	228,755	—	136,603	385,742
Seattle–Tacoma–Bellevue, WA MSA	—	1,043	22,292	—	263,150	286,485
South Carolina:						
Charleston–North Charleston, SC MSA	703	1,018	100,033	—	34,466	136,220
Greenville–Anderson–Mauldin, SC MSA	4,495	1,471	17,862	—	—	23,828
Myrtle Beach–Conway–North Myrtle Beach, SC–NC MSA	2,005	3,017	7,388	—	22	12,432
All other South Carolina[1]	4,818	16,679	2,491	—	720	24,708
Total South Carolina	12,021	22,185	127,774	—	35,208	197,188

Geographic Distribution of Total Real Estate Loans (continued)

	Residential 1-4 Family	Non-Farm/ Non-Residential	Construction/ Land Development	Agricultural	Multifamily Residential	Total
			(Dollars in thousands)			
Washington, DC / Virginia / Maryland:						
Washington–Arlington–Alexandria, DC–VA–MD–WV MSA	218	11,704	86,195	—	—	98,117
All other Virginia[1]	342	10,396	5,502	—	73	16,313
All other Maryland[1]	—	1,264	—	—	8,911	10,175
Total Washington, DC / Virginia / Maryland	560	23,364	91,697	—	8,984	124,605
Tennessee:						
Nashville–Davidson–Murfreesboro–Franklin, TN MSA	—	54,558	55,694	—	—	110,252
All other Tennessee[1]	1,118	7,445	1,068	60	—	9,691
Total Tennessee	1,118	62,003	56,762	60	—	119,943
Phoenix–Mesa–Scottsdale, AZ MSA	—	35,584	76,048	—	—	111,632
Portland–Vancouver–Hillsboro, OR–WA MSA	—	45,671	42,001	—	12,724	100,396
Utah:						
Salt Lake City, UT MSA	—	—	—	—	39,679	39,679
All other Utah[1]	1,653	2,923	51,663	—	—	56,239
Total Utah	1,653	2,923	51,663	—	39,679	95,918
Boston, MA MSA	—	—	77,708	—	—	77,708
Providence–Warwick, RI–MA MSA	—	75,653	—	—	—	75,653
Pennsylvania:						
Philadelphia–Camden–Wilmington, PA–NJ–DE–MD MSA	—	57,120	5,706	—	—	62,826
All other Pennsylvania[1]	—	12,546	—	—	—	12,546
Total Pennsylvania	—	69,666	5,706	—	—	75,372
Alabama:						
Mobile, AL MSA	5,182	13,512	1,317	—	651	20,662
All other Alabama[1]	12,589	6,958	4,192	375	1,878	25,992
Total Alabama	17,771	20,470	5,509	375	2,529	46,654
Ohio:						
Cincinnati, OH–KY–IN MSA	—	23,265	—	—	—	23,265
All other Ohio[1]	—	19,364	—	—	—	19,364
Total Ohio	—	42,629	—	—	—	42,629
Kentucky:						
Louisville, KY MSA	—	4,123	20,454	—	—	24,577
All other Kentucky[1]	172	5,178	9,355	—	—	14,705
Total Kentucky	172	9,301	29,809	—	—	39,282
Wisconsin:						
Madison, WI MSA	—	—	—	—	26,684	26,684
All other Wisconsin[1]	—	2,127	—	—	—	2,127
Total Wisconsin	—	2,127	—	—	26,684	28,811

Geographic Distribution of Total Real Estate Loans (continued)

	Residential 1-4 Family	Non-Farm/ Non-Residential	Construction/ Land Development	Agricultural	Multifamily Residential	Total
			(Dollars in thousands)			
Minnesota:						
Minneapolis–St. Paul–Bloomington, MN–WI MSA	—	26,465	—	—	—	26,465
All other Minnesota[(1)]	—	1,044	—	—	—	1,044
Total Minnesota	—	27,509	—	—	—	27,509
Oklahoma	744	11,608	30	11,854	1,789	26,025
Trenton City, NJ MSA	—	—	24,030	—	—	24,030
Bridgeport, CT MSA	—	19,855	—	—	—	19,855
Missouri	320	9,488	4,250	2,225	—	16,283
Michigan	—	10,283	—	—	—	10,283
All other states[(6)]	252	28,595	11,348	4,836	—	45,031
Total Real Estate Loans	$1,030,062	$4,196,446	$ 6,719,940	$ 180,653	$1,357,890	$13,484,991

(1) These geographic areas include all MSA and non-MSA areas that are not separately reported.
(2) This geographic area includes the following counties in western Arkansas: Johnson, Logan, Pope and Yell.
(3) This geographic area includes the following counties in southern Arkansas: Clark, Columbia, Hempstead and Hot Spring.
(4) This geographic area includes the following counties in northern Arkansas: Baxter, Boone, Marion, Newton, Searcy and Van Buren.
(5) This geographic area includes the following counties in North Carolina: Cleveland, Lincoln and Rutherford.
(6) Includes all states not separately reported.

The 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, 2019		December 31, 2018	
	(Dollars in thousands)			
Office, including medical offices	$ 1,053,238	25.1%	$ 1,005,946	23.3%
Hotels and motels	929,469	22.1	978,959	22.7
Retail, including shopping centers and strip centers	536,272	12.8	560,222	13.0
Churches and schools	282,885	6.7	285,044	6.6
Manufacturing and industrial facilities	258,211	6.2	274,569	6.4
Mixed use properties	219,666	5.2	234,887	5.4
Nursing homes and assisted living centers	163,886	3.9	210,869	4.9
Restaurants and bars	155,178	3.7	162,573	3.8
Gasoline stations and convenience stores	97,160	2.3	100,416	2.3
Office warehouse, warehouse and mini-storage	63,062	1.5	47,513	1.1
Hospitals, surgery centers and other medical	40,418	1.0	41,479	1.0
Golf courses, entertainment and recreational facilities	33,530	0.8	33,450	0.8
Other non-farm/non-residential [(1)]	363,471	8.7	383,461	8.7
Total	$ 4,196,446	100.0%	$ 4,319,388	100.0%

(1) Includes non-farm/non-residential loans collateralized by other miscellaneous real property.

The 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, 2019		December 31, 2018	
	(Dollars in thousands)			
Unimproved land	$ 191,881	2.9%	$ 203,127	3.1%
Land development and lots:				
1-4 family residential and multifamily	438,823	6.5	407,502	6.2
Non-residential	436,634	6.5	576,130	8.8
Construction:				
1-4 family residential:				
Owner occupied	6,320	0.1	11,342	0.2
Non-owner occupied:				
Pre-sold	2,155,172	32.1	2,189,475	33.4
Speculative	129,228	1.9	130,310	2.0
Multifamily	1,660,731	24.7	1,616,408	24.6
Industrial, commercial and other	1,701,151	25.3	1,427,891	21.7
Total	$ 6,719,940	100.0%	$ 6,562,185	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. 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. This ensures that the borrower’s cash equity required to complete the project will be available for such purposes. 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, 2019 and 2018, 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, 2019 and December 31, 2018, we had $10.9 million and $10.6 million, respectively, of construction and development loans with interest reserves that were nonperforming.

During the first quarter of 2019 and 2018, we recognized approximately $75 million and $61 million, respectively, of interest income on construction and development loans from the advance of interest reserves. We advanced construction period interest on construction and development loans totaling approximately $73 million and $56 million in the first quarter of 2019 and 2018, respectively.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at March 31, 2019 was approximately $16.04 billion, of which $6.34 billion was outstanding at March 31, 2019 and $9.70 billion remained to be advanced. The weighted average loan-to-cost on such loans, assuming such loans are ultimately fully advanced, will be approximately 51%, which means that the weighted average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, will be approximately 49%. The weighted average final loan-to-value ratio on such loans, based on the most recent appraisals and assuming such loans are ultimately fully advanced, is expected to be approximately 44%.

The following table reflects total loans as of March 31, 2019 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 total loans either by adjusting rates on existing loans or reinvesting principal cash flow in new loans. For non-purchased loans and purchased loans without evidence of credit deterioration on the date of acquisition, the table below reflects the earliest contractual repricing period. For purchased loans with evidence of credit deterioration at the date of acquisition, the table below reflects estimated cash flows based on the most recent evaluation of each individual loan. Because income on purchased loans with evidence of credit deterioration on the date of acquisition is recognized by accretion of the discount of estimated cash flows, such loans are not considered to be floating or adjustable rate loans and are reported below as fixed rate 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	$ 704,270	$544,298	$520,306	$ 827,117	$2,175,380	$ 4,771,371
Floating rate (not at a floor or ceiling rate)	10,854,461	88,279	110,103	193,043	54,480	11,300,366
Floating rate (at floor rate)[(1)]	675,964	141,706	122,127	232,061	88,661	1,260,519
Floating rate (at ceiling rate)	143,055	49	36	—	—	143,140
Total	$12,377,750	$774,332	$752,572	$1,252,221	$2,318,521	$17,475,396
Percentage of total	70.8%	4.4%	4.3%	7.2%	13.3%	100.0%
Cumulative percentage of total	70.8%	75.2%	79.5%	86.7%	100.0%	

(1) We have included a floor rate in many of our loans. As a result of such floor rates, certain loans may not immediately reprice in a rising rate environment or reprice in a falling rate environment if the interest rate index and margin on such loans results in a computed interest rate less than the applicable floor rate. The earnings simulation model results included in this MD&A in Part 2, Item 3, "Quantitative and Qualitative Disclosures about Market Risk" include consideration of the impact of interest rate floors and ceilings in loans.

The majority of our floating rate loans are tied to three major benchmark interest rates, the 1-month LIBOR, 3-month LIBOR and Wall Street Journal Prime interest rate. The following table is a summary of our floating rate loan portfolio and contractual interest rate indices at March 31, 2019.

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	$ 294,359	$ 6,485,075	$ —	$ 6,779,434
3-month LIBOR	46,134	475,988	—	522,122
Wall Street Journal Prime	541,290	1,517,488	143,140	2,201,918
Other contractual interest rate indices	378,736	2,821,815	—	3,200,551
Total	$ 1,260,519	$ 11,300,366	$ 143,140	$ 12,704,025

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.

Purchased Loans

As provided for under GAAP, we have up to 12 months following the date of an acquisition to finalize the fair values of acquired assets and assumed liabilities, including purchased loans. Once we have finalized the fair values of acquired assets and assumed liabilities within this 12-month period, we consider such values to be the day 1 fair values ("Day 1 Fair Values").

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

Purchased Loans

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Loans without evidence of credit deterioration at date of acquisition:		
Unpaid principal balance	$ 1,776,533	$ 1,943,962
Valuation discount	(24,890)	(27,580)
Carrying value	1,751,643	1,916,382
Loans with evidence of credit deterioration at date of acquisition:		
Unpaid principal balance	141,034	157,853
Valuation discount	(27,962)	(30,203)
Carrying value	113,072	127,650
Total carrying value	$ 1,864,715	$ 2,044,032

The following table presents a summary, for the periods indicated, of the activity of our purchased loans with evidence of credit deterioration at the date of acquisition.

Purchased Loans Activity
With Evidence of Credit Deterioration
at Date of Acquisition

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Balance – beginning of period	$ 127,650	$ 175,221
Accretion	4,175	6,478
Transfers to foreclosed assets	(48)	(194)
Payments received	(18,649)	(19,564)
Charge-offs	(42)	(125)
Other activity, net	(14)	(5)
Balance – end of period	$ 113,072	$ 161,811

A summary of changes in the accretable difference on purchased loans with evidence of credit deterioration at the date of acquisition is shown below for the periods indicated.

Accretable Difference on Purchased Loans
With Evidence of Credit Deterioration
at Date of Acquisition

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Accretable difference – beginning of period	$ 36,002	$ 45,182
Transfers to foreclosed assets	(36)	(9)
Purchased loans paid off	—	—
Cash flow revisions as a result of renewals and/or modifications	2,496	1,450
Accretion	(4,175)	(6,478)
Accretable difference – end of period	$ 34,287	$ 40,145

Nonperforming Assets

Non-Purchased Loans and Foreclosed 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. Purchased loans are not included in the following table as nonperforming assets, except for their inclusion in total assets for purposes of calculation of certain asset quality ratios.

The accrual of interest on non-purchased 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 impaired 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 less than 90 days past due and we reasonably expect to collect all contractual principal and interest payments. If a loan is determined to be uncollectible, the portion of the principal determined to be uncollectible is charged against the ALL. 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 impaired loans. Income on nonaccrual loans, including impaired loans but excluding certain TDRs which may accrue interest, is recognized on a cash basis when and if actually collected.

The following table presents a summary of nonperforming assets, excluding purchased loans, as of the dates indicated.

Nonperforming Assets

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Nonaccrual loans	$ 29,573	$ 30,884
Accruing loans 90 days or more past due	—	—
TDRs	3,832	3,878
Total nonperforming loans	33,405	34,762
TDRs - accruing	470	627
Foreclosed assets[(1)]	14,096	16,171
Total nonperforming assets	$ 47,971	$ 51,560
Nonperforming loans to total loans[(2)]	0.22%	0.23%
Nonperforming assets to total assets[(2)]	0.21	0.23

(1) Repossessed personal properties and real estate acquired through or in lieu of foreclosure, excluding purchased foreclosed assets, are recorded at estimated fair value less estimated cost to sell at the date of repossession or foreclosure. Purchased foreclosed assets are initially recorded at Day 1 Fair Value. Valuations of these assets are periodically reviewed by management with the carrying value of such assets adjusted through non-interest expense to the then estimated fair value net of estimated selling costs, if lower, until disposition.
(2) Excludes purchased loans, except for their inclusion in total assets.

If an adequate current determination of collateral value has not been performed, once a collateral dependent loan is considered impaired, 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 impaired 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, 2019, we had reduced the carrying value of our non-purchased loans deemed impaired (all of which were included in nonaccrual loans) by $48.0 million to the estimated fair value of such loans of $32.9 million. The adjustment to reduce the carrying value of such impaired loans to estimated fair value consisted of $47.1 million of partial charge-offs and $0.9 million of specific loan loss allocations. These amounts do not include the balance of, any partial or full charge-offs on, or any specific loan loss allocations related to our $16.7 million of impaired purchased loans at March 31, 2019.

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

Foreclosed Assets

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	$ 712	$ 823
Non-farm/non-residential	3,443	4,407
Construction/land development	9,464	10,628
Agricultural	—	164
Total real estate	13,619	16,022
Commercial and industrial	26	31
Consumer	451	118
Total foreclosed assets	$ 14,096	$ 16,171

The following table presents information concerning the geographic location of nonperforming assets, excluding purchased loans, at March 31, 2019. 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

	Nonperforming Loans	Foreclosed Assets and Repossessions	Total Nonperforming Assets
		(Dollars in thousands)	
Arkansas	$ 9,413	$ 6,226	$ 15,639
North Carolina	12,141	619	12,760
South Carolina	9,839	—	9,839
Florida	656	2,681	3,337
Georgia	545	2,383	2,928
Texas	725	2,090	2,815
Alabama	72	—	72
All other	484	97	581
Total	$ 33,875	$ 14,096	$ 47,971

Impaired Purchased Loans

At March 31, 2019 and December 31, 2018, we had identified purchased loans where we had determined it was probable that we would be unable to collect all amounts according to the contractual terms thereof (for purchased loans without evidence of credit deterioration at date of acquisition) or the expected performance of such loans had deteriorated from our performance expectations established in conjunction with the determination of the Day 1 Fair Values or since our most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). The following table presents a summary of such impaired purchased loans as of the dates indicated.

Impaired Purchased Loans

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Impaired purchased loans without evidence of credit deterioration at date of acquisition (rated FV 77)	$ 12,764	$ 2,822
Impaired purchased loans with evidence of credit deterioration at date of acquisition (rated FV 88)	3,931	4,979
Total impaired purchased loans	$ 16,695	$ 7,801
Impaired purchased loans to total purchased loans	0.90%	0.38%

Allowance and Provision for Loan Losses

At March 31, 2019, our ALL was $106.0 million, including $104.4 million allocated to our non-purchased loans and $1.6 million allocated to our purchased loans, compared to $102.3 million at December 31, 2018, including $100.7 million allocated to our non-purchased loans and $1.6 million allocated to our purchased loans. Our ALL allocated to non-purchased loans as a percent of total non-purchased loans was 0.67% at March 31, 2019 and December 31, 2018. Excluding purchased loans, our ALL as a percentage of nonperforming loans was 308% at March 31, 2019 compared to 284% at December 31, 2018. Our practice is to charge off any estimated loss on nonperforming loans as soon as we are able to identify and reasonably quantify such potential loss. Accordingly, only a small portion of our ALL is needed for potential losses on nonperforming loans. The amount of ALL and provision to the ALL is based on our analysis of the adequacy of the ALL utilizing the criteria discussed in the Critical Accounting Policies section of our annual report on Form 10-K for the year ended December 31, 2018.

In recent years, we have focused on loan transactions that include various combinations of (i) marquee properties, (ii) strong and capable sponsors or borrowers, (iii) low leverage, and (iv) defensive loan structure. At the same time, our loan portfolio has expanded throughout the United States and consists of a very diversified portfolio in terms of both product type and geographic location. We consider this product type and geographic diversification to be a source of strength in regard to portfolio credit quality. Additionally, we have continued to focus on originating high quality loans at low leverage. At March 31, 2019, our ratios of weighted-average loan-to-cost and weighted-average loan-to-value on construction loans with interest reserves, assuming such loans are ultimately fully funded, were approximately 51% and approximately 44%, respectively.

The provision for loan losses for the first quarter of 2019 was $6.7 million, including $5.5 million for non-purchased loans and $1.2 million for purchased loans, compared to $5.6 million for the first quarter of 2018, including $5.2 million for non-purchased loans and $0.4 million for purchased loans.

Activity within the ALL for the periods indicated is shown in the following table.

Activity Within the Allowance for Loan Losses

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Balance, beginning of period	$ 102,264	$ 94,120
Charge-offs of non-purchased loans:		
Real estate:		
Residential 1-4 family	(93)	(65)
Non-farm/non-residential	(34)	(135)
Construction/land development	—	(128)
Total real estate	(127)	(328)
Commercial and industrial	(741)	(397)
Consumer	(635)	(133)
Other	(742)	(826)
Total charge-offs of non-purchased loans	(2,245)	(1,684)
Recoveries of non-purchased loans previously charged off:		
Real estate:		
Residential 1-4 family	82	15
Non-farm/non-residential	8	134
Construction/land development	2	23
Agricultural	—	30
Total real estate	92	202
Commercial and industrial	109	26
Consumer	31	40
Other	203	243
Total recoveries of non-purchased loans previously charged off	435	511
Net charge-offs of non-purchased loans	(1,810)	(1,173)
Charge-offs of purchased loans	(1,611)	(1,045)
Recoveries of purchased loans previously charged off	430	628
Net charge-offs of purchased loans	(1,181)	(417)
Net charge-offs – total loans	(2,991)	(1,590)
Provision for loan losses:		
Non-purchased loans	5,500	5,150
Purchased loans	1,181	417
Total provision	6,681	5,567
Balance, end of period	$ 105,954	$ 98,097
ALL allocated to non-purchased loans	$ 104,354	$ 96,497
ALL allocated to purchased loans	1,600	1,600
Total ALL	$ 105,954	$ 98,097

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

Net Charge-off and ALL Ratios

	As of and for the Three Months Ended March 31,		As of and for the Year Ended December 31,
	2019	2018	2018
	(Dollars in thousands)		
Net charge-offs of non-purchased loans to average non-purchased loans(1)(2)	0.05%	0.04%	0.38%
Net charge-offs of purchased loans to average purchased loans(1)	0.25	0.09	0.13
Net charge-offs of total loans to average total loans(1)	0.07	0.07	0.34
ALL for non-purchased loans to total non-purchased loans(3)	0.67	0.73	0.67
ALL for purchased loans to total purchased loans	0.08	0.05	0.08
ALL to total loans	0.61	0.59	0.60
ALL to nonperforming loans(3)	308%	774%	284%

(1) Ratios for interim periods annualized.
(2) Excludes purchased loans and net charge-offs related to purchased loans.
(3) Excludes purchased loans and ALL allocated to such loans.

Investment Securities AFS

At March 31, 2019 and December 31, 2018, we classified our investment securities portfolio as AFS. Accordingly, our investment securities are stated at estimated fair value in the consolidated financial statements with the unrealized gains and losses, net of related income tax, reported as a separate component of stockholders' equity and included in accumulated other comprehensive income (loss). The determination of the fair value of individual securities within our portfolio is based on independent, third party pricing sources as discussed in the Critical Accounting Policies section of our annual report on Form 10-K for the year ended December 31, 2018.

The following table presents the amortized cost and estimated fair value of investment securities AFS as of the dates indicated. The Bank's investment in the "CRA qualified investment fund" is comprised of shares held in a mutual fund that qualify under the Community Reinvestment Act of 1977 for community reinvestment purposes.

Investment Securities AFS

	March 31, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Obligations of state and political subdivisions	$ 604,023	$ 608,808	$ 615,328	$ 606,616
Mortgage-backed securities(1)	2,129,261	2,117,343	2,248,065	2,212,546
U.S. Government agency securities	27,473	27,078	27,538	26,936
Corporate obligations	15,198	15,294	15,188	15,183
CRA qualified investment fund	1,115	1,079	1,109	1,059
Total	$ 2,777,070	$ 2,769,602	$ 2,907,228	$ 2,862,340

(1) These mortgage-backed securities were issued by U.S. Government agencies.

Our investment securities portfolio is reported at estimated fair value, which included gross unrealized gains of $17.0 million and gross unrealized losses of $24.5 million at March 31, 2019 and gross unrealized gains of $7.1 million and gross unrealized losses of $52.0 million at December 31, 2018. We believe that all unrealized losses on individual investment securities at March 31, 2019 and December 31, 2018 are the result of fluctuations in interest rates and do not reflect deterioration in the credit quality of these investments. Accordingly, we consider these unrealized losses to be temporary in nature. While we periodically evaluate our investment strategy relative to current economic and business conditions, we currently do 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.

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

Unaccreted Discounts and Unamortized Premiums

	Amortized Cost	Unaccreted Discount	Unamortized Premium	Par Value
	(Dollars in thousands)			
March 31, 2019:				
Obligations of states and political subdivisions	$ 604,023	$ 1,360	$ (24,314)	$ 581,069
Mortgage-backed securities[1]	2,129,261	405	(43,918)	2,085,748
U.S. Government agency securities	27,473	—	(473)	27,000
Corporate obligations	15,198	124	—	15,322
CRA qualified investment fund	1,115	—	—	1,115
Total	$ 2,777,070	$ 1,889	$ (68,705)	$ 2,710,254
December 31, 2018:				
Obligations of states and political subdivisions	$ 615,328	$ 1,423	$ (25,410)	$ 591,341
Mortgage-backed securities[1]	2,248,065	442	(47,488)	2,201,019
U.S. Government agency securities	27,538	—	(538)	27,000
Corporate obligations	15,188	134	—	15,322
CRA qualified investment fund	1,109	—	—	1,109
Total	$ 2,907,228	$ 1,999	$ (73,436)	$ 2,835,791

(1) These mortgage-backed securities were issued by U.S. Government agencies.

During the first quarter of 2019 and 2018, we had essentially no net gains from the sale of investment securities. During the first quarter of 2019 and 2018, respectively, investment securities totaling $126 million and $135 million matured, were called or were paid down by the issuer. We purchased $6 million in investment securities during the first quarter of 2019 compared to $165 million during the first quarter of 2018.

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.

At March 31, 2019, approximately 96% of our investment securities had an investment grade credit rating (i.e., the equivalent of a rating of BBB- or better) and approximately 4% 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.

Goodwill

The Bank had goodwill of $660.8 million at March 31, 2019. We review goodwill annually, or more frequently if events or changes in circumstances indicate the carrying value might be impaired. This impairment analysis compares the estimated fair value of our banking operations (the reporting unit) with the Bank's net book value. Subsequent to our annual goodwill impairment test performed as of September 30, 2018, we experienced a decline in market capitalization as a result of a decline in the share price of our common stock. As a result, we performed an additional impairment analysis of goodwill as of March 31, 2019 which included various valuation considerations, including comparable peer data, precedent transaction comparables, overall financial performance, share price of our common stock and other factors. The March 31, 2019 impairment test indicated no impairment of our goodwill. However, there can be no assurance that future evaluations of our goodwill will not result in impairment of such goodwill.

Deposits

Our lending and investment activities are funded primarily by deposits. We continue to grow our deposits, which grew $538 million in the first quarter of 2019, to fund growth of our earning assets. The amount and type of deposits outstanding, as of the dates indicated, and their respective percentage of the total deposits are reflected in the following table.

Deposits

	March 31, 2019		December 31, 2018	
	(Dollars in thousands)			
Non-interest bearing	$ 2,865,213	15.5%	$ 2,748,273	15.3%
Interest bearing:				
Transaction (NOW)	2,597,570	14.0	2,359,299	13.2
Savings and money market	7,277,417	39.4	7,323,414	40.8
Time deposits less than $100	2,524,138	13.7	2,297,101	12.8
Time deposits of $100 or more	3,212,530	17.4	3,210,328	17.9
Total deposits	$ 18,476,868	100.0%	$ 17,938,415	100.0%

At March 31, 2019 brokered deposits totaled $2.13 billion, or 11.5% of total deposits, compared to $2.04 billion, or 11.3% of total deposits, at December 31, 2018. 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 of directors 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) our ALCO Committee ("ALCO"), which reports to the board of directors, monitor our use of brokered deposits on a regular basis, including interest rates and the total volume of such deposits in relation to our total liabilities. ALCO has typically approved the use of brokered deposits when such deposits are (i) from internally-approved and stable funding sources and (ii) less costly to us than the marginal cost of additional deposits generated from our branch network.

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

Deposits by State of Originating Office

Deposits Attributable to Offices In	March 31, 2019		December 31, 2018	
	(Dollars in thousands)			
Arkansas	$ 7,093,958	38.4%	$ 6,988,931	39.0%
Georgia	3,818,787	20.7	3,783,868	21.1
Florida	2,597,324	14.1	2,615,278	14.6
Texas	2,085,921	11.3	1,953,273	10.9
New York	1,663,202	9.0	1,396,934	7.8
North Carolina	1,023,369	5.5	996,838	5.6
Alabama	120,073	0.6	125,041	0.7
South Carolina	74,234	0.4	78,252	0.3
Total	$ 18,476,868	100.0%	$ 17,938,415	100.0%

Other Interest Bearing Liabilities

We rely on other interest bearing liabilities to supplement the funding of our lending and investing activities. Such liabilities consist of repurchase agreements with customers, other borrowings (primarily FHLB advances and, to a lesser extent, federal funds purchased), subordinated notes and subordinated debentures.

The following table reflects the average balance and 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,			
	2019		2018	
	Average Balance	Rate Paid	Average Balance	Rate Paid
	(Dollars in thousands)			
Repurchase agreements with customers	$ 22,192	0.40%	$ 112,434	0.57%
Other borrowings	269,588	2.09	165,943	1.55
Subordinated notes	223,321	5.71	222,947	5.72
Subordinated debentures	119,412	5.81	118,864	4.73
Total other interest bearing liabilities	$ 634,513	4.01%	$ 620,188	3.48%

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources

Subordinated Notes. At March 31, 2019, 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.

We may, beginning with the interest payment date of July 1, 2021, and on any interest payment date thereafter, redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. 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, 2019, we had the following issues of trust preferred securities and subordinated debentures owed to the Trusts.

	Subordinated Debentures Owed to Trust	Unamortized Discount at March 31, 2019	Carrying Value of Subordinated Debentures at March 31, 2019	Trust Preferred Securities of the Trusts	Contractual Interest Rate at March 31, 2019	Final Maturity Date
			(Dollars in thousands)			
Ozark II	$ 14,433	$ —	$ 14,433	$ 14,000	5.49%	September 29, 2033
Ozark III	14,434	—	14,434	14,000	5.74	September 25, 2033
Ozark IV	15,464	—	15,464	15,000	4.87	September 28, 2034
Ozark V	20,619	—	20,619	20,000	4.21	December 15, 2036
Intervest II	15,464	(344)	15,120	15,000	5.56	September 17, 2033
Intervest III	15,464	(399)	15,065	15,000	5.40	March 17, 2034
Intervest IV	15,464	(724)	14,740	15,000	5.03	September 20, 2034
Intervest V	10,310	(689)	9,621	10,000	4.26	December 15, 2036
	$ 121,652	$ (2,156)	$ 119,496	$ 118,000		

Our subordinated debentures and securities generally mature 30 years after issuance and may be prepaid at par, subject to regulatory approval, upon certain changes in tax laws, investment company laws or regulatory capital requirements. These subordinated debentures and the related trust preferred securities provide us additional regulatory capital to support our expected future growth and expansion.

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,		December 31,
	2019	2018	2018
		(Dollars in thousands)	
Total common stockholders' equity before noncontrolling interest	$ 3,882,643	$ 3,526,605	$ 3,770,330
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(32,527)	(45,107)	(35,672)
Total intangibles	(693,316)	(705,896)	(696,461)
Total tangible common stockholders' equity	$ 3,189,327	$ 2,820,709	$ 3,073,869
Total assets	$ 23,005,652	$ 22,039,439	$ 22,388,030
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(32,527)	(45,107)	(35,672)
Total intangibles	(693,316)	(705,896)	(696,461)
Total tangible assets	$ 22,312,336	$ 21,333,543	$ 21,691,569
Ratio of total common stockholders' equity to total assets	16.88%	16.00%	16.84%
Ratio of total tangible common stockholders' equity to total tangible assets	14.29%	13.22%	14.17%

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

	March 31, 2019	March 31, 2018	December 31, 2018
	(In thousands, except per share amounts)		
Total common stockholders' equity before noncontrolling interest	$ 3,882,643	$ 3,526,605	$ 3,770,330
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(32,527)	(45,107)	(35,672)
Total intangibles	(693,316)	(705,896)	(696,461)
Total tangible common stockholders' equity	$ 3,189,327	$ 2,820,709	$ 3,073,869
Shares of common stock outstanding	128,948	128,612	128,611
Book value per common share	$ 30.11	$ 27.42	$ 29.32
Tangible book value per common share	$ 24.73	$ 21.93	$ 23.90

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(Dollars in thousands)	
Net income available to common stockholders	$ 110,706	$ 113,144
Average common stockholders' equity before noncontrolling interest	$ 3,813,979	$ 3,484,297
Less average intangible assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(34,437)	(47,122)
Total average intangibles	(695,226)	(707,911)
Average tangible common stockholders' equity	$ 3,118,753	$ 2,776,386
Return on average common stockholders' equity(1)	11.77%	13.17%
Return on average tangible common stockholders' equity(1)	14.40%	16.53%

(1) Ratios annualized based on actual days.

Common Stock Dividend Policy. During the three months ended March 31, 2019, we paid a dividend of $0.22 per common share compared to $0.19 per common share in the three months ended March 31, 2018. On April 1, 2019, our board of directors approved a cash dividend of $0.23 per common share that was paid on April 22, 2019. The determination of future dividends on our common stock will depend on conditions existing at that time and approval of our board of directors. 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.

Capital Compliance

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 became effective for us on January 1, 2015 (subject to a phase-in period for certain provisions). 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. Our tier 1 capital consists of common equity tier 1 capital and, prior to the third quarter of 2016, $118 million of trust preferred securities issued by the Trusts. The Basel III Rules include certain provisions that require trust preferred securities to be phased out of, or no longer be considered, qualifying tier 1 capital for certain institutions depending on the size of the institution as measured by total assets. Pursuant to the Basel III Rules, our trust preferred securities are no longer included in tier 1 capital as of September 30, 2016, but continue to be included in total capital.

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.

Total capital includes tier 1 capital and tier 2 capital. Tier 2 capital includes, among other things, the allowable portion of the ALL, 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.

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. The capital conservation buffer began phasing in January 1, 2016 at 0.625% of risk-weighted assets, and increased each year until fully implemented at 2.5% on January 1, 2019. As of January 1, 2019, the fully phased-in Basel III Rules require 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 at March 31, 2019 and December 31, 2018 under the Basel III Rules. The minimum required capital amounts presented include the minimum required capital levels based on the current phase-in provisions of the Basel III Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Rules were fully phased-in. 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, 2019 and December 31, 2018, capital levels exceed all minimum capital requirements under the Basel III Rules on a fully phased-in basis.

Regulatory Capital Ratios

	Actual		Minimum Capital Required – Basel III Phase-In Schedule		Minimum Capital Required – Basel III Fully Phased-In		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
	(Dollars in thousands)							
March 31, 2019:								
Common equity tier 1 to risk-weighted assets	$3,176,872	12.66%	$1,756,879	7.00%	$1,756,879	7.00%	$1,631,388	6.50%
Tier 1 capital to risk-weighted assets	3,176,872	12.66	2,133,353	8.50	2,133,353	8.50	2,007,862	8.00
Total capital to risk-weighted assets	3,625,826	14.45	2,635,319	10.50	2,635,319	10.50	2,509,827	10.00
Tier 1 leverage to average assets	3,176,872	14.52	875,273	4.00	875,273	4.00	1,094,091	5.00
December 31, 2018:								
Common equity tier 1 to risk-weighted assets	$3,091,128	12.56%	$1,569,242	6.375%	$1,723,089	7.00%	$1,600,011	6.50%
Tier 1 capital to risk-weighted assets	3,091,128	12.56	1,938,475	7.875	2,092,322	8.50	1,969,245	8.00
Total capital to risk-weighted assets	3,536,393	14.37	2,430,786	9.875	2,584,633	10.50	2,461,556	10.00
Tier 1 leverage to average assets	3,091,128	14.25	867,549	4.00	867,549	4.00	1,084,436	5.00

Liquidity

General. Liquidity represents an institution's ability to provide funds to satisfy demands from depositors, borrowers and other creditors by either converting assets into cash or accessing new or existing sources of incremental funds. Liquidity risk arises from the possibility we may be unable to satisfy current or future funding requirements and needs. ALCO has primary responsibility for oversight of our liquidity, funds management, asset/liability (interest rate risk) position and capital.

The objective of managing liquidity risk is to ensure the cash flow requirements resulting from depositor, borrower 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 a liquidity and funds management policy, including a contingency funding plan that, among other things, include policies and procedures for managing liquidity risk. 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, commercial and public funds customers in our markets. We have used these funds, together with wholesale deposit sources such as brokered deposits, FHLB advances and federal funds purchased to make loans, acquire investment securities and other assets and to fund continuing operations.

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 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. Accordingly, we may be required from time to time to rely on secondary sources of liquidity to meet growth in loans and deposit withdrawal demands or otherwise fund operations. Such secondary sources include, among others, secured and unsecured federal funds lines of credit from correspondent banks, FRB borrowings and/or accessing the capital markets.

At March 31, 2019, we had $11.54 billion in unfunded balances of 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 loan funding with a substantial degree of accuracy is an important part of our liquidity management process.

At March 31, 2019, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) $3.5 billion of available blanket borrowing capacity with the FHLB, (2) $2.2 billion of investment securities available to pledge for federal funds or other borrowings, (3) $230 million of available unsecured federal funds borrowing lines and (4) up to $138 million 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 portfolio to provide liquidity, as well as other funding sources as appropriate. Additionally, where necessary, the sources of borrowed funds described above and/or accessing the capital markets will be used to augment our primary funding sources.

Sources and Uses of Funds. Operating activities provided net cash of $140 million for the first quarter of 2019 and $123 million for the first quarter of 2018. Net cash provided by operating activities is comprised primarily of net income, adjusted for non-cash items and for changes in various operating assets and liabilities.

Investing activities used net cash of $241 million in the first quarter of 2019 and $608 million in the first quarter of 2018. The decrease in net cash used by investing activities was primarily the result of lower growth in our non-purchased loan portfolio, lower repayment volumes in our purchased loan portfolio, and more net cash generated from our investment securities portfolio during the first quarter of 2019 compared to the same period in 2018.

Financing activities provided $419 million in the first quarter of 2019 and $678 million in the first quarter of 2018. The decrease in cash provided by financing activities is primarily the result of less deposit growth needed to fund the growth of interest earning assets and increased repayments of other borrowings during the first quarter of 2019 compared to the first quarter of 2018.

Off-Balance Sheet Commitments. We are party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments primarily include commitments to extend credit (most of which are in the form of unfunded balances of loans already closed) and standby letters of credit. See Note 9 to the consolidated financial statements for more information about our outstanding commitments and contingencies as of March 31, 2019.

Growth and Expansion

De Novo Growth. In the first quarter of 2019, we (i) opened loan production offices in Alpharetta, Georgia for our Indirect RV & Marine lending team and in Greenville, North Carolina for our Community Banking agricultural lending team and (ii) opened a retail banking office in Ft. Worth, Texas. During the remainder of 2019, we expect to (i) open a loan production office in Irvine, California for our Indirect RV & Marine lending team, (ii) close a retail banking office in Magnolia, Arkansas, (iii) convert loan production offices in Tyler, Texas and East Point, Georgia to retail banking offices, (iv) replace an existing leased facility with a bank-owned facility in Winston-Salem, North Carolina and (v) open four retail banking offices, including one in Texas, two in Florida and one in Tennessee.

We intend to continue our growth and *de novo* branching strategy in future years through the opening of additional branches and loan production offices as our needs and resources permit. Opening new offices is subject to local banking market conditions, availability of suitable 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 as a result of a variety of factors including our financial results, changes in economic or competitive conditions, strategic opportunities or other factors.

During the first quarter of 2019, we spent approximately $28 million on capital expenditures for premises and equipment. Our capital expenditures for the full year 2019 are expected to be in the range of $120 million to $140 million, including progress payments on construction projects expected to be completed in 2019 and 2020, 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 offices acquired or constructed and sites acquired for future development, progress or delays encountered on ongoing and new construction projects, delays in or inability to obtain required approvals, potential premises and equipment expenditures associated with acquisitions, if any, and other factors.

Future Growth Strategy. We expect to continue growing through our *de novo* branching strategy. Future *de novo* branches are expected to be focused in states where we currently have banking offices and in larger markets and MSAs across the U.S. where we currently do not have offices and believe we can generate significant growth from one to three strategically located offices in each such market. When we resume making acquisitions, we expect to seek acquisitions that are immediately accretive to book value and tangible book value, and are accretive to diluted earnings per share in the first 12 months following acquisition.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 16 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

Interest rate risk results from timing differences in the repricing of assets and liabilities or from changes in relationships between interest rate indices. Our interest rate risk management is the responsibility of ALCO.

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 to analyze our interest rate risk and interest rate sensitivity.

This earnings simulation modeling process projects a baseline net interest income (assuming no change 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 cap 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 need, if any, for additional capital and/or debt to support continued growth and (9) 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, up 400 bps, up 500 bps, down 100 bps, down 200 bps, down 300 bps, down 400 bps and down 500 bps. Based on current conditions, we believe that modeling our change in net interest income assuming interest rates go down 300 bps, down 400 bps and down 500 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, expected loan prepayments, 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 our projected baseline net interest income for the 12-month period commencing April 1, 2019. 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 or the impact of any possible future acquisitions.

Shift in Interest Rates (in bps)	% Change in Projected Baseline Net Interest Income
+500	14.0%
+400	11.3
+300	8.5
+200	5.6
+100	2.8
-100	(3.1)
-200	(6.1)
-300	Not meaningful
-400	Not meaningful
-500	Not meaningful

In the event of a shift in interest rates, management 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.

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 and Chief Accounting 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.

Our management, including our Chairman and Chief Executive Officer and our Chief Financial Officer and Chief Accounting Officer, has evaluated any 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) that occurred during the quarterly period covered by this report and has concluded that there were no changes during the quarterly period covered by this report 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 4:18-cv-793-JM. On November 19, 2018, a second purported class action complaint based upon similar allegations of violations of federal securities laws was filed against Bank OZK in the United States District Court for the Southern District of New York, captioned Ryan A. Wood v. Bank OZK et al, case number 1:18-cv-10800. Under applicable federal law, the federal district court in the Colbert case named Strathclyde Pension Fund as the lead class plaintiff. Upon motion of the defendants, the court in the Wood case transferred that suit to the Eastern District of Arkansas. On February 21, 2019, the plaintiff in the Wood case voluntarily dismissed that complaint, without prejudice. The Colbert complaint alleges 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 complaint alleges 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 complaint identified the respective proposed class period as encompassing persons who purchased the Bank's common stock between February 19, 2016 and October 18, 2018. The Bank and the individual defendants believe that the plaintiffs' allegations set forth in the Colbert complaint are without merit, and the Bank and the individual defendants 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. The plaintiff in the derivative suit 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 two purported class action complaints 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 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, and the individual defendants intend to vigorously defend against the claims against them.

The Bank is a party as both plaintiff and defendant to various claims arising in the ordinary course of business, including administrative and/or legal proceedings that may include employment-related claims as well as claims of lender liability, breach of contract, and other similar lending-related claims encountered on a routine basis. 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 set forth under Part 1, Item 1A of the Bank's annual report on Form 10-K for the year ended December 31, 2018 filed with the FDIC on February 27, 2019.

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

During the first quarter of 2019, the Bank issued an aggregate of 29,300 shares of common stock in connection with the exercise of stock options issued to certain participants under the Amended and Restated Stock Option Plan. 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 2019, we issued an aggregate of 383,874 shares of restricted common stock to certain officers and employees pursuant to the Bank's Restricted Stock and Incentive Plan. We 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 2019, 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, 2019	62,403	$ 26.22	—	—
February 1 - 28, 2019	339	32.86	—	—
March 1 - 31, 2019	—	—	—	—
Total	62,742	$ 26.26	—	—

(1) 158,502 and 1,000 shares of our common stock issued to certain of our officers under our Amended and Restated Restricted Stock and Incentive Plan vested on January 13, 2019 and February 28, 2019, respectively, and were no longer subject to the vesting restriction or substantial risk of forfeiture. We withheld 62,742 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 8, 2019

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

Bank OZK

Exhibit Index

Exhibit Number	
2.1	Agreement and Plan of Merger among Bank of the Ozarks, Inc., Bank of the Ozarks, Community & Southern Holdings, Inc. and Community & Southern Bank, dated as of October 19, 2015 (previously filed as Exhibit 2.1 to the Bank's Quarterly Report on Form 10-Q filed with the FDIC on August 8, 2017, and incorporated herein by reference).
2.2	Agreement and Plan of Merger among Bank of the Ozarks, Inc., Bank of the Ozarks, C1 Financial, Inc. and C1 Bank, dated as of November 9, 2015 (previously filed as Exhibit 2.2 to the Bank's Quarterly Report on Form 10-Q filed with the FDIC on August 8, 2017, and incorporated herein by reference).
2.3	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).
10.1*	Form of 2019 Performance Based Restricted Stock Unit Award Agreement for Executive Officers (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on January 29, 2019, and incorporated herein by reference).
10.2*	Bank OZK 2019 Executive Management Cash-Based Performance Plan (previously filed as Exhibit 10.24 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2019, and incorporated herein by reference).
10.3*	Bank OZK 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference).
10.4*	Form of Restricted Stock Award Agreement for Employees under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.2 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference).
10.5*	Form of Restricted Stock Award Agreement for Non-Employee Directors under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.3 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference).
10.6*	Form of Stock Option Award Agreement for Employees under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.4 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference).
11.1	Earnings Per Share Computation (included in Note 3 to the Consolidated Financial Statements).
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 and Chief Accounting 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 and Chief Accounting 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 8, 2019

/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 8, 2019

/s/ Greg McKinney
Greg McKinney
Chief Financial Officer and
Chief Accounting 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, 2019, 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 8, 2019

/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, 2019, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, Greg McKinney, Chief Financial Officer and Chief Accounting 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 8, 2019

/s/ Greg McKinney
Greg McKinney
Chief Financial Officer and
Chief Accounting Officer