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

# 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, 2017**

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

**For the transition period from __________ to __________.**

**Commission File Number 0-22759**

# BANK OF THE OZARKS, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **ARKANSAS**<br>**(State or other jurisdiction of incorporation or organization)** | **71-0556208**<br>**(I.R.S. Employer Identification Number)** |
| **17901 CHENAL PARKWAY, LITTLE ROCK, ARKANSAS**<br>**(Address of principal executive offices)** | **72223**<br>**(Zip Code)** |

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 ☐ (Do not check if a smaller reporting company) | | | |
| Smaller reporting company | ☐ | Emerging growth 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 ☒

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, 2017 |
|---|---|
| Common Stock, $0.01 par value per share | 121,577,177 |

**BANK OF THE OZARKS, INC.**
**FORM 10-Q**
**March 31, 2017**

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## PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

### BANK OF THE OZARKS, INC.
### CONSOLIDATED BALANCE SHEETS

| | Unaudited March 31, 2017 | December 31, 2016 |
|---|---|---|
| | (Dollars in thousands, except per share amounts) | |
| **ASSETS** | | |
| Cash and due from banks | $ 892,085 | $ 814,255 |
| Interest earning deposits | 36,680 | 52,105 |
| Cash and cash equivalents | 928,765 | 866,360 |
| Investment securities - available for sale (“AFS”) | 1,470,568 | 1,471,612 |
| Non-purchased loans and leases | 10,216,875 | 9,605,093 |
| Purchased loans | 4,580,047 | 4,958,022 |
| Allowance for loan and lease losses | (78,224) | (76,541) |
| Net loans and leases | 14,718,698 | 14,486,574 |
| Premises and equipment, net | 506,520 | 504,086 |
| Foreclosed assets | 36,899 | 43,702 |
| Accrued interest receivable | 37,531 | 51,919 |
| Bank owned life insurance (“BOLI”) | 585,409 | 580,945 |
| Intangible assets, net | 718,475 | 720,950 |
| Other, net | 149,347 | 163,994 |
| Total assets | $ 19,152,212 | $ 18,890,142 |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** | | |
| Deposits: | | |
| Demand non-interest bearing | $ 2,704,022 | $ 2,589,458 |
| Savings and interest bearing transaction | 8,179,718 | 8,048,355 |
| Time | 4,829,687 | 4,937,065 |
| Total deposits | 15,713,427 | 15,574,878 |
| Repurchase agreements with customers | 80,609 | 65,110 |
| Other borrowings | 42,291 | 41,903 |
| Subordinated notes | 222,611 | 222,516 |
| Subordinated debentures | 118,380 | 118,242 |
| Accrued interest payable and other liabilities | 98,290 | 72,622 |
| Total liabilities | 16,275,608 | 16,095,271 |
| Commitments and contingencies | | |
| Stockholders’ equity: | | |
| Preferred stock; $0.01 par value; 1,000,000 shares authorized; no shares outstanding at March 31, 2017 or December 31, 2016 | — | — |
| Common stock; $0.01 par value; 300,000,000 shares authorized; 121,575,047 and 121,267,616 shares issued at March 31, 2017 and December 31, 2016, respectively | 1,216 | 1,213 |
| Additional paid-in capital | 1,907,893 | 1,901,880 |
| Retained earnings | 982,275 | 914,434 |
| Accumulated other comprehensive income (loss) | (18,067) | (25,920) |
| Total stockholders’ equity before noncontrolling interest | 2,873,317 | 2,791,607 |
| Noncontrolling interest | 3,287 | 3,264 |
| Total stockholders’ equity | 2,876,604 | 2,794,871 |
| Total liabilities and stockholders’ equity | $ 19,152,212 | $ 18,890,142 |

See accompanying notes to consolidated financial statements.

## BANK OF THE OZARKS, INC.
## CONSOLIDATED STATEMENTS OF INCOME
Unaudited

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| | (Dollars in thousands, except per share amounts) | |
| Interest income: | | |
| Non-purchased loans and leases | $ 127,428 | $ 87,010 |
| Purchased loans | 75,994 | 29,023 |
| Investment securities: | | |
| Taxable | 3,816 | 2,270 |
| Tax-exempt | 6,512 | 3,432 |
| Deposits with banks and federal funds sold | 20 | 6 |
| Total interest income | 213,770 | 121,741 |
| Interest expense: | | |
| Deposits | 18,378 | 7,850 |
| Repurchase agreements with customers | 30 | 19 |
| Other borrowings | 222 | 302 |
| Subordinated notes | 3,188 | — |
| Subordinated debentures | 1,181 | 1,053 |
| Total interest expense | 22,999 | 9,224 |
| Net interest income | 190,771 | 112,517 |
| Provision for loan and lease losses | 4,933 | 2,017 |
| Net interest income after provision for loan and lease losses | 185,838 | 110,500 |
| Non-interest income: | | |
| Service charges on deposit accounts | 11,301 | 7,657 |
| Mortgage lending income | 1,574 | 1,284 |
| Trust income | 1,631 | 1,507 |
| BOLI income | 4,464 | 2,861 |
| Other income from purchased loans, net | 3,737 | 3,052 |
| Gains on sales of other assets | 1,619 | 1,027 |
| Other | 4,732 | 2,477 |
| Total non-interest income | 29,058 | 19,865 |
| Non-interest expense: | | |
| Salaries and employee benefits | 38,554 | 23,362 |
| Net occupancy and equipment | 13,192 | 8,531 |
| Other operating expenses | 26,522 | 15,793 |
| Total non-interest expense | 78,268 | 47,686 |
| Income before taxes | 136,628 | 82,679 |
| Provision for income taxes | 47,417 | 30,984 |
| Net income | 89,211 | 51,695 |
| Earnings attributable to noncontrolling interest | (23) | (7) |
| Net income available to common stockholders | $ 89,188 | $ 51,688 |
| Basic earnings per common share | $ 0.73 | $ 0.57 |
| Diluted earnings per common share | $ 0.73 | $ 0.57 |
| Dividends declared per common share | $ 0.17 | $ 0.15 |

See accompanying notes to consolidated financial statements.

**BANK OF THE OZARKS, INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
Unaudited

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (Dollars in thousands) | |
| Net income | $ 89,211 | $ 51,695 |
| Other comprehensive income: | | |
| Unrealized gains and losses on investment securities AFS | 12,081 | 4,195 |
| Tax effect of unrealized gains and losses on investment securities AFS | (4,228) | (1,723) |
| 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 | 7,853 | 2,472 |
| Total comprehensive income | $ 97,064 | $ 54,167 |

See accompanying notes to consolidated financial statements.

**BANK OF THE OZARKS, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
Unaudited

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Non-Controlling Interest | Total |
|---|---|---|---|---|---|---|---|
| | (Dollars in thousands, except per share amounts) | | | | | | |
| Balances – December 31, 2015 | $ 906 | $ 755,995 | $706,628 | $ 7,959 | $ (6,857) | $ 3,163 | $1,467,794 |
| Net income | — | — | 51,695 | — | — | — | 51,695 |
| Earnings attributable to noncontrolling interest | — | — | (7) | — | — | 7 | — |
| Total other comprehensive income | — | — | — | 2,472 | — | — | 2,472 |
| Common stock dividends paid, $0.15 per share | — | — | (13,603) | — | — | — | (13,603) |
| Issuance of 27,200 shares of common stock for exercise of stock options | — | 322 | — | — | — | — | 322 |
| Issuance of 213,907 shares of unvested restricted common stock | 1 | (6,858) | — | — | 6,857 | — | — |
| Excess tax benefit on exercise and forfeiture of stock options and restricted common stock | — | 550 | — | — | — | — | 550 |
| Stock-based compensation expense | — | 2,020 | — | — | — | — | 2,020 |
| Forfeiture of 5,804 shares of unvested restricted common stock | — | — | — | — | — | — | — |
| Balances – March 31, 2016 | $ 907 | $ 752,029 | $744,713 | $ 10,431 | $ — | $ 3,170 | $1,511,250 |
| | | | | | | | |
| Balances – December 31, 2016 | $ 1,213 | $1,901,880 | $914,434 | $ (25,920) | $ — | $ 3,264 | $2,794,871 |
| Cumulative effect of change in accounting principal | — | 1,133 | (688) | — | — | — | 445 |
| Balances – January 1, 2017, as adjusted | 1,213 | 1,903,013 | 913,746 | (25,920) | — | 3,264 | 2,795,316 |
| Net income | — | — | 89,211 | — | — | — | 89,211 |
| Earnings attributable to noncontrolling interest | — | — | (23) | — | — | 23 | — |
| Total other comprehensive income | — | — | — | 7,853 | — | — | 7,853 |
| Common stock dividends paid, $0.17 per share | — | — | (20,659) | — | — | — | (20,659) |
| Issuance of 69,655 shares of common stock for exercise of stock options | 1 | 1,170 | — | — | — | — | 1,171 |
| Issuance of 238,794 shares of unvested restricted common stock | 2 | (2) | — | — | — | — | — |
| Stock-based compensation expense | — | 3,712 | — | — | — | — | 3,712 |
| Forfeiture of 1,018 shares of unvested restricted common stock | — | — | — | — | — | — | — |
| Balances – March 31, 2017 | $ 1,216 | $1,907,893 | $982,275 | $ (18,067) | $ — | $ 3,287 | $2,876,604 |

See accompanying notes to consolidated financial statements.

**BANK OF THE OZARKS, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
Unaudited

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Cash flows from operating activities: | | |
| Net income | $ 89,211 | $ 51,695 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 5,027 | 2,970 |
| Amortization | 3,377 | 1,865 |
| Earnings attributable to noncontrolling interest | (23) | (7) |
| Provision for loan and lease losses | 4,933 | 2,017 |
| Provision for losses on foreclosed assets | 596 | 670 |
| Net amortization of investment securities AFS | 2,819 | 230 |
| Originations of mortgage loans held for sale | (48,222) | (47,322) |
| Proceeds from sales of mortgage loans held for sale | 56,041 | 45,059 |
| Accretion of purchased loans | (20,619) | (9,651) |
| Gains on sales of other assets | (1,619) | (1,027) |
| Deferred income tax expense (benefits) | 6,899 | (1,921) |
| Increase in cash surrender value of BOLI | (4,464) | (2,861) |
| Stock-based compensation expense | 3,712 | 2,020 |
| Excess tax benefit on stock-based compensation | — | (550) |
| Changes in assets and liabilities: | | |
| Accrued interest receivable | 14,388 | (7,828) |
| Other assets, net | 5,939 | (2,135) |
| Accrued interest payable and other liabilities | 24,036 | 12,091 |
| Net cash provided by operating activities | 142,031 | 45,315 |
| Cash flows from investing activities: | | |
| Proceeds from maturities/calls/paydowns of investment securities AFS | 32,188 | 58,176 |
| Purchases of investment securities AFS | (21,882) | (79,810) |
| Net increase of non-purchased loans and leases | (546,734) | (1,064,677) |
| Net payments received on purchased loans | 312,514 | 135,373 |
| Purchases of premises and equipment | (7,465) | (6,582) |
| Purchases of BOLI | — | (42,000) |
| Proceeds from sales of other assets | 16,847 | 5,654 |
| Cash (invested in) received from unconsolidated investments and noncontrolling interest | (42) | 223 |
| Net cash used by investing activities | (214,574) | (993,643) |
| Cash flows from financing activities: | | |
| Net increase in deposits | 138,549 | 1,655,357 |
| Net proceeds from (repayments of) other borrowings | 388 | (162,608) |
| Net increase in repurchase agreements with customers | 15,499 | 83 |
| Proceeds from exercise of stock options | 1,171 | 322 |
| Excess tax benefit on stock-based compensation | — | 550 |
| Cash dividends paid on common stock | (20,659) | (13,603) |
| Net cash provided by financing activities | 134,948 | 1,480,101 |
| Net increase in cash and cash equivalents | 62,405 | 531,773 |
| Cash and cash equivalents – beginning of period | 866,360 | 90,988 |
| Cash and cash equivalents – end of period | $ 928,765 | $ 622,761 |

See accompanying notes to consolidated financial statements.

## 1. Organization and Principles of Consolidation

Bank of the Ozarks, Inc. (the "Company") is a bank holding company headquartered in Little Rock, Arkansas, which operates under the rules and regulations of the Board of Governors of the Federal Reserve System. The Company owns a wholly-owned state chartered bank subsidiary – Bank of the Ozarks (the "Bank"), 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") (collectively, the "Ozark Trusts"), 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 "Intervest Trusts"; and together with Ozark Trusts, the "Trusts") and, indirectly through the Bank, a subsidiary that holds the Company's investment securities, a subsidiary engaged in the development of real estate, a subsidiary that owns private aircraft and various other entities that hold loans, foreclosed assets or tax credits or engage in other activities. The Company and Bank are subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory authorities. The consolidated financial statements include the accounts of the Company, 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.

At March 31, 2017 the Company, through the Bank, conducted operations through 250 offices, including offices in Arkansas, Georgia, Florida, North Carolina, Texas, Alabama, South Carolina, California and New York.

## 2. Basis of Presentation and Change in Accounting Policy

The accompanying interim consolidated financial statements have been prepared by the Company, 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 Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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 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, 2017 are not necessarily indicative of the results that may be expected for the full year or future periods.

During the three months ended March 31, 2017, the Company revised its initial estimates regarding certain acquired assets and liabilities associated with its 2016 acquisition of C1 Financial, Inc. ("C1"). As a result, goodwill recorded in the C1 acquisition increased by approximately $0.7 million during the first quarter of 2017. As provided under GAAP, management has up to twelve months following the date of an acquisition to finalize the fair values of the acquired assets and assumed liabilities. 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").

On January 1, 2017, the Company adopted Accounting Standards Update ("ASU") 2016-09, "Improvements to Employee Share-Based Payment Accounting." In accordance with the provisions of ASU 2016-09, the Company elected to account for forfeitures of stock-based compensation awards as they occur. Prior to the adoption of ASU 2016-09, the Company estimated forfeiture rates and the impact that estimated forfeitures would have on the number of stock-based awards that were expected to vest. The Company believes this policy election related to forfeitures will be a more efficient method of accounting for forfeitures. The adoption of ASU 2016-09 resulted in a cumulative adjustment to increase stockholders' equity at January 1, 2017 by approximately $0.4 million.

## 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 using the treasury stock method. For the three months ended March 31, 2017, options to purchase 1,095,976 shares of the Company's common stock were excluded from the diluted EPS calculations, and for the three months ended March 31, 2016, options to purchase 659,858 shares of the Company's common stock were excluded from the diluted EPS calculations as inclusion of such options during such periods would have been anti-dilutive.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In thousands, except per share amounts) | |
| Numerator: | | |
| Distributed earnings allocated to common stockholders | $ 20,659 | $ 13,603 |
| Undistributed earnings allocated to common stockholders | 68,529 | 38,085 |
| Net income available to common stockholders | $ 89,188 | $ 51,688 |
| Denominator: | | |
| Denominator for basic EPS – weighted-average common shares | 121,512 | 90,687 |
| Effect of dilutive securities – stock options | 442 | 564 |
| Denominator for diluted EPS – weighted-average common shares and assumed conversions | 121,954 | 91,251 |
| Basic EPS | $ 0.73 | $ 0.57 |
| Diluted EPS | $ 0.73 | $ 0.57 |

## 4. Investment Securities

At both March 31, 2017 and December 31, 2016, the Company classified all of 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 Company's investment in the "CRA qualified investment fund" includes shares held in a mutual fund that qualifies under the Community Reinvestment Act of 1977 for community reinvestment purposes. The Company's holdings of "other equity securities" include Federal Home Loan Bank of Dallas ("FHLB") and First National Banker's Bankshares, Inc. ("FNBB") shares which do not have readily determinable fair values and are carried at cost.

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| **March 31, 2017:** | | | | |
| Obligations of state and political subdivisions | $ 932,781 | $ 8,155 | $ (27,299) | $ 913,637 |
| U.S. Government agency securities | 548,284 | 1,071 | (9,727) | 539,628 |
| Corporate obligations | 10,061 | 61 | (33) | 10,089 |
| CRA qualified investment fund | 1,067 | — | (26) | 1,041 |
| Other equity securities | 6,173 | — | — | 6,173 |
| Total | $ 1,498,366 | $ 9,287 | $ (37,085) | $ 1,470,568 |
| **December 31, 2016:** | | | | |
| Obligations of state and political subdivisions | $ 946,886 | $ 7,785 | $ (35,658) | $ 919,013 |
| U.S. Government agency securities | 547,297 | 962 | (12,769) | 535,490 |
| Corporate obligations | 10,086 | — | (171) | 9,915 |
| CRA qualified investment fund | 1,061 | — | (27) | 1,034 |
| Other equity securities | 6,160 | — | — | 6,160 |
| Total | $ 1,511,490 | $ 8,747 | $ (48,625) | $ 1,471,612 |

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, 2017:** | | | | | | |
| Obligations of state and political subdivisions | $ 593,962 | $ 27,290 | $ 3,330 | $ 9 | $ 597,292 | $ 27,299 |
| U.S. Government agency securities | 473,508 | 9,727 | 21 | — | 473,529 | 9,727 |
| Corporate obligations | 2,525 | 22 | 485 | 11 | 3,010 | 33 |
| CRA qualified investment fund | 1,041 | 26 | — | — | 1,041 | 26 |
| Total temporarily impaired securities | $1,071,036 | $ 37,065 | $ 3,836 | $ 20 | $1,074,872 | $ 37,085 |
| **December 31, 2016:** | | | | | | |
| Obligations of state and political subdivisions | $ 641,862 | $ 35,648 | $ 4,501 | $ 10 | $ 646,363 | $ 35,658 |
| U.S. Government agency securities | 480,000 | 12,764 | 160 | 5 | 480,160 | 12,769 |
| Corporate obligations | 6,915 | 171 | — | — | 6,915 | 171 |
| CRA qualified investment fund | 1,035 | 27 | — | — | 1,035 | 27 |
| Total temporarily impaired securities | $1,129,812 | $ 48,610 | $ 4,661 | $ 15 | $1,134,473 | $ 48,625 |

In evaluating the Company'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, 2017 and December 31, 2016, 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. The Company 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.

| **Maturity or Estimated Repayment** | **March 31, 2017** Amortized Cost | Estimated Fair Value |
|---|---|---|
| | (Dollars in thousands) | |
| One year or less | $ 81,122 | $ 80,060 |
| After one year to five years | 302,717 | 299,451 |
| After five years to ten years | 342,714 | 342,572 |
| After ten years | 771,813 | 748,485 |
| Total | $ 1,498,366 | $ 1,470,568 |

For purposes of this maturity or repayment distribution, all investment securities AFS are shown based on their contractual maturity date or estimated date of repayment, except (i) FHLB and FNBB equity securities and the CRA qualified investment fund with no contractual maturity date are shown in the longest maturity category and (ii) U.S. Government agency securities and municipal housing authority securities backed by residential mortgages 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. 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.

The Company had no sales activity within its investment securities AFS for the three months ended March 31, 2017 or 2016.

## 5. Allowance for Loan and Lease Losses ("ALLL") and Credit Quality Indicators

### *Allowance for Loan and Lease Losses*

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

| | **Three Months Ended March 31,** 2017 | 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Beginning balance | $ 76,541 | $ 60,854 |
| Charge-offs of non-purchased loans and leases | (1,749) | (1,347) |
| Recoveries of non-purchased loans and leases previously charged off | 432 | 253 |
| Net charge-offs – non-purchased loans and leases | (1,317) | (1,094) |
| Charge-offs of purchased loans | (2,787) | (65) |
| Recoveries of purchased loans previously charged off | 854 | 48 |
| Net charge-offs – purchased loans | (1,933) | (17) |
| Net charge-offs – total loans and leases | (3,250) | (1,111) |
| Provision for loan and lease losses: | | |
| Non-purchased loans and leases | 3,000 | 2,000 |
| Purchased loans | 1,933 | 17 |
| Total provision | 4,933 | 2,017 |
| Ending balance | $ 78,224 | $ 61,760 |
| | | |
| ALLL allocated to non-purchased loans and leases | $ 76,624 | $ 60,560 |
| ALLL allocated to purchased loans | 1,600 | 1,200 |
| Total ALLL | $ 78,224 | $ 61,760 |

The following tables are a summary of the Company's ALLL for the periods indicated.

| | Beginning Balance | Charge-offs | Recoveries | Provision | Ending Balance |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| **Three months ended March 31, 2017:** | | | | | |
| Non-purchased loans and leases: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 10,225 | $ (169) | $ 4 | $ 898 | $ 10,958 |
| Non-farm/non-residential | 21,555 | (6) | 11 | 1,480 | 23,040 |
| Construction/land development | 20,673 | (67) | 6 | (979) | 19,633 |
| Agricultural | 2,787 | — | — | (494) | 2,293 |
| Multifamily residential | 2,447 | — | — | 318 | 2,765 |
| Commercial and industrial | 2,359 | (225) | 86 | 195 | 2,415 |
| Consumer | 1,945 | (113) | 111 | 991 | 2,934 |
| Direct financing leases | 10,684 | (677) | 5 | 418 | 10,430 |
| Other | 2,266 | (492) | 209 | 173 | 2,156 |
| Total non-purchased loans and leases | 74,941 | (1,749) | 432 | 3,000 | 76,624 |
| Purchased loans | 1,600 | (2,787) | 854 | 1,933 | 1,600 |
| Total loans and leases | $ 76,541 | $ (4,536) | $ 1,286 | $ 4,933 | $ 78,224 |
| **Three months ended March 31, 2016:** | | | | | |
| Non-purchased loans and leases: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 8,672 | $ (243) | $ 24 | $ 976 | $ 9,429 |
| Non-farm/non-residential | 16,796 | (12) | — | 1,977 | 18,761 |
| Construction/land development | 18,176 | (20) | 2 | (2,899) | 15,259 |
| Agricultural | 3,388 | (7) | — | 303 | 3,684 |
| Multifamily residential | 3,031 | — | — | 883 | 3,914 |
| Commercial and industrial | 2,574 | (11) | 33 | 803 | 3,399 |
| Consumer | 707 | (33) | 12 | 21 | 707 |
| Direct financing leases | 3,835 | (660) | 11 | 1,049 | 4,235 |
| Other | 2,475 | (361) | 171 | (1,113) | 1,172 |
| Total non-purchased loans and leases | 59,654 | (1,347) | 253 | 2,000 | 60,560 |
| Purchased loans | 1,200 | (65) | 48 | 17 | 1,200 |
| Total loans and leases | $ 60,854 | $ (1,412) | $ 301 | $ 2,017 | $ 61,760 |

The following table is a summary of the Company's ALLL for non-purchased loans and leases and recorded investment in non-purchased loans and leases as of the dates indicated.

| | ALLL for Non-Purchased Loans and Leases | | | Non-Purchased Loans and Leases | | |
|---|---|---|---|---|---|---|
| | ALLL for Individually Evaluated Impaired Loans and Leases | ALLL for All Other Loans and Leases | Total ALLL[1] | Individually Evaluated Impaired Loans and Leases | All Other Loans and Leases | Total Loans and Leases |
| | (Dollars in thousands) | | | | | |
| **March 31, 2017:** | | | | | | |
| Real estate: | | | | | | |
| Residential 1-4 family | $ 212 | $ 10,746 | $ 10,958 | $ 2,425 | $ 511,605 | $ 514,030 |
| Non-farm/non-residential | 338 | 22,702 | 23,040 | 3,282 | 2,669,826 | 2,673,108 |
| Construction/land development | 353 | 19,280 | 19,633 | 2,197 | 4,768,102 | 4,770,299 |
| Agricultural | 287 | 2,006 | 2,293 | 1,099 | 109,024 | 110,123 |
| Multifamily residential | — | 2,765 | 2,765 | 100 | 557,551 | 557,651 |
| Commercial and industrial | 511 | 1,904 | 2,415 | 809 | 200,251 | 201,060 |
| Consumer | 23 | 2,911 | 2,934 | 83 | 352,205 | 352,288 |
| Direct financing leases | — | 10,430 | 10,430 | — | 134,948 | 134,948 |
| Other | 41 | 2,115 | 2,156 | 212 | 903,156 | 903,368 |
| Total | $ 1,765 | $ 74,859 | $ 76,624 | $ 10,207 | $10,206,668 | $10,216,875 |
| **December 31, 2016:** | | | | | | |
| Real estate: | | | | | | |
| Residential 1-4 family | $ 326 | $ 9,899 | $ 10,225 | $ 2,411 | $ 478,652 | $ 481,063 |
| Non-farm/non-residential | 174 | 21,381 | 21,555 | 2,136 | 2,383,516 | 2,385,652 |
| Construction/land development | 1,384 | 19,289 | 20,673 | 5,501 | 4,757,466 | 4,762,967 |
| Agricultural | 387 | 2,400 | 2,787 | 1,198 | 96,668 | 97,866 |
| Multifamily residential | 59 | 2,388 | 2,447 | 879 | 434,463 | 435,342 |
| Commercial and industrial | 463 | 1,896 | 2,359 | 750 | 227,730 | 228,480 |
| Consumer | 16 | 1,929 | 1,945 | 60 | 216,457 | 216,517 |
| Direct financing leases | — | 10,684 | 10,684 | — | 137,188 | 137,188 |
| Other | 41 | 2,225 | 2,266 | 158 | 859,860 | 860,018 |
| Total | $ 2,850 | $ 72,091 | $ 74,941 | $ 13,093 | $ 9,592,000 | $ 9,605,093 |

(1) Excludes $1.6 million of ALLL allocated to the Company's purchased loans at both March 31, 2017 and December 31, 2016.

The following table is a summary of impaired non-purchased loans and leases as of and for the three months ended March 31, 2017.

| | Principal Balance | Net Charge-offs to Date | Principal Balance, Net of Charge-offs | Specific ALLL | Weighted Average Carrying Value – Three Months Ended March 31, 2017 |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| Impaired loans and leases for which there is a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 1,459 | $ (218) | $ 1,241 | $ 212 | $ 1,464 |
| Non-farm/non-residential | 2,254 | (530) | 1,724 | 338 | 1,186 |
| Construction/land development | 1,828 | (34) | 1,794 | 353 | 3,448 |
| Agricultural | 964 | — | 964 | 287 | 1,014 |
| Commercial and industrial | 859 | (81) | 778 | 511 | 633 |
| Consumer | 78 | (4) | 74 | 23 | 62 |
| Other | 207 | — | 207 | 41 | 180 |
| Total impaired loans and leases with a related ALLL | 7,649 | (867) | 6,782 | 1,765 | 7,987 |
| Impaired loans and leases for which there is not a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | 1,301 | (117) | 1,184 | — | 954 |
| Non-farm/non-residential | 1,972 | (414) | 1,558 | — | 1,523 |
| Construction/land development | 1,217 | (814) | 403 | — | 400 |
| Agricultural | 367 | (232) | 135 | — | 135 |
| Multifamily residential | 233 | (133) | 100 | — | 50 |
| Commercial and industrial | 81 | (50) | 31 | — | 147 |
| Consumer | 14 | (5) | 9 | — | 9 |
| Other | 5 | — | 5 | — | 5 |
| Total impaired loans and leases without a related ALLL | 5,190 | (1,765) | 3,425 | — | 3,223 |
| Total impaired non-purchased loans and leases | $ 12,839 | $ (2,632) | $ 10,207 | $ 1,765 | $ 11,210 |

The following table is a summary of impaired non-purchased loans and leases as of and for the year ended December 31, 2016.

| | Principal Balance | Net Charge-offs to Date | Principal Balance, Net of Charge-offs | Specific ALLL | Weighted Average Carrying Value – Year Ended December 31, 2016 |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| Impaired loans and leases for which there is a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 1,904 | $ (216) | $ 1,688 | $ 326 | $ 1,088 |
| Non-farm/non-residential | 1,171 | (523) | 648 | 174 | 186 |
| Construction/land development | 5,137 | (34) | 5,103 | 1,384 | 1,118 |
| Agricultural | 1,064 | — | 1,064 | 387 | 1,118 |
| Multifamily | 879 | — | 879 | 59 | 176 |
| Commercial and industrial | 809 | (322) | 487 | 463 | 506 |
| Consumer | 55 | (4) | 51 | 16 | 23 |
| Other | 153 | — | 153 | 41 | 31 |
| Total impaired loans and leases with a related ALLL | 11,172 | (1,099) | 10,073 | 2,850 | 4,246 |
| Impaired loans and leases for which there is not a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | 879 | (156) | 723 | — | 896 |
| Non-farm/non-residential | 1,997 | (509) | 1,488 | — | 1,131 |
| Construction/land development | 1,208 | (810) | 398 | — | 1,998 |
| Agricultural | 366 | (232) | 134 | — | 169 |
| Multifamily residential | 133 | (133) | — | — | 33 |
| Commercial and industrial | 313 | (50) | 263 | — | 209 |
| Consumer | 14 | (5) | 9 | — | 11 |
| Other | 5 | — | 5 | — | 6 |
| Total impaired loans and leases without a related ALLL | 4,915 | (1,895) | 3,020 | — | 4,453 |
| Total impaired non-purchased loans and leases | $ 16,087 | $ (2,994) | $ 13,093 | $ 2,850 | $ 8,699 |

Management has determined that certain of the Company's impaired non-purchased loans and leases do not require any specific allowance at March 31, 2017 or at December 31, 2016 because (i) management's analysis of such individual loans and leases resulted in no impairment or (ii) all identified impairment on such loans and leases had previously been charged off.

Interest income on impaired non-purchased loans and leases is recognized on a cash basis when and if actually collected. Total interest income recognized on impaired non-purchased loans and leases for the three months ended March 31, 2017 and 2016 was not material.

***Credit Quality Indicators***

*Non-Purchased Loans and Leases*

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

| | Satisfactory | Moderate | Watch | Substandard | Total |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **March 31, 2017:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family (1) | $ 507,218 | $ — | $ 2,516 | $ 4,296 | $ 514,030 |
| Non-farm/non-residential | 2,252,848 | 334,454 | 78,462 | 7,344 | 2,673,108 |
| Construction/land development | 4,378,663 | 376,589 | 11,912 | 3,135 | 4,770,299 |
| Agricultural | 47,750 | 51,844 | 8,504 | 2,025 | 110,123 |
| Multifamily residential | 508,219 | 46,355 | 1,942 | 1,135 | 557,651 |
| Commercial and industrial | 111,729 | 82,318 | 5,514 | 1,499 | 201,060 |
| Consumer (1) | 351,910 | — | 133 | 245 | 352,288 |
| Direct financing leases | 133,972 | 36 | 179 | 761 | 134,948 |
| Other (1) | 899,028 | 3,898 | 226 | 216 | 903,368 |
| Total | $ 9,191,337 | $ 895,494 | $ 109,388 | $ 20,656 | $10,216,875 |
| **December 31, 2016:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family (1) | $ 474,853 | $ — | $ 1,938 | $ 4,272 | $ 481,063 |
| Non-farm/non-residential | 2,010,397 | 287,157 | 81,527 | 6,571 | 2,385,652 |
| Construction/land development | 4,409,108 | 336,004 | 11,402 | 6,453 | 4,762,967 |
| Agricultural | 48,835 | 37,712 | 9,158 | 2,161 | 97,866 |
| Multifamily residential | 381,845 | 49,607 | 1,971 | 1,919 | 435,342 |
| Commercial and industrial | 149,698 | 73,559 | 3,994 | 1,229 | 228,480 |
| Consumer (1) | 216,120 | — | 164 | 233 | 216,517 |
| Direct financing leases | 135,980 | 46 | 208 | 954 | 137,188 |
| Other (1) | 855,217 | 4,710 | 81 | 10 | 860,018 |
| Total | $ 8,682,053 | $ 788,795 | $ 110,443 | $ 23,802 | $ 9,605,093 |

(1) The Company does not risk rate its residential 1-4 family loans (including consumer construction loans and 1-4 family properties), indirect loans, consumer loans, and certain "other" loans. However, for purposes of the above table, the Company 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 Company.

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

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

Watch – Loans and leases 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 and leases 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 and leases 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, 2017:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 3,227 | $ 2,257 | $ 5,484 | $ 508,546 | $ 514,030 |
| Non-farm/non-residential | 1,753 | 2,535 | 4,288 | 2,668,820 | 2,673,108 |
| Construction/land development | 1,714 | 2,208 | 3,922 | 4,766,377 | 4,770,299 |
| Agricultural | 55 | 51 | 106 | 110,017 | 110,123 |
| Multifamily residential | — | 100 | 100 | 557,551 | 557,651 |
| Commercial and industrial | 484 | 561 | 1,045 | 200,015 | 201,060 |
| Consumer | 162 | 79 | 241 | 352,047 | 352,288 |
| Direct financing leases | 656 | 607 | 1,263 | 133,685 | 134,948 |
| Other | 17 | 212 | 229 | 903,139 | 903,368 |
| Total | $ 8,068 | $ 8,610 | $ 16,678 | $10,200,197 | $10,216,875 |
| **December 31, 2016:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 2,410 | $ 2,082 | $ 4,492 | $ 476,571 | $ 481,063 |
| Non-farm/non-residential | 1,718 | 1,318 | 3,036 | 2,382,616 | 2,385,652 |
| Construction/land development | 3,082 | 198 | 3,280 | 4,759,687 | 4,762,967 |
| Agricultural | 1,220 | 136 | 1,356 | 96,510 | 97,866 |
| Multifamily residential | — | 883 | 883 | 434,459 | 435,342 |
| Commercial and industrial | 522 | 551 | 1,073 | 227,407 | 228,480 |
| Consumer | 169 | 52 | 221 | 216,296 | 216,517 |
| Direct financing leases | 408 | 812 | 1,220 | 135,968 | 137,188 |
| Other | 196 | 6 | 202 | 859,816 | 860,018 |
| Total | $ 9,725 | $ 6,038 | $ 15,763 | $ 9,589,330 | $ 9,605,093 |

(1) Includes $0.5 million and $4.6 million at March 31, 2017 and December 31, 2016, respectively, of loans and leases on nonaccrual status.
(2) All loans and leases greater than 90 days past due were on nonaccrual status at March 31, 2017 and December 31, 2016.
(3) Includes $2.1 million and $3.7 million of loans and leases on nonaccrual status at March 31, 2017 and December 31, 2016, respectively.

*Purchased Loans*

As of March 31, 2017, the Company had identified purchased loans where it had determined it was probable that the Company 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 its performance expectations established in conjunction with the determination of the Day 1 Fair Values or since its most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). At March 31, 2017, the Company had $13.9 million of impaired purchased loans compared to $6.5 million at December 31, 2016.

The following table is a summary of credit quality indicators for the Company'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, 2017:** | | | | | | | | |
| Real estate: | | | | | | | | |
| Residential 1-4 family | $ 93,432 | $ 355,484 | $162,513 | $57,320 | $ 621 | $ 67,020 | $ 1,868 | $ 738,258 |
| Non-farm/non-residential | 283,183 | 1,275,136 | 394,880 | 2,821 | 6,693 | 124,614 | 3,850 | 2,091,177 |
| Construction/land development | 90,834 | 363,467 | 59,200 | 2,114 | 22 | 13,160 | 68 | 528,865 |
| Agricultural | 11,220 | 4,922 | 3,638 | 369 | — | 3,926 | 394 | 24,469 |
| Multifamily residential | 19,389 | 198,358 | 52,548 | 678 | — | 10,182 | — | 281,155 |
| Commercial and industrial | 15,703 | 129,111 | 9,460 | 1,324 | 24 | 7,687 | 127 | 163,436 |
| Consumer | 297,715 | 376,332 | 69,136 | 1,987 | 202 | 278 | — | 745,650 |
| Other | 5,096 | 1,473 | 127 | 36 | — | 305 | — | 7,037 |
| Total | $816,572 | $2,704,283 | $751,502 | $66,649 | $ 7,562 | $227,172 | $ 6,307 | $4,580,047 |
| **December 31, 2016:** | | | | | | | | |
| Real estate: | | | | | | | | |
| Residential 1-4 family | $ 99,447 | $ 379,883 | $162,166 | $62,507 | $ 282 | $ 72,052 | $ 1,889 | $ 778,226 |
| Non-farm/non-residential | 309,450 | 1,415,399 | 419,978 | 3,128 | 712 | 128,347 | 2,735 | 2,279,749 |
| Construction/land development | 104,303 | 351,001 | 63,561 | 2,536 | 33 | 11,404 | 55 | 532,893 |
| Agricultural | 13,169 | 5,154 | 3,825 | 404 | — | 4,058 | 381 | 26,991 |
| Multifamily residential | 11,838 | 231,758 | 54,116 | 714 | — | 10,237 | — | 308,663 |
| Commercial and industrial | 17,268 | 172,168 | 10,897 | 1,722 | 22 | 9,463 | 127 | 211,667 |
| Consumer | 319,442 | 414,116 | 75,812 | 2,496 | 194 | 328 | 86 | 812,474 |
| Other | 5,229 | 1,497 | 132 | 44 | — | 457 | — | 7,359 |
| Total | $880,146 | $2,970,976 | $790,487 | $73,551 | $ 1,243 | $236,346 | $ 5,273 | $4,958,022 |

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, 2017:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 10,023 | $ 7,439 | $ 17,462 | $ 720,796 | $ 738,258 |
| Non-farm/non-residential | 6,779 | 22,426 | 29,205 | 2,061,972 | 2,091,177 |
| Construction/land development | 2,281 | 1,279 | 3,560 | 525,305 | 528,865 |
| Agriculture | 144 | 547 | 691 | 23,778 | 24,469 |
| Multifamily residential | — | — | — | 281,155 | 281,155 |
| Commercial and industrial | 1,112 | 1,242 | 2,354 | 161,082 | 163,436 |
| Consumer | 2,983 | 704 | 3,687 | 741,963 | 745,650 |
| Other | — | — | — | 7,037 | 7,037 |
| Total | $ 23,322 | $ 33,637 | $ 56,959 | $ 4,523,088 | $ 4,580,047 |
| Purchased loans without evidence of credit deterioration at date of acquisition | $ 16,916 | $ 10,704 | $ 27,620 | $ 4,318,948 | $ 4,346,568 |
| Purchased loans with evidence of credit deterioration at date of acquisition | 6,406 | 22,933 | 29,339 | 204,140 | 233,479 |
| Total | $ 23,322 | $ 33,637 | $ 56,959 | $ 4,523,088 | $ 4,580,047 |
| **December 31, 2016:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 10,547 | $ 8,665 | $ 19,212 | $ 759,014 | $ 778,226 |
| Non-farm/non-residential | 7,471 | 20,528 | 27,999 | 2,251,750 | 2,279,749 |
| Construction/land development | 21,008 | 527 | 21,535 | 511,358 | 532,893 |
| Agriculture | 49 | 638 | 687 | 26,304 | 26,991 |
| Multifamily residential | — | — | — | 308,663 | 308,663 |
| Commercial and industrial | 891 | 1,305 | 2,196 | 209,471 | 211,667 |
| Consumer | 4,421 | 1,502 | 5,923 | 806,551 | 812,474 |
| Other | — | — | — | 7,359 | 7,359 |
| Total | $ 44,387 | $ 33,165 | $ 77,552 | $ 4,880,470 | $ 4,958,022 |
| Purchased loans without evidence of credit deterioration at date of acquisition | $ 38,621 | $ 8,619 | $ 47,240 | $ 4,669,163 | $ 4,716,403 |
| Purchased loans with evidence of credit deterioration at date of acquisition | 5,766 | 24,546 | 30,312 | 211,307 | 241,619 |
| Total | $ 44,387 | $ 33,165 | $ 77,552 | $ 4,880,470 | $ 4,958,022 |

## 6. Supplemental Data for Cash Flows

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (Dollars in thousands) | |
| Cash paid during the period for: | | |
| Interest | $ 26,782 | $ 9,146 |
| Taxes | 1,714 | 17,552 |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Net change in unrealized gains/losses on investment securities AFS | 12,081 | 4,195 |
| Loans transferred to foreclosed assets | 5,732 | 4,706 |
| Loans advanced for sales of foreclosed assets | — | 30 |

## 7. Guarantees and Commitments

Outstanding standby letters of credit are contingent commitments issued by the Company generally to guarantee the performance of a customer in third party arrangements. The maximum amount of future payments the Company could be required to make under these guarantees at March 31, 2017 was $49.6 million. The Company holds collateral to support guarantees when deemed necessary. Collateralized commitments at March 31, 2017 totaled $35.3 million.

At March 31, 2017, the Company had outstanding commitments totaling $11.26 billion to extend credit, consisting primarily of loans closed but not yet funded. The following table shows, as of the date indicated, the contractual maturities of such outstanding commitments.

| Contractual Maturities at March 31, 2017 | |
|---|---|
| Maturity | Amount |
| (Dollars in thousands) | |
| 2017 | $ 575,370 |
| 2018 | 2,096,376 |
| 2019 | 4,119,085 |
| 2020 | 3,576,543 |
| 2021 | 669,503 |
| Thereafter | 221,885 |
| Total | $ 11,258,762 |

## 8. Stock-Based Compensation

The Company has a nonqualified stock option plan for certain employees and officers of the Company. This plan provides for the granting of nonqualified options to purchase shares of common stock in the Company. 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 Company or any subsidiary under this plan will be determined in the sole discretion of the Company's board of directors or its personnel and compensation committee. All employee options outstanding at March 31, 2017 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.

In addition, the Company has a non-employee director stock plan (the "Director Plan") that provides for awards of common stock to eligible non-employee directors. The Director Plan grants to each director who is not otherwise an employee of the Company, or any subsidiary, shares of common stock on the day of his or her election as director of the Company at each annual shareholders meeting, or any special meeting called for the purpose of electing a director or directors of the Company, and upon appointment for the first time as a director of the Company. The number of shares of common stock to be awarded is the equivalent of $35,000 worth of shares of common stock based on the average of the highest reported asked price and lowest reported bid price on the grant date. The common stock awarded under this plan is fully vested on the grant date. During the three months ended March 31, 2017 and 2016, no shares were issued and no stock-based compensation expense was recorded under the Director Plan.

Prior to the adoption of the Director Plan, the Company had a nonqualified stock option plan for non-employee directors. No options were granted under this plan during the three months ended March 31, 2017 or 2016. 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, 2017:** | | | | |
| Outstanding – January 1, 2017 | 1,635,484 | $ 37.10 | | |
| Granted | 603,414 | 52.08 | | |
| Exercised | (69,655) | 16.82 | | |
| Forfeited | (26,990) | 46.12 | | |
| Outstanding – March 31, 2017 | 2,142,253 | 41.87 | 5.4 | $ 22,369 (1) |
| Fully vested and exercisable – March 31, 2017 | 459,975 | $ 19.82 | 3.5 | $ 14,808 (1) |

(1) Based on closing price of $52.01 per share on March 31, 2017.

Intrinsic value for stock options is defined as the amount by which the current market price of the underlying stock exceeds the exercise price. For those stock options where the exercise price exceeds the current market price of the underlying stock, the intrinsic value is zero. The total intrinsic value of options exercised during the three months ended March 31, 2017 and 2016 was $2.6 million and $0.8 million, respectively.

Options to purchase 603,414 shares were granted during the three months ended March 31, 2017 with an average grant date fair value of $15.49. The fair value for each option grant is estimated on the date of grant using the Black-Sholes 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 three months ended March 31, 2017:

| | Three Months Ended March 31, 2017 |
|---|---|
| Risk-free interest rate | 1.93% |
| Expected dividend yield | 1.40% |
| Expected stock volatility | 35.6% |
| Expected life (years) | 5.0 |

The Company 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 Company's common stock at the date of grant. Expected stock volatility is based on historical volatilities of the Company's common stock. The expected life of stock options is calculated based on the "simplified" method as provided for under SEC Staff Accounting Bulletin No. 110.

Stock based compensation expense for stock options included in non-interest expense was $1.5 million and $1.0 million for the three months ended March 31, 2017 and 2016, respectively. Total unrecognized compensation cost related to non-vested stock option grants was $14.1 million at March 31, 2017 and is expected to be recognized over a weighted-average period of 2.3 years.

The Company has a restricted stock and incentive plan whereby all officers and employees of the Company or any subsidiary are eligible to receive awards of restricted stock, restricted stock units or performance awards. The benefits or amounts that may be received by or allocated to any particular officer or employee of the Company or any subsidiary under this plan will be determined in the sole discretion of the Company's board of directors or its personnel and compensation committee. Shares of common stock issued under the plan may be shares of original issuance or shares held in treasury that have been reacquired by the Company. 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 following table summarizes non-vested restricted stock activity for the period indicated.

| | Three Months Ended March 31, 2017 |
|---|---|
| Outstanding – December 31, 2016 | 430,497 |
| Granted | 238,794 |
| Forfeited | (1,018) |
| Vested | — |
| Outstanding – March 31, 2017 | 668,273 |
| Weighted-average grant date fair value | $ 44.25 |

Restricted stock awards for 238,794 shares were granted during the three months ended March 31, 2017 with a weighted-average grant date fair value of $52.09.

The fair value of the restricted stock awards is amortized to compensation expense over the three-year vesting period and is based on the market price of the Company's common stock at the date of grant multiplied by the number of shares granted. Stock-based compensation expense for restricted stock included in non-interest expense was $2.2 million and $1.0 million for the three months ended March 31, 2017 and 2016, respectively. Unrecognized compensation expense for non-vested restricted stock awards was $19.3 million at March 31, 2017 and is expected to be recognized over a weighted-average period of 2.3 years.

## 9. Fair Value Measurements

The Company 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 annually or on a non-recurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes. The Company had no liabilities that were accounted for at fair value at March 31, 2017 or December 31, 2016.

The Company 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 Company'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, 2017:** | | | | |
| Investment securities AFS [(1)]: | | | | |
| Obligations of state and political subdivisions | $ — | $ 896,802 | $ 16,835 | $ 913,637 |
| U.S. Government agency securities | — | 539,628 | — | 539,628 |
| Corporate obligations | — | 10,089 | — | 10,089 |
| CRA qualified investment fund | 1,041 | — | — | 1,041 |
| Total investment securities AFS | 1,041 | 1,446,519 | 16,835 | 1,464,395 |
| Impaired non-purchased loans and leases | — | — | 8,442 | 8,442 |
| Impaired purchased loans | — | — | 13,869 | 13,869 |
| Foreclosed assets | — | — | 36,899 | 36,899 |
| Total assets at fair value | $ 1,041 | $ 1,446,519 | $ 76,045 | $ 1,523,605 |
| **December 31, 2016:** | | | | |
| Investment securities AFS [(1)]: | | | | |
| Obligations of state and political subdivisions | $ — | $ 901,634 | $ 17,379 | $ 919,013 |
| U.S. Government agency securities | — | 535,490 | — | 535,490 |
| Corporate obligations | — | 9,915 | — | 9,915 |
| CRA qualified investment fund | 1,034 | — | — | 1,034 |
| Total investment securities AFS | 1,034 | 1,447,039 | 17,379 | 1,465,452 |
| Impaired non-purchased loans and leases | — | — | 10,243 | 10,243 |
| Impaired purchased loans | — | — | 6,516 | 6,516 |
| Foreclosed assets | — | — | 43,702 | 43,702 |
| Total assets at fair value | $ 1,034 | $ 1,447,039 | $ 77,840 | $ 1,525,913 |

(1) Does not include $6.2 million at both March 31, 2017 and December 31, 2016 of FHLB and FNBB equity securities that do not have readily determinable fair values and are carried at cost.

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, 2017 | Technique | Unobservable Inputs |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Impaired non-purchased loans and leases | $ 8,442 | Third party appraisal [(1)] and/or discounted cash flows | 1. Management discount based on underlying collateral characteristics and market conditions<br>2. Life of Loan |
| Impaired purchased loans | $ 13,869 | Third party appraisal [(1)] and/or discounted cash flows | 1. Management discount based on underlying collateral characteristics and market conditions<br>2. Life of Loan |
| Foreclosed assets | $ 36,899 | Third party appraisal, [(1)] broker price opinions and/or discounted cash flows | 1. Management discount based on underlying collateral characteristics and market conditions<br>2. Discount rate<br>3. Holding period |

(1) The Company 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 Company's assets that are accounted for at fair value.

Investment securities – The Company utilizes independent third parties as its principal pricing sources for determining fair value of investment securities which are measured on a recurring basis. As a result, the Company receives estimates of fair values from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities 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 traded in a market that is not active, fair value is determined using unobservable inputs. All fair value estimates of the Company's investment securities are reviewed on a quarterly basis.

The Company has determined that certain of its investment securities had a limited to non-existent trading market at March 31, 2017. As a result, the Company 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 $16.8 million at March 31, 2017 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 Company's third party pricing services for comparable unrated municipal securities or (ii) par value. At March 31, 2017, the third parties' pricing matrices valued the Company's portfolio of private placement bonds at $16.8 million which was approximately the same as the aggregate par value of the private placement bonds. Accordingly, at March 31, 2017, the Company reported the private placement bonds at $16.8 million.

Impaired non-purchased loans and leases – Fair values are measured on a nonrecurring basis and are based on the underlying collateral value of the impaired loan or lease, net of holding and selling costs, or the estimated discounted cash flows for such loan or lease. At March 31, 2017 the Company had reduced the carrying value of its impaired non-purchased loans and leases (all of which are included in nonaccrual loans and leases) by $4.4 million to the estimated fair value of $8.4 million. The $4.4 million adjustment to reduce the carrying value of such impaired loans and leases to estimated fair value consisted of $2.6 million of partial charge-offs and $1.8 million of specific allowance allocations for loan and lease losses.

Impaired purchased loans – Impaired purchased loans are measured at fair value on a non-recurring basis. As of March 31, 2017, the Company had identified purchased loans where current information indicates it is probable that (i) the Company 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, 2017, the Company had $13.9 million of impaired purchased loans.

Foreclosed assets – Repossessed personal properties and real estate acquired through or in lieu of foreclosure are measured on a non-recurring basis and are initially recorded at the lesser of current principal investment or fair value less estimated cost to sell (generally 8% to 10%) at the date of repossession or foreclosure. Purchased foreclosed assets are initially recorded at Day 1 Fair Values. In estimating such Day 1 Fair Values, management considered a number of factors including, among others, appraised value, estimated selling price, estimated holding periods and net present value of cash flows expected to be received. Valuations of these assets are periodically reviewed by management with the carrying value of such assets adjusted to the then estimated fair value net of estimated selling costs, if lower, until disposition. Fair values of foreclosed and repossessed assets are generally based on third party appraisals, broker price opinions or other valuations of the property.

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

| | Investment Securities AFS |
|---|---|
| | (Dollars in thousands) |
| Balance – December 31, 2016 | $ 17,379 |
| Total realized gains (losses) included in earnings | — |
| Total unrealized gains (losses) included in comprehensive income | 32 |
| Paydowns and maturities | (576) |
| Sales | — |
| Transfers in and/or out of Level 3 | — |
| Balance – March 31, 2017 | $ 16,835 |
| Balance – December 31, 2015 | $ 18,504 |
| Total realized gains (losses) included in earnings | — |
| Total unrealized gains (losses) included in comprehensive income | — |
| Paydowns and maturities | (554) |
| Sales | — |
| Transfers in and/or out of Level 3 | — |
| Balance – March 31, 2016 | $ 17,950 |

## 10. Fair Value of Financial Instruments

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

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

Investment securities – The Company utilizes independent third parties as its principal pricing sources for determining fair value of investment securities which are measured on a recurring basis. As a result, the Company receives estimates of fair values from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities 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 traded in a market that is not active, fair value is determined using unobservable inputs. All fair value estimates of the Company's investment securities are reviewed on a quarterly basis. The Company's investments in FHLB and FNBB equity securities totaling $6.2 million at both March 31, 2017 and December 31, 2016 do not have readily determinable fair values and are carried at cost.

Loans and leases – The fair value of loans and leases, including purchased loans, is estimated by discounting the contractual cash flows to be received in future periods using the current rate at which similar loans or leases would be made to borrowers or lessees 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 Company 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 commercial loan 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, and were not material at March 31, 2017 or December 31, 2016.

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 and because management does not intend to sell these financial instruments, the estimated fair values may differ materially from the values 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 Company's financial instruments.

| | Fair Value Hierarchy | March 31, 2017 Carrying Amount | March 31, 2017 Estimated Fair Value | December 31, 2016 Carrying Amount | December 31, 2016 Estimated Fair Value |
|---|---|---|---|---|---|
| | | (Dollars in thousands) | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | Level 1 | $ 892,085 | $ 892,085 | $ 866,360 | $ 866,360 |
| Investment securities AFS | Levels 1, 2 and 3 | 1,470,568 | 1,470,568 | 1,471,612 | 1,471,612 |
| Loans and leases, net of ALLL | Level 3 | 14,718,698 | 14,490,939 | 14,486,574 | 14,221,113 |
| Financial liabilities: | | | | | |
| Demand, savings and interest bearing transaction deposits | Level 1 | $ 10,883,740 | $ 10,883,740 | $ 10,637,813 | $ 10,637,813 |
| Time deposits | Level 2 | 4,829,687 | 4,857,010 | 4,937,065 | 4,965,279 |
| Repurchase agreements with customers | Level 1 | 80,609 | 80,609 | 65,110 | 65,110 |
| Other borrowings | Level 2 | 42,291 | 42,829 | 41,903 | 42,696 |
| Subordinated notes | Level 2 | 222,611 | 222,442 | 222,516 | 223,133 |
| Subordinated debentures | Level 2 | 118,380 | 85,749 | 118,242 | 84,478 |

## 11. Repurchase Agreements With Customers

At March 31, 2017 and December 31, 2016, securities sold under agreements to repurchase ("repurchase agreements") totaled $80.6 million and $65.1 million, respectively. Securities utilized as collateral for repurchase agreements are primarily U.S. Government agency residential mortgage-backed securities and are maintained by the Company's safekeeping agents. These securities are reviewed by the Company on a daily basis, and the Company may be required to provide additional collateral due to changes in the fair market value of these securities. The terms of the Company's repurchase agreements are continuous but may be cancelled at any time by the Company or the customer.

## 12. Changes In and Reclassifications From Accumulated Other Comprehensive Income (Loss) ("AOCI")

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

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Beginning balance of AOCI – unrealized net gains (losses) on investment securities AFS | $ (25,920) | $ 7,959 |
| Other comprehensive income: | | |
| Unrealized gains and losses on investment securities AFS | 12,081 | 4,195 |
| Tax effect of unrealized gains and losses on investment securities AFS | (4,228) | (1,723) |
| Amounts reclassified from AOCI | — | — |
| Tax effect of amounts reclassified from AOCI | — | — |
| Total other comprehensive income | 7,853 | 2,472 |
| Ending balance of AOCI – unrealized net gains (losses) on investment securities AFS | $ (18,067) | $ 10,431 |

## 13. Other Operating Expenses

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

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Professional and outside services | $ 5,338 | $ 3,221 |
| Postage and supplies | 1,919 | 1,058 |
| Advertising and public relations | 1,190 | 1,116 |
| Telecommunication services | 3,970 | 1,752 |
| Software and data processing | 2,473 | 506 |
| ATM expense | 1,138 | 880 |
| Travel and meals | 1,855 | 1,504 |
| FDIC insurance | 1,000 | 1,200 |
| FDIC and state assessments | 742 | 339 |
| Loan collection and repossession expense | 1,302 | 1,037 |
| Writedowns of foreclosed and other assets | 596 | 670 |
| Amortization of intangibles | 3,145 | 1,726 |
| Other | 1,854 | 784 |
| Total other operating expenses | $ 26,522 | $ 15,793 |

## 14. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *"Revenue from Contracts with Customers."* ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of this standard to annual and interim periods beginning after December 15, 2017; however, early adoption is permitted for annual and interim reporting periods beginning after December 15, 2016. While the Company continues to evaluate the impact that ASU 2014-09 may have on its financial position, results of operations, and financial statement disclosures, it is not expected that the adoption of ASU 2014-09 will have a significant impact.

In January 2016, FASB issued ASU 2016-01, *"Recognition and Measurement of Financial Assets and Financial Liabilities."* ASU 2016-01 revises the accounting for the classification and measurement of investments in equity securities and revises the presentation of certain fair value changes for financial liabilities measured at fair value. For equity securities, the guidance in ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income. For financial liabilities that are measured at fair value in accordance with the fair value option, the guidance requires presenting, in other comprehensive income, the change in fair value that relates to a change in instrument-specific credit risk. ASU 2016-01 also eliminates the disclosure assumptions used to estimate fair value for financial instruments measured at amortized cost and requires disclosure of an exit price notion in determining the fair value of financial instruments measured at amortized cost. ASU 2016-01 is effective for interim and annual periods beginning after December 15, 2017. The Company is evaluating the impact, if any, that ASU 2016-01 will have on its financial position, results of operations, and its financial statement disclosures.

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 right-of-use asset and related lease liability will be initially measured at the present value of the remaining lease payments; however, if the original term of the lease is less than twelve months and the lease does not contain a purchase option that is reasonably certain to be exercised, a lessee may account for the lease as an operating lease. ASU 2016-02 is effective for interim periods and fiscal years beginning after December 15, 2018. While the Company continues to evaluate the effect that ASU 2016-02 will have on its financial position, results of operations, and its financial statement disclosures, the adoption of ASU 2016-02 is expected to result in leased assets and related lease liabilities to be included on its balance sheet, along with the related leasehold amortization and interest expense included in its statement of income.

In March 2016, FASB issued ASU 2016-09 *"Improvements to Employee Share-Based Payment Accounting."* ASU 2016-09 requires entities to record all of the tax effects related to share-based payments at settlement (or expiration) through the income statement. In addition, all tax-related cash flows, such as excess tax benefits, should be reported as operating activities rather than financing activity in the statement of cash flows. Also, entities are allowed to make a policy election related to forfeitures to either estimate the number of awards expected to vest or account for forfeitures when they occur. The Company adopted ASU 2016-09 beginning January 1, 2017, including the provision to account for forfeitures as they occur, and recorded a cumulative adjustment to increase stockholders' equity at January 1, 2017 by approximately $0.4 million.

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 allowance for loan and lease losses 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 Company continues to evaluate the effect that ASU 2016-13 will have on its financial position, results of operations, and its financial statement disclosures and has engaged an outside third party to assist with data analysis, model development, and implementation of ASU 2016-03.

In August 2016, the FASB issued ASU 2016-15 "*Statement of Cash Flows (Topic 230)*" which FASB believes clarifies guidance on how certain transactions are classified within the statement of cash flows. The standard addresses a number of cash flow presentation items including a) debt prepayment and extinguishment, b) contingent consideration payments made after a business combination, c) proceeds from the settlement of insurance claims, corporate owned life insurance policies and BOLI policies, d) distributions received from equity method investees, e) classification of beneficial interest received in a securitization transaction and cash receipts from beneficial interest in securitized trade receivables and f) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for interim and annual periods beginning after December 15, 2017 with early adoption permitted. Since ASU 2016-15 applies to the classification of cash flows, no impact is anticipated on the Company's financial position or results of operations; however, the Company is evaluating the effect, if any, on its statement of cash flows and its financial statement disclosures.

In January 2017, FASB issued ASU 2017-01 *"Business Combinations (Topic 805), Clarifying the Definition of a Business"* that changes the definition of a business when evaluating whether transactions should be accounted for as the acquisition of assets or the acquisition of a business. ASU 2017-01 requires an entity to evaluate if substantially all of the fair value of the assets acquired are concentrated in a single asset or a group of similar identifiable assets; if so, the acquired assets or group of identifiable assets is not considered a business. In addition, the guidance requires that to be considered a business, the acquired assets must include an input and a substantive process that together significantly contribute to the ability to create output. The ASU removes the evaluation of whether a market participant could replace any of the missing elements. ASU 2017-01 is effective for interim and annual periods beginning after December 15, 2017. The Company will evaluate the effect, if any, that ASU 2017-01 may have any future acquisitions.

In January 2017, FASB issued ASU 2017-03 *"Accounting Changes and Error Corrections (Topic 250) and Investments – Equity Method and Joint Ventures (Topic 323) Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings."* ASU-2017-03 provides guidance on additional qualitative disclosures when a registrant cannot reasonably estimate the impact of adoption of ASU 2014-09, ASU 2016-02 and ASU 2016-13 will have on its financial statements. In addition, ASU 2017-03 provides guidance on ASU 2014-01 related to the proportional amortization method in accounting for investments in qualified affordable housing projects. ASU 2017-03 was effective when issued and did not have a significant impact on the Company's financial position, results of operations or 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 2 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 Company is evaluating the effect that ASU 2017-04 may have, if any, on its financial position, results of operations and its financial statement disclosures.

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 Company is evaluating the effect that ASU 2017-09 may have, if any, on its financial position, results of operations and its financial statement disclosures.

**15. Subsequent Event**

On April 10, 2017 the Company, as part of an internal corporate reorganization, entered into an Agreement and Plan of Merger (the "Plan of Merger") with the Bank. Under the terms of the Plan of Merger, the Company will be merged with and into the Bank (the "Reorganization") with the Bank continuing as the surviving entity.

At the effective time of the Reorganization, each share of the Company's common stock outstanding immediately prior to the effective time will be automatically converted into one share of Bank common stock. As a result, the shares of capital stock of the Bank will be owned directly by the Company's shareholders in the same proportion as their ownership of the Company's capital stock immediately prior to the Reorganization.

The Plan of Merger has been approved by the boards of directors of the Company and the Bank. In connection with the Reorganization, the Company expects to hold a special meeting of its shareholders on June 23, 2017 to consider and vote upon the Reorganization. The Reorganization is subject to various closing conditions including, among others, (i) approval by the holders of a majority of the outstanding shares of the Company's common stock entitled to vote on the Reorganization, (ii) receipt of all required regulatory approvals, including the approval of the FDIC and the Arkansas State Bank Department, and (iii) approval for listing on NASDAQ of the Bank's common stock.

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

*Unless this quarterly report on Form 10-Q indicates otherwise, or the context otherwise requires, the terms “we,” “our,” “us,” and “the Company,” as used herein refer to Bank of the Ozarks, Inc. and its subsidiaries, including Bank of the Ozarks, which we sometimes refer to as “Bank of the Ozarks,” “our bank subsidiary,” or “the Bank.”*

### 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 filings made by us with the Securities and Exchange Commission (“SEC”) 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 Federal Reserve; 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, mortgage lending and trust income, bank owned life insurance income, gains (losses) on investment securities and sales of other assets and other income from purchased loans; non-interest expense, including acquisition-related, systems conversion and contract termination expenses; 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 and leases; nonperforming assets; net charge-offs and net charge-off ratios; provision and allowance for loan and lease losses; past due loans and leases; 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, lease 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,” “believe,” “could,” “estimate,” “expect,” “goal,” “hope,” “intend,” “look,” “may,” “plan,” “project,” “seek,” “target,” “trend,” “will,” “would,” and similar 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 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; 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, including the proposed reorganization; problems with managing acquisitions; the effect of the announcement of any future acquisition on customer relationships and operating results; the ability to consummate the proposed reorganization, including the receipt of shareholder approval and the receipt of required regulatory approvals; the availability of and access to capital; possible downgrades in our credit ratings or outlook which could increase the costs of funding from capital markets; the ability to attract new or retain existing or acquired deposits or to retain or grow loans and leases, 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; competitive factors and pricing pressures, including their effect on our net interest margin; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers and lessees, collateral values, the value of investment securities and asset recovery values; changes in legal and regulatory requirements, including additional legal, financial and regulatory requirements to which we are subject as a result of our total assets exceeding $10 billion; recently enacted and potential legislation and regulatory actions, and the costs and expenses to comply with new legislation and regulatory actions, including legislation and regulatory actions intended to stabilize economic conditions and credit markets, strengthen the capital of financial institutions, increase regulation of the financial services industry and protect homeowners or consumers; changes in U.S. government monetary and fiscal policy; possible further downgrade of U.S. Treasury securities; the ability to keep pace with technological changes, including changes regarding cyber security; an increase in the incidence or severity of fraud, illegal payments, security breaches and 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 as well as other factors described in this quarterly report on Form 10-Q or as detailed from time to time in the other reports we file with the SEC, including those factors included 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, 2016 and under “Part II, Item 1A. Risk Factors” in this Quarterly Report on Form 10-Q. 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, 2017 and 2016 and supplemental unaudited quarterly financial data for each of the most recent eight quarters beginning with the second quarter of 2015 through the first quarter of 2017. These tables are qualified in their entirety by our consolidated financial statements and related notes presented elsewhere 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, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| | (Dollars in thousands, except per share amounts) | |
| **Income statement data:** | | |
| Interest income | $ 213,770 | $ 121,741 |
| Interest expense | 22,999 | 9,224 |
| Net interest income | 190,771 | 112,517 |
| Provision for loan and lease losses | 4,933 | 2,017 |
| Non-interest income | 29,058 | 19,865 |
| Non-interest expense | 78,268 | 47,686 |
| Net income available to common stockholders | 89,188 | 51,688 |
| **Common share and per common share data:** | | |
| Earnings – diluted | $ 0.73 | $ 0.57 |
| Book value | 23.63 | 16.62 |
| Tangible book value | 17.72 | 14.96 |
| Dividends | 0.17 | 0.15 |
| Weighted-average diluted shares outstanding (thousands) | 121,954 | 91,251 |
| End of period shares outstanding (thousands) | 121,575 | 90,714 |
| **Balance sheet data at period end:** | | |
| Total assets | $ 19,152,212 | $ 11,427,419 |
| Non-purchased loans and leases | 10,216,875 | 7,591,339 |
| Purchased loans | 4,580,047 | 1,678,351 |
| Allowance for loan and lease losses | 78,224 | 61,760 |
| Foreclosed assets | 36,899 | 22,248 |
| Investment securities | 1,470,568 | 627,946 |
| Goodwill | 660,789 | 125,693 |
| Other intangibles - net of amortization | 57,686 | 25,172 |
| Deposits | 15,713,427 | 9,626,825 |
| Repurchase agreements with customers | 80,609 | 65,883 |
| Other borrowings | 42,291 | 41,933 |
| Subordinated notes | 222,611 | — |
| Subordinated debentures | 118,380 | 117,823 |
| Total common stockholders' equity | 2,873,317 | 1,508,080 |
| Loan and lease (including purchased loans) to deposit ratio | 94.17% | 96.29% |
| **Average balance sheet data:** | | |
| Total average assets | $ 18,746,726 | $ 10,492,707 |
| Total average common stockholders' equity | 2,826,832 | 1,484,657 |
| Average common equity to average assets | 15.08% | 14.15% |
| **Performance ratios:** | | |
| Return on average assets [(1)] | 1.93% | 1.98% |
| Return on average common stockholders' equity [(1)] | 12.80 | 14.00 |
| Return on average tangible common stockholders' equity [(1)] | 17.17 | 15.59 |
| Net interest margin – FTE [(1)] | 4.88 | 4.92 |
| Efficiency ratio | 35.03 | 35.51 |
| Common stock dividend payout ratio | 23.16 | 26.31 |
| **Asset quality ratios:** | | |
| Net charge-offs to average non-purchased loans and leases [(1) (2)] | 0.05% | 0.06% |
| Net charge-offs to average total loans and leases [(1)] | 0.09 | 0.05 |
| Nonperforming loans and leases to total loans and leases [(3)] | 0.11 | 0.15 |
| Nonperforming assets to total assets [(3)] | 0.25 | 0.29 |
| **Allowance for loan and lease losses as a percentage of:** | | |
| Total non-purchased loans and leases [(4)] | 0.75% | 0.80% |
| Nonperforming loans and leases [(4)] | 692% | 543% |
| **Capital ratios at period end:** | | |
| Common equity tier 1 | 9.94% | 10.08% |
| Tier 1 risk based capital | 9.94 | 10.89 |
| Total risk based capital | 11.89 | 11.35 |
| Tier 1 leverage | 11.95 | 14.05 |

(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

| | 6/30/15 | 9/30/15 | 12/31/15 | 3/31/16 | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands, except per share amounts) | | | | | | | |
| **Earnings Summary:** | | | | | | | | |
| Net interest income | $ 93,756 | $ 96,387 | $ 106,518 | $ 112,517 | $ 119,038 | $ 175,150 | $ 194,800 | $ 190,771 |
| Federal tax (FTE) adjustment | 2,552 | 2,368 | 2,092 | 1,911 | 2,067 | 2,533 | 3,254 | 3,594 |
| Net interest income (FTE) | 96,308 | 98,755 | 108,610 | 114,428 | 121,105 | 177,683 | 198,054 | 194,365 |
| Provision for loan and lease losses | (4,308) | (3,581) | (5,211) | (2,017) | (4,834) | (7,086) | (9,855) | (4,933) |
| Non-interest income | 23,270 | 22,138 | 30,540 | 19,865 | 22,733 | 29,231 | 30,571 | 29,058 |
| Non-interest expense | (43,724) | (45,428) | (51,646) | (47,686) | (50,928) | (78,781) | (78,358) | (78,268) |
| Pretax income (FTE) | 71,546 | 71,884 | 82,293 | 84,590 | 88,076 | 121,047 | 140,412 | 140,222 |
| FTE adjustment | (2,552) | (2,368) | (2,092) | (1,911) | (2,067) | (2,533) | (3,254) | (3,594) |
| Provision for income taxes | (24,190) | (23,385) | (28,740) | (30,984) | (31,514) | (42,470) | (49,312) | (47,417) |
| Noncontrolling interest | (28) | (3) | (6) | (7) | (21) | (14) | (59) | (23) |
| Net income available to common stockholders | $ 44,776 | $ 46,128 | $ 51,455 | $ 51,688 | $ 54,474 | $ 76,030 | $ 87,787 | $ 89,188 |
| Earnings per common share – diluted | $ 0.51 | $ 0.52 | $ 0.57 | $ 0.57 | $ 0.60 | $ 0.66 | $ 0.72 | $ 0.73 |
| **Non-interest Income:** | | | | | | | | |
| Service charges on deposit accounts | $ 7,088 | $ 7,425 | $ 7,558 | $ 7,657 | $ 8,119 | $ 10,926 | $ 11,759 | $ 11,301 |
| Mortgage lending income | 1,772 | 1,825 | 1,713 | 1,284 | 2,057 | 2,616 | 2,097 | 1,574 |
| Trust income | 1,463 | 1,500 | 1,508 | 1,507 | 1,574 | 1,564 | 1,623 | 1,631 |
| BOLI income | 1,785 | 2,264 | 2,412 | 2,861 | 2,745 | 4,638 | 4,564 | 4,464 |
| Other income from purchased loans | 6,971 | 5,456 | 4,790 | 3,052 | 4,599 | 4,635 | 4,993 | 3,737 |
| Gains on investment securities | 85 | — | 2,863 | — | — | — | 4 | — |
| Gains on sales of other assets | 2,557 | 1,905 | 7,463 | 1,027 | 998 | 594 | 1,537 | 1,619 |
| Other | 1,549 | 1,763 | 2,233 | 2,477 | 2,641 | 4,258 | 3,994 | 4,732 |
| Total non-interest income | $ 23,270 | $ 22,138 | $ 30,540 | $ 19,865 | $ 22,733 | $ 29,231 | $ 30,571 | $ 29,058 |
| **Non-interest Expense:** | | | | | | | | |
| Salaries and employee benefits | $ 22,646 | $ 21,207 | $ 21,504 | $ 23,362 | $ 24,921 | $ 38,069 | $ 36,481 | $ 38,554 |
| Net occupancy expense | 7,344 | 8,076 | 8,537 | 8,531 | 8,388 | 11,669 | 13,936 | 13,192 |
| Other operating expenses | 12,094 | 14,448 | 19,879 | 14,067 | 16,062 | 26,447 | 24,783 | 23,377 |
| Amortization of intangibles | 1,640 | 1,697 | 1,726 | 1,726 | 1,557 | 2,596 | 3,158 | 3,145 |
| Total non-interest expense | $ 43,724 | $ 45,428 | $ 51,646 | $ 47,686 | $ 50,928 | $ 78,781 | $ 78,358 | $ 78,268 |
| **Allowance for Loan and Lease Losses:** | | | | | | | | |
| Balance at beginning of period | $ 54,147 | $ 56,749 | $ 59,017 | $ 60,854 | $ 61,760 | $ 65,133 | $ 69,760 | $ 76,541 |
| Net charge-offs | (1,706) | (1,313) | (3,374) | (1,111) | (1,461) | (2,459) | (3,074) | (3,250) |
| Provision for loan and lease losses | 4,308 | 3,581 | 5,211 | 2,017 | 4,834 | 7,086 | 9,855 | 4,933 |
| Balance at end of period | $ 56,749 | $ 59,017 | $ 60,854 | $ 61,760 | $ 65,133 | $ 69,760 | $ 76,541 | $ 78,224 |
| **Selected Ratios:** | | | | | | | | |
| Net interest margin – FTE (1) | 5.37% | 5.07% | 4.98% | 4.92% | 4.82% | 4.90% | 5.02% | 4.88% |
| Efficiency ratio | 36.56 | 37.58 | 37.12 | 35.51 | 35.41 | 38.07 | 34.27 | 35.03 |
| Net charge-offs to average non-purchased loans and leases (1) (2) | 0.12 | 0.05 | 0.22 | 0.06 | 0.05 | 0.06 | 0.08 | 0.05 |
| Net charge-offs to average total loans and leases (1) | 0.11 | 0.08 | 0.17 | 0.05 | 0.06 | 0.07 | 0.09 | 0.09 |
| Nonperforming loans and leases to total loans and leases (3) | 0.34 | 0.26 | 0.20 | 0.15 | 0.09 | 0.08 | 0.15 | 0.11 |
| Nonperforming assets to total assets (3) | 0.49 | 0.41 | 0.37 | 0.29 | 0.25 | 0.28 | 0.31 | 0.25 |
| Allowance for loan and lease losses to total non-purchased loans and leases (4) | 1.19 | 1.08 | 0.91 | 0.80 | 0.78 | 0.78 | 0.78 | 0.75 |
| Loans and leases past due 30 days or more, including past due non-accrual loans and leases, to total loans and leases (3) | 0.50 | 0.41 | 0.28 | 0.23 | 0.22 | 0.17 | 0.16 | 0.16 |

(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, 2017. 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. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes presented elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2016 previously filed with the SEC. Annualized results for these interim periods may not be indicative of results for the full year or future periods.

Bank of the Ozarks, Inc. is a bank holding company whose primary business is commercial banking conducted through its wholly-owned state chartered bank subsidiary – Bank of the Ozarks 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, leases 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, mortgage lending income, trust income, bank owned life insurance ("BOLI") income, other income from purchased loans 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 and lease 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 (i) the provisions to and the adequacy of the allowance for loan and lease losses ("ALLL"), (ii) the fair value of our investment securities portfolio, (iii) the fair value of foreclosed assets and (iv) the fair value of the assets acquired and liabilities assumed pursuant to business combination transactions 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 ALLL, (ii) the fair value of our investment securities portfolio, (iii) the fair value of foreclosed assets and (iv) the fair value of the assets acquired and liabilities assumed pursuant to business combination transactions 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, 2016 previously filed with the SEC. Other than the adoption of Accounting Standards Update 2016-09 "Improvements to Employee Share-Based Payment Accounting" effective January 1, 2017, 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, 2016.

## ANALYSIS OF RESULTS OF OPERATIONS

### General

Net income available to our common stockholders was $89.2 million for the first quarter of 2017, a 72.6% increase from $51.7 million for the first quarter of 2016. Diluted earnings per common share were $0.73 for the first quarter of 2017, a 28.1% increase from $0.57 for the first quarter of 2016.

Our annualized return on average assets was 1.93% for the first quarter of 2017 compared to 1.98% for the first quarter of 2016. Our annualized return on average common stockholders' equity was 12.80% for the first quarter of 2017 compared to 14.00% for the first quarter of 2016. Our annualized return on average tangible common stockholders' equity was 17.17% for the first quarter of 2017 compared to 15.59% for the first quarter of 2016. The calculations of our average tangible common stockholders' equity and our annualized return on average tangible common stockholders' equity and the reconciliations to generally accepted accounting principles ("GAAP") are included under the heading "Capital Resources and Liquidity" in this MD&A.

Total assets were $19.15 billion at March 31, 2017 compared to $18.89 billion at December 31, 2016. Non-purchased loans and leases were $10.22 billion at March 31, 2017 compared to $9.61 billion at December 31, 2016. Purchased loans were $4.58 billion at March 31, 2017 compared to $4.96 billion at December 31, 2016. Total loans and leases were $14.80 billion at March 31, 2017 compared to $14.56 billion at December 31, 2016. Deposits were $15.71 billion at March 31, 2017 compared to $15.57 billion at December 31, 2016.

Common stockholders' equity was $2.87 billion at March 31, 2017 compared to $2.79 billion at December 31, 2016. Tangible common stockholders' equity was $2.15 billion at March 31, 2017 compared to $2.07 billion at December 31, 2016. Book value per common share was $23.63 at March 31, 2017 compared to $23.02 at December 31, 2016. Tangible book value per common share was $17.72 at March 31, 2017 compared to $17.08 at December 31, 2016. 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 a significant source of our earnings and represents the amount by which interest income on earning assets exceeds the interest expense paid on interest bearing liabilities. The volume of interest earning assets and the related funding sources, the overall mix of these assets and liabilities, and the rates paid on each affect net interest income.

Net interest income and net interest margin are analyzed in this discussion and the following tables on a fully taxable equivalent ("FTE") basis. The adjustment to convert certain income to a FTE basis consists of dividing federal tax-exempt income by one minus our statutory federal income tax rate of 35%. The FTE adjustments to net interest income were $3.6 million and $1.9 million for the three months ended March 31, 2017 and 2016, respectively. No adjustments have been made in this analysis for income exempt from state income taxes or for interest expense deductions disallowed under the provisions of the Internal Revenue Code as a result of investment in certain tax-exempt securities.

Net interest income for the first quarter of 2017 increased 69.9% to $194.4 million compared to $114.4 million for the first quarter of 2016. This increase in net interest income for the first quarter of 2017 compared to the same period in 2016 was primarily due to the increase in average earning assets, which increased 72.5% to $16.14 billion for the first quarter of 2017 compared to $9.36 billion for the first quarter of 2016, partially offset by a decrease in our net interest margin.

The increase in average earning assets was primarily due to an increase in the average balances of non-purchased loans and leases which increased $2.81 billion, or 40.2%, for the first quarter of 2017 compared to the same period in 2016 and an increase in the average balance of our purchased loans which increased $3.07 billion, or 176.1%, for the first quarter of 2017 compared to the same period in 2016. The increase in the average balance of our non-purchased loans and leases was due primarily to strong growth in loan originations and fundings. The increase in the average balance of our purchased loans was due to our acquisitions of Community & Southern Holdings, Inc. ("C&S") on July 20, 2016 and C1 Financial, Inc. ("C1") on July 21, 2016.

Our net interest margin for the first quarter of 2017 decreased four basis points ("bps") to 4.88% compared to 4.92% for the first quarter in 2016. This decrease was primarily due to a 20 bps increase in the rate paid on interest bearing liabilities, partially offset by a 14 bps increase in the yield on interest earning assets.

The yield on interest earning assets was 5.46% for the first quarter of 2017 compared to 5.32% for the first quarter of 2016. The yield on our non-purchased loans and leases increased 26 bps for the first quarter of 2017 compared to the same period in 2016. This increase was primarily due to (i) higher yields on newly originated loans in recent months and prepayment penalties and/or yield maintenance provisions on certain loans that paid off early during the first quarter of 2017 and (ii) recent increases in London Interbank Offered Rates ("LIBOR") and the federal funds target rate. The yield on our purchased loan portfolio decreased 30 bps for the first quarter of 2017 compared to the same period in 2016. This decrease was primarily attributable to the loans acquired in our C&S and C1 acquisitions, many of which did not contain evidence of credit deterioration on the dates of acquisition and were priced at a lower yield compared to the then existing yield on our purchased loan portfolio. The yield on our aggregate investment securities portfolio decreased 120 bps for the first quarter of 2017 compared to the same period in 2016. This decrease was primarily the result of (i) the investment securities acquired in our C&S acquisition whose yields were lower than our existing portfolio of investment securities and, to a lesser extent, (ii) the relatively low interest rate environment for tax-exempt municipal securities which resulted in certain issuers of such investment securities calling higher-rate environment securities and refinancing those securities at lower interest rates during 2016.

The overall increase in rates on average interest bearing liabilities, which increased 20 bps for the first quarter of 2017 compared to the same period in 2016, was primarily due to (i) an increase in rates on interest bearing deposits, which increased 14 bps for the first quarter of 2017 compared to the same period in 2016, (ii) an increase in rates on our subordinated debentures, which increased 45 bps for the first quarter of 2017 compared to the same period in 2016 and (iii) the issuance of our subordinated notes in the second quarter of 2016. These increases were partially offset by a decrease in rates on other borrowings. The increase in rates on our interest bearing deposits, the largest component of our interest bearing liabilities, was primarily due to our deposit gathering initiatives that were implemented in several target markets to fund growth in loans and leases. To the extent we have future growth in loans and leases, we would expect to increase deposit pricing in certain target markets to fund such growth. Any such increase in deposit pricing is expected to 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 rates on repos increased four bps for the first quarter of 2017 compared to the same period in 2016. The rates on our other borrowing sources, which consist primarily of fixed rate callable FHLB advances, decreased 24 bps in the first quarter of 2017 compared to the same period in 2016. On June 23, 2016, the Company completed an underwritten public offering of $225 million in aggregate principal amount of our 5.50% fixed-to-floating rate subordinated notes. The rate on these subordinated notes, including amortization of debt issuance costs, using a level-yield methodology over the estimated holding period of seven years, was 5.81% during the first quarter of 2017. The rates paid on our subordinated debentures, which are tied to a spread over the 90-day LIBOR and reset periodically, increased due to increases in LIBOR on the applicable reset dates.

The following table sets forth certain information relating to our net interest income for the periods indicated. The yields and rates are derived by dividing interest income or interest expense by the average balance of the related assets or liabilities, respectively. Average balances are derived from daily average balances for such assets and liabilities. The average balances of investment securities are computed based on amortized cost adjusted for unrealized gains and losses on investment securities 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 and leases includes non-purchased loans and leases on which we have discontinued accruing interest. The yields on non-purchased loans and leases and purchased loans without evidence of credit deterioration at date of acquisition include late fees, any prepayment penalties or yield maintenance provisions on loan payments and amortization of certain deferred fees, origination costs 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 consist of 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. 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. The interest expense on the subordinated debentures assumed in our acquisition of Intervest Bancshares Corporation ("Intervest") includes the amortization of purchase accounting adjustments.

**Average Consolidated Balance Sheets and Net Interest Analysis – FTE**

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Average Balance | Income/ Expense | Yield/ Rate | Average Balance | Income/ Expense | Yield/ Rate |
| | (Dollars in thousands) | | | | | |
| **ASSETS** | | | | | | |
| Earning assets: | | | | | | |
| Interest earning deposits and federal funds sold | $ 41,806 | $ 20 | 0.19% | $ 2,987 | $ 6 | 0.77% |
| Investment securities: | | | | | | |
| Taxable | 663,153 | 3,816 | 2.33 | 264,098 | 2,270 | 3.46 |
| Tax-exempt – FTE | 803,589 | 10,019 | 5.06 | 338,780 | 5,281 | 6.27 |
| Non-purchased loans and leases – FTE | 9,827,717 | 127,515 | 5.26 | 7,009,068 | 87,072 | 5.00 |
| Purchased loans | 4,807,080 | 75,993 | 6.41 | 1,740,827 | 29,023 | 6.71 |
| Total earning assets – FTE | 16,143,345 | 217,363 | 5.46 | 9,355,760 | 123,652 | 5.32 |
| Non-interest earning assets | 2,603,381 | | | 1,136,947 | | |
| Total assets | $ 18,746,726 | | | $ 10,492,707 | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | |
| Interest bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| Savings and interest bearing transaction | $ 7,862,653 | $ 8,458 | 0.44% | $ 4,595,405 | $ 3,718 | 0.33% |
| Time deposits of $100,000 or more | 3,241,587 | 7,132 | 0.89 | 1,622,703 | 2,947 | 0.73 |
| Other time deposits | 1,699,858 | 2,787 | 0.66 | 987,231 | 1,185 | 0.48 |
| Total interest bearing deposits | 12,804,098 | 18,377 | 0.58 | 7,205,339 | 7,850 | 0.44 |
| Repurchase agreements with customers | 79,884 | 30 | 0.15 | 68,301 | 19 | 0.11 |
| Other borrowings | 42,137 | 222 | 2.14 | 51,053 | 302 | 2.38 |
| Subordinated notes | 222,561 | 3,188 | 5.81 | — | — | — |
| Subordinated debentures | 118,300 | 1,181 | 4.05 | 117,749 | 1,053 | 3.60 |
| Total interest bearing liabilities | 13,266,980 | 22,998 | 0.70 | 7,442,442 | 9,224 | 0.50 |
| Non-interest bearing liabilities: | | | | | | |
| Non-interest bearing deposits | 2,574,540 | | | 1,508,829 | | |
| Other non-interest bearing liabilities | 75,107 | | | 53,615 | | |
| Total liabilities | 15,916,627 | | | 9,004,886 | | |
| Common stockholders' equity | 2,826,832 | | | 1,484,657 | | |
| Noncontrolling interest | 3,267 | | | 3,164 | | |
| Total liabilities and stockholders' equity | $ 18,746,726 | | | $ 10,492,707 | | |
| Net interest income – FTE | | $ 194,365 | | | $ 114,428 | |
| Net interest margin – FTE | | | 4.88% | | | 4.92% |

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, 2017 Over Three Months Ended March 31, 2016 | | |
|---|---|---|---|
| | **Volume** | **Yield/ Rate** | **Net Change** |
| | | (Dollars in thousands) | |
| Increase (decrease) in: | | | |
| Interest income – FTE: | | | |
| Interest earning deposits and federal funds sold | $ 18 | $ (4) | $ 14 |
| Investment securities: | | | |
| Taxable | 2,296 | (750) | 1,546 |
| Tax-exempt – FTE | 5,795 | (1,057) | 4,738 |
| Non-purchased loans and leases – FTE | 36,572 | 3,871 | 40,443 |
| Purchased loans | 48,473 | (1,503) | 46,970 |
| Total interest income – FTE | 93,154 | 557 | 93,711 |
| Interest expense: | | | |
| Savings and interest bearing transaction | 3,514 | 1,226 | 4,740 |
| Time deposits of $100,000 or more | 3,562 | 623 | 4,185 |
| Other time deposits | 1,168 | 434 | 1,602 |
| Repurchase agreements with customers | 4 | 7 | 11 |
| Other borrowings | (47) | (33) | (80) |
| Subordinated notes | 3,188 | — | 3,188 |
| Subordinated debentures | 5 | 123 | 128 |
| Total interest expense | 11,394 | 2,380 | 13,774 |
| Increase (decrease) in net interest income – FTE | $ 81,760 | $ (1,823) | $ 79,937 |

## Non-Interest Income

Our non-interest income consists primarily of, among others, service charges on deposit accounts, mortgage lending income, trust income, BOLI income, other income from purchased loans and gains on investment securities and on sales of other assets. Non-interest income for the first quarter of 2017 increased 46.3% to $29.1 million compared to $19.9 million for the first quarter of 2016.

Service charges on deposit accounts increased 47.6% to $11.3 million for the first quarter of 2017 compared to $7.7 million for the first quarter of 2016. The increase in service charges on deposit accounts was primarily a result of the addition of deposit customers from our C&S and C1 acquisitions and growth in the number of transaction accounts. Effective July1, 2017, we will be subject to the provisions of the Durbin Amendment, which are applicable to financial institutions whose total assets exceed $10 billion and which limit the amount of interchange fees that may be charged for debit and prepaid card transactions. Had we been subject to the Durbin Amendment in 2016, our interchange fee income (which is included in our non-interest income from service charges on deposit accounts) would have been reduced by approximately $7.4 million for the full year of 2016.

Mortgage lending income increased 22.6% to $1.6 million for the first quarter of 2017 compared to $1.3 million for the first quarter of 2016. The increase in mortgage lending income was primarily attributable to better pricing in recent months on mortgage originations for new home purchases. The volume of originations of mortgage loans available for sale increased 1.9% to $48.2 million for the first quarter of 2017 compared to $47.3 million for the first quarter of 2016.

Trust income increased 8.2% to $1.6 million for the first quarter of 2017 compared to $1.5 million for the first quarter of 2016. The increase in trust income is primarily the result of growth in both corporate trust and personal trust income.

BOLI income increased 56.0% to $4.5 million for the first quarter of 2017 compared to $2.9 million for the first quarter of 2016. The increase in BOLI income for the first quarter of 2017 was primarily due to income earned on the purchase of $103 million of BOLI in August 2016. BOLI income in the form of increases in cash surrender value helps to offset a portion of employee benefit costs.

Other income from purchased loans was $3.7 million in the first quarter of 2017 compared to $3.1 million in the first quarter of 2016. 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.

Gains on sale of other assets were $1.6 million in the first quarter of 2017 compared to $1.0 million in the first quarter of 2016.

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

**Non-Interest Income**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| | (Dollars in thousands) | |
| Service charges on deposit accounts | $ 11,301 | $ 7,657 |
| Mortgage lending income | 1,574 | 1,284 |
| Trust income | 1,631 | 1,507 |
| BOLI income | 4,464 | 2,861 |
| Other income from purchased loans, net | 3,737 | 3,052 |
| Net gains on sales of other assets | 1,619 | 1,027 |
| Other | 4,732 | 2,477 |
| Total non-interest income | $ 29,058 | $ 19,865 |

**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 64.1% to $78.3 million for the first quarter of 2017 compared to $47.7 million for the first quarter of 2016. The increase in our non-interest expense is primarily attributable to our C&S and C1 acquisitions, both of which closed in July 2016.

Salaries and employee benefits, our largest component of non-interest expense, increased 65.0% to $38.6 million in the first quarter of 2017 compared to $23.4 million in the first quarter of 2016. We had 2,344 full-time equivalent employees at March 31, 2017, an increase of 42.4%, compared to 1,646 full-time equivalent employees at March 31, 2016.

Net occupancy and equipment expense for the first quarter of 2017 increased 54.6% to $13.2 million compared to $8.5 million for the first quarter of 2016. At March 31, 2017, we had 250 offices, an increase of 42.0%, compared to 176 offices at March 31, 2016.

Our aggregate other operating expenses increased 67.9% to $26.5 million for the first quarter of 2017 compared to $15.8 million for the first quarter of 2016. These increases were primarily due to the growth of the Company, including the growth added from the C&S and C1 acquisitions.

Our efficiency ratio (non-interest expense divided by the sum of net interest income – FTE and non-interest income) was 35.0% for the first quarter of 2017 compared to 35.5% for the first quarter of 2016.

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

**Non-Interest Expense**

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Salaries and employee benefits | $ 38,554 | $ 23,362 |
| Net occupancy and equipment | 13,192 | 8,531 |
| Other operating expenses: | | |
| Professional and outside services | 5,338 | 3,221 |
| Postage and supplies | 1,919 | 1,058 |
| Advertising and public relations | 1,190 | 1,116 |
| Telecommunication services | 3,970 | 1,752 |
| Software and data processing | 2,473 | 506 |
| ATM expense | 1,138 | 880 |
| Travel and meals | 1,855 | 1,504 |
| FDIC insurance | 1,000 | 1,200 |
| FDIC and state assessments | 742 | 339 |
| Loan collection and repossession expense | 1,302 | 1,037 |
| Writedowns of foreclosed and other assets | 596 | 670 |
| Amortization of intangibles | 3,145 | 1,726 |
| Other | 1,854 | 784 |
| Total non-interest expense | $ 78,268 | $ 47,686 |

**Income Taxes**

The provision for income taxes was $47.4 million for the first quarter of 2017 compared to $31.0 million for the first quarter of 2016. The effective income tax rate was 34.7% for the first quarter of 2017 compared to 37.5% for the first quarter of 2016. The decrease in the effective tax rate for the first quarter of 2017 compared to the first quarter of 2016 was due primarily to a decrease in certain non-deductible executive compensation expenses and the change in the treatment of excess tax benefits pursuant to the adoption of ASU 2016-09. The effective tax rates were also affected by various other factors related to non-taxable income and non-deductible expenses.

## ANALYSIS OF FINANCIAL CONDITION

### Loan and Lease Portfolio

At March 31, 2017, our total loan and lease portfolio was $14.80 billion compared to $14.56 billion at December 31, 2016. 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 $12.29 billion at March 31, 2017 compared to $12.09 billion at December 31, 2016. The amount and type of loans and leases outstanding as of the dates indicated, and their respective percentage of the total loan and lease portfolio, are reflected in the following table.

**Total Loan and Lease Portfolio**

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Real estate: | | | | |
| Residential 1-4 family | $ 1,252,286 | 8.5% | $ 1,259,289 | 8.6% |
| Non-farm/non-residential | 4,764,286 | 32.2 | 4,665,401 | 32.0 |
| Construction/land development | 5,299,165 | 35.8 | 5,295,860 | 36.4 |
| Agricultural | 134,591 | 0.7 | 124,857 | 0.9 |
| Multifamily residential | 838,806 | 5.7 | 744,005 | 5.1 |
| Total real estate | 12,289,134 | 82.9 | 12,089,412 | 83.0 |
| Commercial and industrial | 364,496 | 2.5 | 440,147 | 3.0 |
| Consumer | 1,097,939 | 7.5 | 1,028,991 | 7.1 |
| Direct financing leases | 136,790 | 0.9 | 137,188 | 0.9 |
| Other | 908,563 | 6.2 | 867,377 | 6.0 |
| Total loans and leases | $ 14,796,922 | 100.0% | $ 14,563,115 | 100.0% |

Included in “other” loans at March 31, 2017 and December 31, 2016 are loans totaling $877 million and $835 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 the loans are considered “other” loans in accordance with Federal Deposit Insurance Corporation (“FDIC”) Call Report instructions, 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, 2017, 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 $10.0 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 | $ 6,400 | $ 486,833 | $ 2,061,049 | $ — | $ 71,729 | $2,626,011 |
| All other New York[(1)] | 624 | 8,224 | 810 | — | — | 9,658 |
| Total New York | 7,024 | 495,057 | 2,061,859 | — | 71,729 | 2,635,669 |
| Florida: | | | | | | |
| Miami–Fort Lauderdale–West Palm Beach, FL MSA | 147,868 | 318,531 | 361,964 | 400 | 3,720 | 832,483 |
| Tampa–St. Petersburg–Clearwater, FL MSA | 69,876 | 258,083 | 92,264 | 318 | 21,163 | 441,704 |
| North Port–Sarasota–Bradenton, FL MSA | 39,811 | 53,742 | 36,100 | 9,130 | 801 | 139,584 |
| Orlando–Kissimmee–Sanford, FL MSA | 6,209 | 77,821 | 55,171 | — | 56 | 139,257 |
| Cape Coral–Fort Myers, FL MSA | 20,186 | 60,353 | 38,656 | — | 496 | 119,691 |
| Jacksonville, FL MSA | 4,845 | 55,068 | 12,448 | — | 28,248 | 100,609 |
| Crestview–Fort Walton Beach–Destin, FL MSA | 4,013 | 2,367 | 32,336 | 145 | — | 38,861 |
| Deltona–Daytona Beach–Ormond Beach, FL MSA | 743 | 11,269 | 7,283 | — | 14,774 | 34,069 |
| Lakeland–Winter Haven, FL MSA | 490 | 23,688 | 1,841 | — | 48 | 26,067 |
| Ocala, FL MSA | 2,998 | 21,323 | — | — | — | 24,321 |
| Punta Gorda, FL MSA | 10,116 | 6,507 | 5,646 | — | — | 22,269 |
| Sebastian–Vero Beach, FL MSA | 20 | 20,451 | — | — | 1,450 | 21,921 |
| Sebring, FL MSA | — | 21,092 | — | — | 26 | 21,118 |
| Pensacola–Ferry Pass–Brent, FL MSA | 2,493 | 859 | 12,475 | — | — | 15,827 |
| Palm Bay–Melbourne–Titusville, FL MSA | 581 | 5,966 | — | — | 4,263 | 10,810 |
| All other Florida[(1)] | 7,209 | 97,510 | — | 986 | 654 | 106,359 |
| Total Florida | 317,458 | 1,034,630 | 656,184 | 10,979 | 75,699 | 2,094,950 |
| Georgia: | | | | | | |
| Atlanta–Sandy Springs–Roswell, GA MSA | 184,543 | 435,493 | 286,804 | 4,036 | 81,269 | 992,145 |
| Savannah, GA MSA | 3,938 | 43,359 | 14 | — | — | 47,311 |
| Dalton, GA MSA | 12,219 | 20,689 | 900 | 1,135 | 1,082 | 36,025 |
| Gainesville, GA MSA | 5,382 | 15,379 | 5,760 | 160 | 714 | 27,395 |
| Brunswick, GA MSA | 10,212 | 4,551 | 937 | — | 8,233 | 23,933 |
| Macon, GA MSA | 4,919 | 8,803 | 360 | 13 | 4,728 | 18,823 |
| Athens–Clarke County, GA MSA | 3,457 | 10,956 | 2,244 | 124 | — | 16,781 |
| Valdosta, GA MSA | 6,080 | 5,607 | 836 | 417 | 163 | 13,103 |
| Augusta–Richmond County GA–SC MSA | 576 | 9,586 | — | — | 16 | 10,178 |
| All other Georgia[(1)] | 59,143 | 57,702 | 25,291 | 4,525 | 26,260 | 172,921 |
| Total Georgia | 290,469 | 612,125 | 323,146 | 10,410 | 122,465 | 1,358,615 |
| Texas: | | | | | | |
| Dallas–Fort Worth–Arlington, TX MSA | 39,765 | 125,478 | 321,613 | 185 | 35,235 | 522,276 |
| Houston–The Woodlands–Sugar Land, TX MSA | 11,041 | 82,987 | 164,457 | — | 151,921 | 410,406 |
| Austin–Round Rock, TX MSA | 10,476 | 65,780 | 145,790 | — | 3,421 | 225,467 |
| College Station–Bryan, TX MSA | — | 1,307 | 13,832 | — | 16,634 | 31,773 |
| Texarkana, TX–AR MSA | 10,757 | 9,335 | 1,045 | 703 | 783 | 22,623 |
| Lubbock, TX MSA | — | 4,681 | — | — | 17,155 | 21,836 |
| San Antonio–New Braunfels, TX MSA | 1,446 | 5,936 | 5,165 | — | 1,156 | 13,703 |
| All other Texas[(1)] | 1,115 | 29,424 | 11,309 | 43 | 200 | 42,091 |
| Total Texas | 74,600 | 324,928 | 663,211 | 931 | 226,505 | 1,290,175 |

## 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 | 155,926 | 283,316 | 49,590 | 16,572 | 21,490 | 526,894 |
| Hot Springs, AR MSA | 49,896 | 84,847 | 17,809 | 855 | 3,023 | 156,430 |
| Fayetteville–Springdale–Rogers, AR–MO MSA | 16,921 | 58,488 | 24,470 | 12,440 | 13,487 | 125,806 |
| Fort Smith, AR–OK MSA | 26,777 | 57,282 | 6,812 | 3,022 | 11,261 | 105,154 |
| Southern Arkansas(2) | 26,397 | 18,638 | 2,435 | 20,038 | 710 | 68,218 |
| Western Arkansas(3) | 18,574 | 32,280 | 8,528 | 6,537 | 1,153 | 67,072 |
| Northern Arkansas(4) | 31,276 | 11,717 | 2,773 | 11,474 | 2,700 | 59,940 |
| All other Arkansas(1) | 20,360 | 23,184 | 16,500 | 30,926 | 3,248 | 94,218 |
| Total Arkansas | 346,127 | 569,752 | 128,917 | 101,864 | 57,072 | 1,203,732 |
| North Carolina/South Carolina: | | | | | | |
| Charlotte–Concord–Gastonia, NC–SC MSA | 52,575 | 129,799 | 119,237 | 1,352 | 11,139 | 314,102 |
| Winston–Salem, NC MSA | 40,781 | 35,350 | 7,510 | — | 1,160 | 84,801 |
| North Carolina Foothills(5) | 42,347 | 26,273 | 5,299 | 2,822 | 1,428 | 78,169 |
| Charleston–North Charleston, SC MSA | 1,302 | 12,708 | 37,827 | — | 5,114 | 56,951 |
| Wilmington, NC MSA | 8,939 | 27,808 | 8,752 | 416 | — | 45,915 |
| Columbia, SC MSA | 1,717 | 41,078 | 1,327 | — | — | 44,122 |
| Greensboro–High Point, NC MSA | 15,997 | 17,997 | 5,101 | 827 | 2,231 | 42,153 |
| Raleigh, NC MSA | 708 | 3,341 | 14,368 | — | 19,353 | 37,770 |
| Hilton Head Island–Bluffton–Beaufort, SC MSA | 3,350 | 10,288 | 5,004 | — | 2,329 | 20,971 |
| Myrtle Beach–Conway–North Myrtle Beach, SC–NC MSA | 3,427 | 6,333 | 718 | — | 5,171 | 15,649 |
| Greenville–Anderson–Mauldin, SC MSA | 5,990 | 2,604 | 2,670 | — | — | 11,264 |
| Spartanburg, SC MSA | 1,596 | 96 | 8,342 | — | 550 | 10,584 |
| All other North Carolina(1) | 8,035 | 24,225 | 38,475 | — | 445 | 71,180 |
| All other South Carolina(1) | 738 | 10,949 | 2,110 | — | — | 13,797 |
| Total North Carolina / South Carolina | 187,502 | 348,849 | 256,740 | 5,417 | 48,920 | 847,428 |
| California: | | | | | | |
| Los Angeles–Long Beach–Anaheim, CA MSA | — | 132,278 | 181,570 | — | — | 313,848 |
| Riverside–San Bernardino–Ontario, CA MSA | — | 102,144 | 4,451 | — | 38,569 | 145,164 |
| San Francisco–Oakland–Hayward, CA MSA | — | 91,403 | 7,791 | — | — | 99,194 |
| San Diego–Carlsbad, CA MSA | — | 45,810 | 27,503 | — | — | 73,313 |
| Sacramento–Roseville–Arden–Arcade, CA MSA | — | — | 57,544 | — | — | 57,544 |
| Oxnard–Thousand Oaks–Ventura, CA MSA | — | — | 33,216 | — | — | 33,216 |
| San Jose–Sunnyvale–Santa Clara, CA MSA | — | — | 28,213 | — | — | 28,213 |
| Stockton–Lodi, CA MSA | — | — | 24,878 | — | — | 24,878 |
| All other California(1) | — | 4,779 | — | — | — | 4,779 |
| Total California | — | 376,414 | 365,166 | — | 38,569 | 780,149 |
| Colorado: | | | | | | |
| Denver–Aurora–Lakewood, CO MSA | 9 | 88,141 | 142,838 | — | — | 230,988 |
| Boulder, CO MSA | — | 38,699 | — | — | — | 38,699 |
| All other Colorado(1) | 1,348 | — | 46,995 | — | — | 48,343 |
| Total Colorado | 1,357 | 126,840 | 189,833 | — | — | 318,030 |
| Tennessee: | | | | | | |
| Nashville–Davidson–Murfreesboro–Franklin, TN MSA | — | 166,555 | 93,188 | — | — | 259,743 |
| Chattanooga, TN–GA MSA | 665 | 33,247 | 45 | — | — | 33,957 |
| All other Tennessee(1) | 1,379 | 8,359 | 257 | — | — | 9,995 |
| Total Tennessee | 2,044 | 208,161 | 93,490 | — | — | 303,695 |

## 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) | | | | | |
| Illinois: | | | | | | |
| Chicago–Naperville–Elgin, IL–IN–WI MSA | — | 1,856 | 158,956 | — | 2,170 | 162,982 |
| Bloomington, IL MSA | — | 12,204 | — | — | — | 12,204 |
| All other Illinois(1) | — | 1,350 | 1,206 | — | — | 2,556 |
| Total Illinois | — | 15,410 | 160,162 | — | 2,170 | 177,742 |
| Phoenix–Mesa–Scottsdale, AZ MSA | — | 19,720 | 113,046 | — | 32,989 | 165,755 |
| Seattle–Tacoma–Bellevue, WA MSA | — | 53,864 | 87,079 | — | — | 140,943 |
| Nevada: | | | | | | |
| Las Vegas–Henderson–Paradise, NV MSA | — | 81,161 | — | — | 37,787 | 118,948 |
| Reno, NV MSA | — | 10,604 | — | — | — | 10,604 |
| Total Nevada | — | 91,765 | — | — | 37,787 | 129,552 |
| Cayman Islands | — | 128,575 | — | — | — | 128,575 |
| Washington, DC / Maryland: | | | | | | |
| Washington–Arlington–Alexandria, DC–VA–MD–WV MSA | 319 | 10,992 | 66,676 | — | — | 77,987 |
| All other Maryland(1) | — | 1,383 | — | — | 8,970 | 10,353 |
| Total Washington, DC / Maryland | 319 | 12,375 | 66,676 | — | 8,970 | 88,340 |
| Providence–Warwick, RI–MA MSA | — | 82,024 | — | — | — | 82,024 |
| Alabama: | | | | | | |
| Birmingham–Hoover, AL MSA | 603 | — | 20,154 | — | — | 20,757 |
| Mobile, AL MSA | 4,738 | 14,444 | 840 | — | 724 | 20,746 |
| Huntsville, AL MSA | 743 | 10,705 | 1,548 | — | — | 12,996 |
| All other Alabama(1) | 14,994 | 4,413 | 3,450 | 418 | 3,267 | 26,542 |
| Total Alabama | 21,078 | 29,562 | 25,992 | 418 | 3,991 | 81,041 |
| Pennsylvania: | | | | | | |
| Philadelphia–Camden–Wilmington, PA–NJ–DE–MD MSA | — | — | 31,107 | — | — | 31,107 |
| Lebanon, PA MSA | — | 18,557 | — | — | — | 18,557 |
| All other Pennsylvania(1) | — | 21,435 | — | — | — | 21,435 |
| Total Pennsylvania | — | 39,992 | 31,107 | — | — | 71,099 |
| Urban Honolulu, HI MSA | — | — | — | — | 61,043 | 61,043 |
| Oregon: | | | | | | |
| Portland–Vancouver–Hillsboro, OR–WA MSA | — | — | 17,737 | — | 23,427 | 41,164 |
| Bend–Redmond, OR MSA | — | 11,425 | — | — | — | 11,425 |
| All other Oregon(1) | — | 8,391 | — | — | — | 8,391 |
| Total Oregon | — | 19,816 | 17,737 | — | 23,427 | 60,980 |
| Ohio: | | | | | | |
| Cincinnati, OH–KY–IN MSA | — | 25,449 | — | — | — | 25,449 |
| Columbus, OH MSA | — | 7,185 | 5,722 | — | — | 12,907 |
| All other Ohio(1) | — | 2,967 | — | — | — | 2,967 |
| Total Ohio | — | 35,601 | 5,722 | — | — | 41,323 |

## 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) | | | | | |
| Missouri: | | | | | | |
| St. Louis, MO–IL MSA | — | 397 | — | — | 19,367 | 19,764 |
| Kansas City, MO–KS MSA | 210 | 10,768 | 1,694 | — | — | 12,672 |
| All other Missouri[(1)] | 534 | 5,059 | 2,536 | — | — | 8,129 |
| Total Missouri | 744 | 16,224 | 4,230 | — | 19,367 | 40,565 |
| Minneapolis–St. Paul–Bloomington, MN MSA | — | 29,145 | — | — | — | 29,145 |
| Kansas: | | | | | | |
| Manhattan, KS MSA | — | — | 24,675 | — | — | 24,675 |
| All other Kansas[(1)] | — | 1,243 | — | — | — | 1,243 |
| Total Kansas | — | 1,243 | 24,675 | — | — | 25,918 |
| Virginia: | | | | | | |
| Virginia Beach–Norfolk–Newport News, VA–NC MSA | — | 7,370 | 4,753 | — | — | 12,123 |
| All other Virginia[(1)] | 591 | 8,822 | 703 | — | 76 | 10,192 |
| Total Virginia | 591 | 16,192 | 5,456 | — | 76 | 22,315 |
| Oklahoma: | | | | | | |
| Tulsa, OK MSA | — | 8,309 | — | — | 1,991 | 10,300 |
| All other Oklahoma[(1)] | 909 | 2,848 | 29 | 4,009 | 3,978 | 11,773 |
| Total Oklahoma | 909 | 11,157 | 29 | 4,009 | 5,969 | 22,073 |
| Indiana: | | | | | | |
| Indianapolis–Carmel–Anderson, IN MSA | — | 2,405 | 8,269 | — | — | 10,674 |
| All Other Indiana | — | 1,864 | — | — | — | 1,864 |
| Total Indiana | — | 4,269 | 8,269 | — | — | 12,538 |
| Mississippi: | | | | | | |
| Gulfport–Biloxi–Pascagoula, MS MSA | — | 9,514 | 2,140 | — | — | 11,654 |
| All other Mississippi[(1)] | 36 | — | — | 563 | — | 599 |
| Total Mississippi | 36 | 9,514 | 2,140 | 563 | — | 12,253 |
| Bahamas | — | 11,377 | — | — | — | 11,377 |
| Connecticut | — | 10,525 | — | — | — | 10,525 |
| All other states[(6)] | 2,028 | 29,180 | 8,299 | — | 2,058 | 41,565 |
| Total Real Estate Loans | $1,252,286 | $4,764,286 | $ 5,299,165 | $ 134,591 | $ 838,806 | $12,289,134 |

(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 southern Arkansas: Clark, Columbia, Hempstead and Hot Spring.
(3) This geographic area includes the following counties in western Arkansas: Johnson, Logan, Pope and Yell.
(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 Foothills: Cleveland, Lincoln and Rutherford.
(6) Includes all states not separately presented above.

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, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Retail, including shopping centers and strip centers | $ 641,454 | 13.5% | $ 596,383 | 12.8% |
| Churches and schools | 250,744 | 5.3 | 241,831 | 5.2 |
| Office, including medical offices | 756,198 | 15.9 | 745,329 | 16.0 |
| Office warehouse, warehouse and mini-storage | 35,018 | 0.7 | 31,591 | 0.7 |
| Gasoline stations and convenience stores | 93,923 | 2.0 | 102,693 | 2.2 |
| Hotels and motels | 1,211,479 | 25.4 | 1,043,710 | 22.4 |
| Restaurants and bars | 155,171 | 3.3 | 171,436 | 3.7 |
| Manufacturing and industrial facilities | 440,597 | 9.2 | 491,816 | 10.5 |
| Nursing homes and assisted living centers | 244,940 | 5.1 | 315,265 | 6.8 |
| Hospitals, surgery centers and other medical | 52,526 | 1.1 | 56,342 | 1.2 |
| Golf courses, entertainment and recreational facilities | 38,103 | 0.8 | 38,916 | 0.8 |
| Other non-farm/non-residential [1] | 844,133 | 17.7 | 830,089 | 17.7 |
| Total | $ 4,764,286 | 100.0% | $ 4,665,401 | 100.0% |

(1) Includes non-farm/non-residential loans collateralized by other miscellaneous real property, including loans where the collateral is "mixed use" 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, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Unimproved land | $ 296,234 | 5.6% | $ 291,131 | 5.5% |
| Land development and lots: | | | | |
| 1-4 family residential and multifamily | 452,760 | 8.5 | 610,662 | 11.5 |
| Non-residential | 710,530 | 13.4 | 684,979 | 12.9 |
| Construction: | | | | |
| 1-4 family residential: | | | | |
| Owner occupied | 26,707 | 0.5 | 123,099 | 2.3 |
| Non-owner occupied: | | | | |
| Pre-sold | 1,373,765 | 25.9 | 1,147,198 | 21.7 |
| Speculative | 198,403 | 3.7 | 201,111 | 3.8 |
| Multifamily | 813,836 | 15.4 | 712,547 | 13.5 |
| Industrial, commercial and other | 1,426,930 | 26.9 | 1,525,133 | 28.8 |
| Total | $ 5,299,165 | 100.0% | $ 5,295,860 | 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 loan. 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 advances. 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 had advanced interest reserves as part of the funding process, we believe that the borrowers in effect had in most cases provided for these sums as part of their initial equity contribution. During the three months ended March 31, 2017, there were no situations where additional interest reserves were advanced on a loan to avoid such loan from becoming nonperforming, and at March 31, 2017, we had no construction and development loans with interest reserves that were nonperforming.

During the first quarter of 2017, we recognized $35.2 million 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 $44.1 million in the first quarter of 2017.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at March 31, 2017 was approximately $14.08 billion, of which $4.38 billion was outstanding at March 31, 2017 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 50%, which means that the weighted average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, will be approximately 50%. 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 43%.

The following table reflects total loans and leases as of March 31, 2017 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 and leases either by adjusting rates on existing loans and leases or reinvesting principal cash flow in new loans and leases. For non-purchased loans and leases 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 and Lease 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 | $ 1,047,233 | $847,659 | $575,353 | $ 831,602 | $1,125,783 | $ 4,427,630 |
| Floating rate (not at a floor or ceiling rate) | 7,709,623 | 54,536 | 99,911 | 131,238 | 27,868 | 8,023,176 |
| Floating rate (at floor rate) [(1)] | 1,979,432 | 36,640 | 102,646 | 166,695 | 29,123 | 2,314,536 |
| Floating rate (at ceiling rate) | 31,529 | 5 | 5 | 41 | — | 31,580 |
| Total | $10,767,817 | $938,840 | $777,915 | $1,129,576 | $1,182,774 | $14,796,922 |
| Percentage of total | 72.8% | 6.3% | 5.3% | 7.6% | 8.0% | 100.0% |
| Cumulative percentage of total | 72.8% | 79.1% | 84.4% | 92.0% | 100.0% | |

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

At March 31, 2017, most 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.

**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 | $ 1,071,781 | $ 5,681,457 | $ — | $ 6,753,238 |
| 3-month LIBOR | 286,453 | 551,934 | — | 838,387 |
| Wall Street Journal Prime | 712,188 | 1,452,959 | 31,580 | 2,196,727 |
| Other contractual interest rate indices | 244,114 | 336,826 | — | 580,940 |
| Total | $ 2,314,536 | $ 8,023,176 | $ 31,580 | $ 10,369,292 |

**Purchased Loans**

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, 2017 | December 31, 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Loans without evidence of credit deterioration at date of acquisition: | | |
| Unpaid principal balance | $ 4,423,149 | $ 4,809,224 |
| Valuation discount | (76,581) | (92,821) |
| Carrying value | 4,346,568 | 4,716,403 |
| Loans with evidence of credit deterioration at date of acquisition: | | |
| Unpaid principal balance | 304,372 | 319,733 |
| Valuation discount | (70,893) | (78,114) |
| Carrying value | 233,479 | 241,619 |
| Total carrying value | $ 4,580,047 | $ 4,958,022 |

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.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (Dollars in thousands) | |
| Balance – beginning of period | $ 241,619 | $ 216,786 |
| Accretion | 9,167 | 6,609 |
| Transfers to foreclosed assets | (1,675) | (1,403) |
| Payments received | (14,378) | (22,134) |
| Charge-offs | (363) | (91) |
| Other activity, net | (891) | (25) |
| Balance – end of period | $ 233,479 | $ 199,742 |

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, | |
|---|---|---|
| | 2017 | 2016 |
| | (Dollars in thousands) | |
| Accretable difference - beginning of period | $ 65,152 | $ 59,176 |
| Transfers to foreclosed assets | (245) | (208) |
| Purchased loans paid off | (352) | (1,748) |
| Cash flow revisions as a result of renewals and/or modifications | 2,236 | 3,690 |
| Accretion | (9,167) | (6,609) |
| Accretable difference - end of period | $ 57,624 | $ 54,301 |

**Nonperforming Assets**

*Non-Purchased Loans and Leases and Foreclosed Assets*

Our nonperforming assets consist of (1) nonaccrual loans and leases, (2) accruing loans and leases 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 or lease 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, but are analyzed and discussed separately elsewhere in this MD&A.

The accrual of interest on non-purchased loans and leases is discontinued when, in management's opinion, the borrower or lessee may be unable to meet payments as they become due. We generally place a loan or lease on nonaccrual status when such loan or lease 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 or leases contractually past due 90 days or more if such loans or leases are both well secured and in the process of collection. At the time a loan or lease is placed on nonaccrual status, interest previously accrued but uncollected is reversed and charged against interest income. Nonaccrual loans and leases are generally returned to accrual status when payments are less than 90 days past due and we reasonably expect to collect all payments. If a loan or lease is determined to be uncollectible, the portion of the principal determined to be uncollectible will be charged against the ALLL. 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 and leases. Income on nonaccrual loans or leases, including impaired loans and leases but excluding certain TDRs which may continue to 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, 2017 | December 31, 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Nonaccrual loans and leases[1] | $ 11,069 | $ 14,371 |
| Accruing loans and leases 90 days or more past due[1] | — | — |
| TDRs[1] | — | — |
| Total nonperforming loans and leases[1] | 11,069 | 14,371 |
| Foreclosed assets [2] | 36,899 | 43,702 |
| Total nonperforming assets [1] | $ 47,968 | $ 58,073 |
| Nonperforming loans and leases to total loans and leases [1] | 0.11% | 0.15% |
| Nonperforming assets to total assets [1] | 0.25 | 0.31 |

(1) Excludes purchased loans except for their inclusion in total assets.
(2) Repossessed personal properties and real estate acquired through or in lieu of foreclosure are initially recorded at the lesser of current principal investment or estimated market 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 market value net of estimated selling costs, if lower, until disposition.

If an adequate current determination of collateral value has not been performed, once a loan or lease 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, typically at least quarterly, we evaluate the underlying collateral on all impaired loans and leases 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, 2017, we had reduced the carrying value of our non-purchased loans and leases deemed impaired (all of which were included in nonaccrual loans and leases) by $4.4 million to the estimated fair value of such loans and leases of $8.4 million. The adjustment to reduce the carrying value of such impaired loans and leases to estimated fair value consisted of $2.6 million of partial charge-offs and $1.8 million of specific loan and lease loss allocations. These amounts do not include our $13.9 million of impaired purchased loans at March 31, 2017.

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

**Foreclosed Assets**

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Real estate: | | |
| Residential 1-4 family | $ 2,973 | $ 3,762 |
| Non-farm/non-residential | 12,856 | 17,207 |
| Construction/land development | 20,179 | 21,568 |
| Agricultural | 473 | 473 |
| Total real estate | 36,481 | 43,010 |
| Commercial and industrial | 229 | 293 |
| Consumer | 189 | 399 |
| Total foreclosed assets | $ 36,899 | $ 43,702 |

The following tables present information concerning the geographic location of nonperforming assets, excluding purchased loans, as of the dates indicated. Nonperforming loans and leases 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 and Leases | Foreclosed Assets and Repossessions | Total Nonperforming Assets |
|---|---|---|---|
| **March 31, 2017:** | (Dollars in thousands) | | |
| Arkansas | $ 6,253 | $ 11,209 | $ 17,462 |
| North Carolina | 482 | 2,283 | 2,765 |
| Georgia | 482 | 8,343 | 8,825 |
| Texas | 2,158 | 1,555 | 3,713 |
| Florida | 48 | 12,566 | 12,614 |
| South Carolina | — | 541 | 541 |
| Alabama | 121 | 154 | 275 |
| All other | 1,525 | 248 | 1,773 |
| Total | $ 11,069 | $ 36,899 | $ 47,968 |

*Impaired Purchased Loans*

As of March 31, 2017 and December 31, 2016, 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, 2017 | December 31, 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Impaired purchased loans without evidence of credit deterioration at date of acquisition (rated FV 77) | $ 7,562 | $ 1,243 |
| Impaired purchased loans with evidence of credit deterioration at date of acquisition (rated FV 88) | 6,307 | 5,273 |
| Total impaired purchased loans | $ 13,869 | $ 6,516 |
| Impaired purchased loans to total purchased loans | 0.30% | 0.13% |

## Allowance and Provision for Loan and Lease Losses

At March 31, 2017, our ALLL was $78.2 million, including $76.6 million allocated to our non-purchased loans and leases and $1.6 million allocated to our purchased loans compared to $61.8 million at March 31, 2016, including $60.6 million allocated to our non-purchased loans and leases and $1.2 million allocated to our purchased loans. At December 31, 2016, our ALLL was $76.5 million, including $74.9 million allocated to our non-purchased loans and leases and $1.6 million allocated to our purchased loans. Our ALLL allocated to non-purchased loans and leases as a percent of total non-purchased loans and leases was 0.75% at March 31, 2017 compared to 0.80% at March 31, 2016 and 0.78% at December 31, 2016. Our ALLL allocated to non-purchased loans and leases was equal to 692% of our total nonperforming non-purchased loans and leases at March 31, 2017 compared to 532% at March 31, 2016 and 521% at December 31, 2016. The amount of ALLL and provision to the ALLL is based on our analysis of the adequacy of the ALLL utilizing the criteria discussed in the Critical Accounting Policies section of our Annual Report on Form 10-K for the year ended December 31, 2016.

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 geographic location. We consider this geographic diversification to be a substantial 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, 2017, 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 50% and approximately 43%, respectively. Each of these factors mentioned above has contributed to our favorable asset quality ratios and net charge-off ratios in recent years. In addition, these factors have also helped to contribute to recent decreases in our ratio of ALLL to total non-purchased loans and leases.

The provision for loan and lease losses for the first quarter of 2017 was $4.9 million, including $3.0 million for non-purchased loans and leases and $1.9 million for purchased loans, compared to $2.0 million for the first quarter of 2016, almost all of which was for our non-purchased loans and leases.

Our practice is to charge off any estimated loss as soon as we are able to identify and reasonably quantify such potential loss. Accordingly, only a small portion of our ALLL is needed for potential losses on non-performing loans. Our ALLL allocated to non-purchased loans and leases as a percent of total non-purchased loans and leases decreased to 0.75% at March 31, 2017 compared to 0.80% at March 31, 2016 and 0.78% at December 31, 2016, primarily as a result of the low level of net charge-offs in recent quarters, our conservative underwriting practices, our general trends in recent years of lower loan-to-cost and loan-to-value ratios in our construction and development portfolio and generally improving economic conditions in many of our markets. While we believe our ALLL at March 31, 2017 and related provision for the first quarter of 2017 were appropriate, changing economic and other conditions may require future adjustments to the ALLL or the amount of provision thereto.

Activity within the allowance for loan and lease losses for the periods indicated is shown in the following table.

**Activity Within the Allowance for Loan and Lease Losses**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (Dollars in thousands) | |
| Balance, beginning of period | $ 76,541 | $ 60,854 |
| Charge-offs of non-purchased loans and leases: | | |
| Real estate: | | |
| Residential 1-4 family | (169) | (243) |
| Non-farm/non-residential | (6) | (12) |
| Construction/land development | (67) | (20) |
| Agricultural | — | (7) |
| Total real estate | (242) | (282) |
| Commercial and industrial | (225) | (11) |
| Consumer | (113) | (33) |
| Direct financing leases | (677) | (660) |
| Other | (492) | (361) |
| Total charge-offs of non-purchased loans and leases | (1,749) | (1,347) |
| Recoveries of non-purchased loans and leases previously charged off: | | |
| Real estate: | | |
| Residential 1-4 family | 4 | 24 |
| Non-farm/non-residential | 11 | — |
| Construction/land development | 6 | 2 |
| Total real estate | 21 | 26 |
| Commercial and industrial | 86 | 33 |
| Consumer | 111 | 12 |
| Direct financing leases | 5 | 11 |
| Other | 209 | 171 |
| Total recoveries of non-purchased loans and leases previously charged off | 432 | 253 |
| Net charge-offs of non-purchased loans and leases | (1,317) | (1,094) |
| Charge-offs of purchased loans | (2,787) | (65) |
| Recoveries of purchased loans previously charged off | 854 | 48 |
| Net charge-offs of purchased loans | (1,933) | (17) |
| Net charge-offs – total loans and leases | (3,250) | (1,111) |
| Provision for loan and lease losses: | | |
| Non-purchased loans and leases | 3,000 | 2,000 |
| Purchased loans | 1,933 | 17 |
| Total provision | 4,933 | 2,017 |
| Balance, end of period | $ 78,224 | $ 61,760 |
| ALLL allocated to non-purchased loans and leases | $ 76,624 | $ 60,560 |
| ALLL allocated to purchased loans | 1,600 | 1,200 |
| Total ALLL | $ 78,224 | $ 61,760 |

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

**Net Charge-off and ALLL Ratios**

| | As of and for the Three Months Ended March 31, | | As of and for the Year Ended December 31, |
|---|---|---|---|
| | 2017 | 2016 | 2016 |
| Net charge-offs of non-purchased loans and leases to average non-purchased loans and leases [1][2] | 0.05% | 0.06% | 0.06% |
| Net charge-offs of purchased loans to average purchased loans [1] | 0.16% | — | 0.09% |
| Net charge-offs of total loans and leases to average total loans and leases [1] | 0.09% | 0.05% | 0.07% |
| | | | |
| ALLL for non-purchased loans and leases to total non-purchased loans and leases [3] | 0.75% | 0.80% | 0.78% |
| ALLL for purchased loans to total purchased loans | 0.03% | 0.07% | 0.03% |
| ALLL to total loans and leases | 0.53% | 0.67% | 0.53% |
| ALLL to nonperforming loans and leases [3] | 692% | 532% | 521% |

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

## Investment Securities

At March 31, 2017 and December 31, 2016, we classified all of 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 following table presents the amortized cost and estimated fair value of investment securities AFS as of the dates indicated. The Company's investment in the "CRA qualified investment fund" includes shares held in a mutual fund that qualify under the Community Reinvestment Act of 1977 for community reinvestment purposes. Our holdings of "other equity securities" include FHLB and First National Banker's Bankshares, Inc. shares which do not have readily determinable fair values and are carried at cost.

**Investment Securities**

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (Dollars in thousands) | | | |
| Obligations of state and political subdivisions | $ 932,781 | $ 913,637 | $ 946,886 | $ 919,013 |
| U.S. Government agency securities | 548,284 | 539,628 | 547,297 | 535,490 |
| Corporate obligations | 10,061 | 10,089 | 10,086 | 9,915 |
| CRA qualified investment fund | 1,067 | 1,041 | 1,061 | 1,034 |
| Other equity securities | 6,173 | 6,173 | 6,160 | 6,160 |
| Total | $ 1,498,366 | $ 1,470,568 | $ 1,511,490 | $ 1,471,612 |

Our investment securities portfolio is reported at estimated fair value, which included gross unrealized gains of $9.3 million and gross unrealized losses of $37.1 million at March 31, 2017 and gross unrealized gains of $8.7 million and gross unrealized losses of $48.6 million at December 31, 2016. We believe that all unrealized losses on individual investment securities at March 31, 2017 and December 31, 2016 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. We 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, 2017:** | | | | |
| Obligations of states and political subdivisions | $ 932,781 | $ 6,021 | $ (35,162) | $ 903,640 |
| U.S. Government agency securities | 548,284 | 108 | (18,012) | 530,380 |
| Corporate obligations | 10,061 | — | (81) | 9,980 |
| CRA qualified investment fund | 1,067 | — | — | 1,067 |
| Other equity securities | 6,173 | — | — | 6,173 |
| Total | $ 1,498,366 | $ 6,129 | $ (53,255) | $ 1,451,240 |
| **December 31, 2016:** | | | | |
| Obligations of states and political subdivisions | $ 946,886 | $ 6,124 | $ (36,567) | $ 916,443 |
| U.S. Government agency securities | 547,297 | 119 | (19,002) | 528,414 |
| Corporate obligations | 10,086 | 5,500 | (72) | 15,514 |
| CRA qualified investment fund | 1,061 | — | — | 1,061 |
| Other equity securities | 6,160 | — | — | 6,160 |
| Total | $ 1,511,490 | $ 11,743 | $ (55,641) | $ 1,467,592 |

We had no net gains or sales of investment securities in the first quarter of 2017 or 2016. During the first quarter of 2017 and 2016, respectively, investment securities totaling $32.2 million and $58.2 million matured, were called or were paid down by the issuer. We purchased $21.9 million in investment securities during the first quarter of 2017 compared to $79.8 million during the first quarter of 2016.

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, current market factors, interest rate risk and other relevant factors.

The following table presents the types and estimated fair values of our investment securities at March 31, 2017 based on credit ratings by one or more nationally-recognized credit rating agency.

**Credit Ratings of Investment Securities**

| | AAA (1) | AA (2) | A (3) | BBB (4) | Non-Rated (5) | Total |
|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | |
| Obligations of states and political subdivisions | $ 162,978 | $ 409,643 | $ 160,596 | $ 17,592 | $ 162,828 | $ 913,637 |
| U.S. Government agency securities | 47,236 | 492,392 | — | — | — | 539,628 |
| Corporate obligations | — | — | 485 | 9,604 | — | 10,089 |
| CRA qualified investment fund | — | — | — | — | 1,041 | 1,041 |
| Other equity securities | 6,173 | — | — | — | — | 6,173 |
| Total | $ 216,387 | $ 902,035 | $ 161,081 | $ 27,196 | $ 163,869 | $1,470,568 |
| Percentage of total | 14.7% | 61.3% | 11.0% | 1.8% | 11.2% | 100.0% |
| Cumulative percentage of total | 14.7% | 76.0% | 87.0% | 88.8% | 100.0% | |

(1) Includes securities rated Aaa by Moody's, AAA by Fitch or Standard & Poor's ("S&P") or a comparable rating by other nationally-recognized credit rating agencies.
(2) Includes securities rated Aa1 to Aa3 by Moody's, AA+ to AA- by Fitch or S&P or a comparable rating by other nationally-recognized credit rating agencies.
(3) Includes securities rated A1 to A3 by Moody's, A+ to A- by Fitch or S&P or a comparable rating by other nationally-recognized credit rating agencies.
(4) Includes securities rated Baa1 to Baa3 by Moody's, BBB+ to BBB- by Fitch or S&P or a comparable rating by other nationally-recognized credit rating agencies.
(5) Includes all securities that are not rated or securities that are not rated but that have a rated credit enhancement where we have ignored such credit enhancement. For these securities, 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 a credit rating of investment grade (i.e., Baa3 or better by Moody's or BBB- or better by Fitch or S&P or a comparable rating by other nationally-recognized credit rating agencies).

## Deposits

Our lending and investment activities are funded primarily by deposits. 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, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Non-interest bearing | $ 2,704,022 | 17.2% | $ 2,589,458 | 16.6% |
| Interest bearing: | | | | |
| Transaction (NOW) | 2,666,959 | 17.0 | 2,751,283 | 17.7 |
| Savings and money market | 5,512,759 | 35.1 | 5,297,074 | 34.0 |
| Time deposits less than $100,000 | 1,615,535 | 10.3 | 1,741,307 | 11.2 |
| Time deposits of $100,000 or more | 3,214,152 | 20.4 | 3,195,759 | 20.5 |
| Total deposits | $ 15,713,427 | 100.0% | $ 15,574,881 | 100.0% |

At March 31, 2017 brokered deposits totaled $2.00 billion, or 12.75% of total deposits, compared to $1.99 billion, or 12.78% of total deposits, at December 31, 2016.

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 respected and stable funding sources and (ii) less costly to the Company 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, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Arkansas | $ 6,466,066 | 41.1% | $ 6,309,230 | 40.5% |
| Georgia | 3,621,149 | 23.0 | 3,714,963 | 23.9 |
| Texas | 2,185,100 | 13.9 | 2,015,492 | 12.9 |
| Florida | 1,950,054 | 12.4 | 2,056,956 | 13.2 |
| North Carolina | 925,199 | 5.9 | 890,091 | 5.7 |
| New York | 355,705 | 2.3 | 378,348 | 2.4 |
| Alabama | 110,081 | 0.7 | 107,458 | 0.7 |
| South Carolina | 100,073 | 0.7 | 102,343 | 0.7 |
| Total | $ 15,713,427 | 100.0% | $ 15,574,881 | 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 (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, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Average Balance | Rate Paid | Average Balance | Rate Paid |
| | (Dollars in thousands) | | | |
| Repurchase agreements with customers | $ 79,884 | 0.15% | $ 68,301 | 0.11% |
| Other borrowings [1] | 42,137 | 2.14 | 51,053 | 2.38 |
| Subordinated notes | 222,561 | 5.81 | — | — |
| Subordinated debentures | 118,300 | 4.05 | 117,749 | 3.60 |
| Total other interest bearing liabilities | $ 462,882 | 4.05% | $ 237,103 | 2.33% |

(1) Included in other borrowings at March 31, 2017 are FHLB advances that contain quarterly call features with weighted average interest rates which mature as follows: November 2017, $20.0 million at 3.16% and January 2018, $20.0 million at 2.53%.

During the second quarter of 2016, the Company issued $225 million in aggregate principal amount, net of debt issuance costs, of subordinated notes with a 5.50% fixed-to-floating rate that mature on July 1, 2026. The rate on such subordinated notes includes amortization of debt issuance costs.

## CAPITAL RESOURCES AND LIQUIDITY

### Capital Resources

*Subordinated Notes.* On June 23, 2016, we completed an underwritten public offering of $225 million in aggregate principal amount of our 5.50% Fixed-to-Floating Rate Subordinated Notes due 2026 (the "Notes") for net proceeds of $222.3 million. 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") (collectively, the "Ozark Trusts"), and as a result of our Intervest acquisition, 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 "Intervest Trusts"; and together with Ozark Trusts, the "Trusts"). At March 31, 2017, 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, 2017 | Carrying Value of Subordinated Debentures at March 31, 2017 | Trust Preferred Securities of the Trusts | Contractual Interest Rate at March 31, 2017 | Final Maturity Date |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| Ozark II | $ 14,433 | $ — | $ 14,433 | $ 14,000 | 4.05% | September 29, 2033 |
| Ozark III | 14,434 | — | 14,434 | 14,000 | 3.97 | September 25, 2033 |
| Ozark IV | 15,464 | — | 15,464 | 15,000 | 3.27 | September 28, 2034 |
| Ozark V | 20,619 | — | 20,619 | 20,000 | 2.73 | December 15, 2036 |
| Intervest II | 15,464 | (522) | 14,942 | 15,000 | 4.10 | September 17, 2033 |
| Intervest III | 15,464 | (605) | 14,859 | 15,000 | 3.94 | March 17, 2034 |
| Intervest IV | 15,464 | (1,100) | 14,364 | 15,000 | 3.55 | September 20, 2034 |
| Intervest V | 10,310 | (1,045) | 9,265 | 10,000 | 2.78 | December 15, 2036 |
| | $ 121,652 | $ (3,272) | $ 118,380 | $ 118,000 | | |

Our subordinated debentures and securities generally mature 30 years after issuance and may be prepaid at par, subject to regulatory approval, on or after approximately five years from the date of issuance, or at an earlier date 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 company, 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. We have an effective shelf registration statement on file with the SEC which provides us increased flexibility and more efficient access to the public debt and equity markets. 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.

*Corporate Reorganization*. On April 10, 2017, the Company, as part of an internal corporate reorganization, entered into an Agreement and Plan of Merger (the "Plan of Merger") with the Bank, whereby the Company will be merged with and into the Bank (the "Reorganization") with the Bank continuing as the surviving entity.

At the effective time of the Reorganization, the issued and outstanding shares of the Company's common stock, par value $0.01 per share, will automatically be converted into an equivalent number of shares of the Bank's common stock. As a result, the shares of capital stock of the Bank will be owned directly by the Company's shareholders in the same proportion as their ownership of the Company's capital stock immediately prior to the Reorganization.

As an Arkansas state-chartered bank that is not a member of the Federal Reserve System, the Bank will continue to be subject to regulation and supervision by the Arkansas State Bank Department ("ASBD") and the FDIC. The Company is currently subject to regulation and supervision by the Federal Reserve Board ("FRB") as a bank holding company; following the Reorganization, the Bank will not be subject to the FRB's regulation and supervision (except such regulations as are made applicable to the Bank by law and regulations of the FDIC).

Following the Reorganization, it is expected that the Bank's shares of common stock will be listed on The NASDAQ Global Select Market ("NASDAQ") under the same ticker symbol currently used by the Company, "OZRK." The Bank's common stock will be registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which vests the FDIC with the power to administer and enforce certain sections of the Exchange Act applicable to banks. Following the Reorganization, the Bank will no longer file periodic or current reports or other materials with the SEC but will be required to file such periodic and current reports and other materials required under the Exchange Act with the FDIC.

Pursuant to Section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), securities issued by the Bank, including the common stock to be issued in connection with the Reorganization, are exempt from registration under the Securities Act.

The Plan of Merger has been approved by the boards of directors of each of the Company and the Bank. In connection with the Reorganization, the Company will convene and hold a special meeting of its shareholders on June 23, 2017 to consider and vote upon the Reorganization. The Reorganization is subject to various closing conditions including, among others, (i) approval by the holders of a majority of the outstanding shares of the Company's common stock entitled to vote on the Reorganization, (ii) receipt of all required regulatory approvals, including the approval of the FDIC and ASBD, and (iii) approval for listing on NASDAQ of the Bank's common stock.

*Common Stockholders' Equity and Reconciliation of Non-GAAP Financial Measures.* We use non-GAAP financial measures, specifically 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, 2017 | December 31, 2016 |
|---|---|---|
| | (Dollars in thousands) | |
| Total common stockholders' equity before noncontrolling interest | $ 2,873,317 | $ 2,791,607 |
| Less intangible assets: | | |
| Goodwill | (660,789) | (660,119) |
| Other intangible assets, net of accumulated amortization | (57,686) | (60,831) |
| Total intangibles | (718,475) | (720,950) |
| Total tangible common stockholders' equity | $ 2,154,842 | $ 2,070,657 |
| Total assets | $ 19,152,212 | $ 18,890,142 |
| Less intangible assets: | | |
| Goodwill | (660,789) | (660,119) |
| Other intangible assets, net of accumulated amortization | (57,686) | (60,831) |
| Total intangibles | (718,475) | (720,950) |
| Total tangible assets | $ 18,433,737 | $ 18,169,192 |
| Ratio of total common stockholders' equity to total assets | 15.00% | 14.78% |
| Ratio of total tangible common stockholders' equity to total tangible assets | 11.69% | 11.40% |

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

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| | (In thousands, except per share amounts) | |
| Total common stockholders' equity before noncontrolling interest | $ 2,873,317 | $ 2,791,607 |
| Less intangible assets: | | |
| Goodwill | (660,789) | (660,119) |
| Other intangible assets, net of accumulated amortization | (57,686) | (60,831) |
| Total intangibles | (718,475) | (720,950) |
| Total tangible common stockholders' equity | $ 2,154,842 | $ 2,070,657 |
| Shares of common stock outstanding | 121,575 | 121,268 |
| Book value per common share | $ 23.63 | $ 23.02 |
| Tangible book value per common share | $ 17.72 | $ 17.08 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (Dollars in thousands) | |
| Net income available to common stockholders | $ 89,188 | $ 51,668 |
| Average common stockholders' equity before noncontrolling interest | $ 2,826,832 | $ 1,484,657 |
| Less average intangible assets: | | |
| Goodwill | (660,151) | (125,448) |
| Other intangible assets, net of accumulated amortization | (59,596) | (26,164) |
| Total average intangibles | (719,747) | (151,612) |
| Average tangible common stockholders' equity | $ 2,107,085 | $ 1,333,045 |
| Return on average common stockholders' equity (1) | 12.80% | 14.00% |
| Return on average tangible common stockholders' equity (1) | 17.17% | 15.59% |

(1) Ratios annualized based on actual days.

*Common Stock Dividend Policy.* During the three months ended March 31, 2017, we paid a dividend of $0.17 per common share compared to $0.15 per common share in the three months ended March 31, 2016. On April 3, 2017, our board of directors approved a cash dividend of $0.175 per common share that was paid on April 21, 2017. The determination of future dividends on our common stock will depend on conditions existing at that time and approval of our board of directors.

## 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 by the regulators about component risk weightings and other factors.

The FDIC and other federal banking regulators revised the risk-based capital requirements applicable to bank holding companies and insured depository institutions, including the Company and the Bank, 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 the Company and the Bank 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. The tier 1 capital for our holding company 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. As a result of our acquisitions of C&S on July 20, 2016 and C1 on July 21, 2016, our total assets exceeded $15 billion. Accordingly, 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 allow for insured depository institutions to make a one-time election not to include most elements of accumulated other comprehensive income 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 ALLL and, for the Company, 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 will increase each year until fully implemented at 2.5% on January 1, 2019. When fully phased in on January 1, 2019, the Basel III Rules will require us and our subsidiary bank 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% upon full implementation, (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% upon full implementation, (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% upon full implementation 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, 2017 and December 31, 2016 for the Company and the Bank 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 are 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.

**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, 2017:** | | | | | | | | |
| Common equity tier 1 to risk-weighted assets: | | | | | | | | |
| Company | $2,157,706 | 9.94% | $1,247,562 | 5.75% | $1,518,772 | 7.00% | N/A | N/A |
| Bank | 2,463,577 | 11.36 | 1,246,878 | 5.75 | 1,517,938 | 7.00 | $1,410,288 | 6.50% |
| Tier 1 capital to risk-weighted assets: | | | | | | | | |
| Company | 2,157,706 | 9.94 | 1,573,014 | 7.25 | 1,844,223 | 8.50 | N/A | N/A |
| Bank | 2,463,577 | 11.36 | 1,572,151 | 7.25 | 1,843,211 | 8.50 | 1,735,739 | 8.00 |
| Total capital to risk-weighted assets: | | | | | | | | |
| Company | 2,578,930 | 11.89 | 2,006,948 | 9.25 | 2,278,157 | 10.50 | N/A | N/A |
| Bank | 2,541,801 | 11.72 | 2,005,847 | 9.25 | 2,276,908 | 10.50 | 2,169,674 | 10.00 |
| Tier 1 leverage to average assets: | | | | | | | | |
| Company | 2,157,706 | 11.95 | 751,275 | 4.00 | 751,275 | 4.00 | N/A | N/A |
| Bank | 2,463,577 | 13.66 | 750,906 | 4.00 | 750,906 | 4.00 | 939,093 | 5.00 |
| **December 31, 2016:** | | | | | | | | |
| Common equity tier 1 to risk-weighted assets: | | | | | | | | |
| Company | $2,093,548 | 9.99% | $1,074,382 | 5.125% | $1,467,448 | 7.00% | N/A | N/A |
| Bank | 2,405,095 | 11.48 | 1,073,635 | 5.125 | 1,466,428 | 7.00 | $1,361,684 | 6.50% |
| Tier 1 capital to risk-weighted assets: | | | | | | | | |
| Company | 2,093,548 | 9.99 | 1,388,835 | 6.625 | 1,781,902 | 8.50 | N/A | N/A |
| Bank | 2,405,095 | 11.48 | 1,387,870 | 6.625 | 1,780,663 | 8.50 | 1,675,918 | 8.00 |
| Total capital to risk-weighted assets: | | | | | | | | |
| Company | 2,513,089 | 11.99 | 1,808,106 | 8.625 | 2,201,173 | 10.50 | N/A | N/A |
| Bank | 2,481,636 | 11.85 | 1,806,849 | 8.625 | 2,199,643 | 10.50 | 2,094,898 | 10.00 |
| Tier 1 leverage to average assets: | | | | | | | | |
| Company | 2,093,548 | 11.99 | 698,438 | 4.00 | 698,438 | 4.00 | N/A | N/A |
| Bank | 2,405,095 | 13.77 | 698,597 | 4.00 | 698,597 | 4.00 | 873,246 | 5.00 |

At March 31, 2017 and December 31, 2016, capital levels at both the Company and the Bank exceed all minimum capital requirements under the Basel III Rules on a fully phased-in basis.

**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 operating cash needs of the Company, 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 leases, and repayments of 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, along with FHLB advances, federal funds purchased and other sources of short-term borrowings, to make loans and leases, 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 and lease repayments are generally a relatively stable source of funds but are subject to the borrowers' and lessees' ability to repay the loans and leases, 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 and leases 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 leases and deposit withdrawal demands or otherwise fund operations. Such secondary sources include wholesale deposit sources, FHLB advances, secured and unsecured federal funds lines of credit from correspondent banks, FRB borrowing programs and/or accessing the capital markets.

At March 31, 2017, we had $11.26 billion in unfunded balances on loans already closed, the vast majority of which is attributable to construction loans for which construction has commenced. In most cases the borrower's equity and all other required subordinated elements of the capital structure must be fully funded before we advance funds. Typically we are the last to advance funds and the first to be repaid. In many cases we do not advance funds on loans for many months after closing because the borrower's equity and other funding sources must fund first. This conservative practice for handling construction loans has led to the large unfunded balance of closed loans. As a result, we maintain a detailed 36-month forward funding forecast projecting all loan fundings and loan pay downs and pay offs. Our ability to project monthly net portfolio growth with a substantial degree of accuracy is an important part of our liquidity management process.

At March 31, 2017, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) $4.63 billion of available blanket borrowing capacity with the FHLB, (2) $738 million 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 $155 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 leases 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 will be used to augment our primary funding sources.

*Sources and Uses of Funds.* Operating activities provided net cash of $142 million in the first quarter of 2017 and $45 million in the first quarter of 2016. Net cash used or provided by operating activities is comprised primarily of net income, adjusted for non-cash items and for changes in various operating assets and liabilities. The increase in cash provided by operating activities during the first quarter of 2017 compared to the first quarter of 2016 is due, in part, to the increase in net income.

Investing activities used net cash of $215 million in the first quarter of 2017 and $994 million in the first quarter of 2016. The decrease in net cash used by investing activities was primarily the result of the lower growth rate of our non-purchased loans and leases during the first quarter of 2017 compared to the same period in 2016 and the increase in net payments received on our purchased loan portfolio.

Financing activities provided $135 million in the first quarter of 2017 and $1.48 billion in the first quarter of 2016. The decrease in cash provided by financing activities is primarily the result of a lower growth rate of deposits needed to fund growth of interest earning assets during the first quarter of 2017 compared to the first quarter of 2016.

*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 on loans already closed) and standby letters of credit. See Note 7 to the Consolidated Financial Statements for more information about our outstanding guarantees and commitments as of March 31, 2017.

**Growth and Expansion**

*De Novo Growth.* In January 2017, we consolidated our New York, New York RESG loan production office in with our retail banking office in New York, New York, and in February 2017, we opened a loan production office in Atlanta, Georgia for our mortgage lending team. We also expect to open a retail banking office in McKinney, Texas in 2017, and we expect to replace leased facilities with Bank-owned facilities in Miami Beach, Florida and Harrisburg, North Carolina in 2017.

We intend to continue our growth and *de novo* branching strategy in the future years through the opening of additional retail banking and loan production offices. 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 2017, we spent approximately $7.5 million on capital expenditures for premises and equipment. Our capital expenditures for the full year 2017 are expected to be in the range of $35 million to $50 million, including progress payments on construction projects expected to be completed in future periods, 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 both our *de novo* branching strategy and traditional acquisitions. With respect to 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 retail banking offices and believe we can generate significant growth from one or two strategically located offices in each such market. Future RESG loan production offices are expected to be focused in strategically important markets (most likely offices in Seattle, Washington, D.C., Boston and Chicago). With respect to acquisitions, we are seeking acquisitions that are either immediately accretive to book value, tangible book value, and diluted earnings per share, or strategic to our business, or both.

## RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 14 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 indexes. Our interest rate risk management is the responsibility of ALCO.

We regularly review 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. Typically, ALCO reviews on at least a quarterly basis our relative ratio of rate sensitive assets (“RSA”) to rate sensitive liabilities (“RSL”) and the related cumulative gap for different time periods. However, the primary tool used by ALCO to analyze our interest rate risk and interest rate sensitivity is an earnings simulation model.

This earnings simulation modeling process projects a baseline net interest income (assuming no changes in interest rate levels) and estimates changes to that baseline net interest income resulting from changes in interest rate levels. We rely primarily on the results of this model in evaluating our interest rate risk. This model incorporates a number of additional factors including: (1) the expected exercise of call features on various assets and liabilities, (2) the expected rates at which various RSA and RSL 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 indexes 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 purchased loans, (8) the need 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 100 bps, down 200 bps, 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 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, 2017. 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 | 18.2% |
| +400 | 14.6 |
| +300 | 10.9 |
| +200 | 7.2 |
| +100 | 3.5 |
| -100 | Not meaningful |
| -200 | Not meaningful |
| -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, leases 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 Company'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 Company'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 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 is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

Item 1. **Legal Proceedings**

On December 19, 2011, the Company and Bank were named as defendants in a purported class action lawsuit filed in the Circuit Court of Lonoke County, Arkansas, Division III, styled *Robert Walker, Ann B. Hines and Judith Belk vs. Bank of the Ozarks, Inc. and Bank of the Ozarks*. On December 20, 2012, the Bank was named as a defendant in a purported class action lawsuit filed in the Circuit Court of Pulaski County, Arkansas, Ninth Division, styled *Audrey Muzingo v. Bank of the Ozarks*. Subsequently, counsel for the plaintiffs in the *Walker* case and counsel for the plaintiff in the *Muzingo* case have reached an agreement whereby Ms. Muzingo is now considered a member of the class in the *Walker* case. The complaint challenges the manner in which overdraft fees were charged and the policies related to the posting order of payments. In addition, the complaint alleges violations of the Arkansas Deceptive Trade Practices Act. The complaint seeks to have the case certified by the court as a class action for all Bank account holders located in the State of Arkansas similarly situated, and seeks (1) a declaratory judgment as to the wrongful nature of the Bank's overdraft fee policies, (2) restitution of overdraft fees paid by the plaintiffs and the putative class as a result of the actions cited in the complaint, (3) disgorgement of profits as a result of the alleged wrongful actions, (4) unspecified compensatory and statutory or punitive damages, and (5) pre-judgment interest, costs, and plaintiffs' attorneys' fees. The Company and the Bank filed a motion to dismiss and to compel arbitration pursuant to the terms of the consumer deposit account agreement, which was denied by the trial court. The Company and the Bank appealed the trial court's ruling to the Arkansas Supreme Court on an interlocutory basis. The Arkansas Supreme Court recently affirmed the trial courts' decision to deny the Company and Bank's motion to compel arbitration, finding that there was no mutual agreement or obligation to arbitrate under the terms of the subject deposit account agreement. The parties are now engaged in pre-trial discovery and have agreed to participate in non-binding mediation regarding the plaintiff's claims.

Although there are significant uncertainties in any purported class action litigation, the Company and the Bank believe that the Plaintiffs' claims are subject to meritorious defenses and intend to defend against these claims.

The Company and/or the Bank are parties to various other legal proceedings, as both plaintiff and defendant, arising in the ordinary course of business, including claims of lender liability, broken promises, and other similar lending-related claims. While the ultimate resolution of the various claims and proceedings described above cannot be determined at this time, management of the Company believes that such claims and proceedings, individually or in the aggregate, will not have a material adverse effect on the future results of operations, financial condition, or liquidity of the Company.

Item 1A. **Risk Factors**

There are no material changes from the risk factors set forth under Part 1, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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

We had no unregistered sales of equity securities and did not purchase any shares of our common stock during the period covered by this report.

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 of the Ozarks, Inc.

DATE: May 5, 2017

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

## Bank of the Ozarks, Inc.

## Exhibit Index

| Exhibit Number | |
|---|---|
| 2.1 | Agreement and Plan of Merger among Bank of the Ozarks, Inc., Bank of the Ozarks, Summit Bancorp, Inc. and Summit Bank, dated as of January 30, 2014 (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on January 30, 2014, and incorporated herein by this reference). |
| 2.2 | Agreement and Plan of Merger among Bank of the Ozarks, Inc., Bank of the Ozarks, Intervest Bancshares Corporation and Intervest National Bank, dated as of July 31, 2014 (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on July 31, 2014, and incorporated herein by this reference). |
| 2.3 | 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 Company's Current Report on Form 8-K filed with the Commission on October 19, 2015, and incorporated herein by this reference). |
| 2.4 | 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 2.1 to the Company's Current Report on Form 8-K filed with the Commission on November 10, 2015, and incorporated herein by this reference). |
| 2.5 | 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 Company's Current Report on Form 8-K filed with the Commission on April 11, 2017 and incorporated herein by reference). |
| 3.1 | Amended and Restated Articles of Incorporation of Bank of the Ozarks, Inc., dated May 22, 1997 (previously filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 filed with the Commission on May 22, 1997, as amended, Commission File No. 333-27641, and incorporated herein by this reference). |
| 3.2 | Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank of the Ozarks, Inc. dated December 9, 2003 (previously filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K filed with the Commission on March 12, 2004 for the year ended December 31, 2003, and incorporated herein by this reference). |
| 3.3 | Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank of the Ozarks, Inc. dated December 10, 2008 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on December 10, 2008, and incorporated herein by this reference). |
| 3.4 | Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank of the Ozarks, Inc. dated May 19, 2014 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 20, 2014, and incorporated herein by this reference). |
| 3.5 | Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank of the Ozarks, Inc., dated May 16, 2016 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 17, 2016 and incorporated herein by reference). |
| 3.6 | Amended and Restated Bylaws of Bank of the Ozarks, Inc., dated November 18, 2014 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on November 21, 2014, and incorporated herein by this reference). |
| 4.1 | Instruments defining the rights of security holders, including indentures. The Registrant hereby agrees to furnish to the Commission upon request copies of instruments defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries; no issuance of debt exceeds ten percent of the assets of the Registrant and its subsidiaries on a consolidated basis. |
| 10.1* | Bank of the Ozarks, Inc. 2017 Stock-Based Performance Award Plan (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 19, 2017 and incorporated herein by reference). |
| 10.2* | Bank of the Ozarks, Inc. 2017 Cash-Based Performance Plan (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on January 19, 2017 and incorporated herein by reference). |
| 11.1 | Earnings Per Share Computation (included in Note 4 to the Consolidated Financial Statements). |
| 12.1 | Computation of Ratios of Earnings to Fixed Charges, filed herewith. |
| 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. |
| 101.INS | XBRL Instance Document |

| | |
|---|---|
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Definition Linkbase |
| 101.LAB | XBRL Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

*Management contract or a compensatory plan or arrangement.