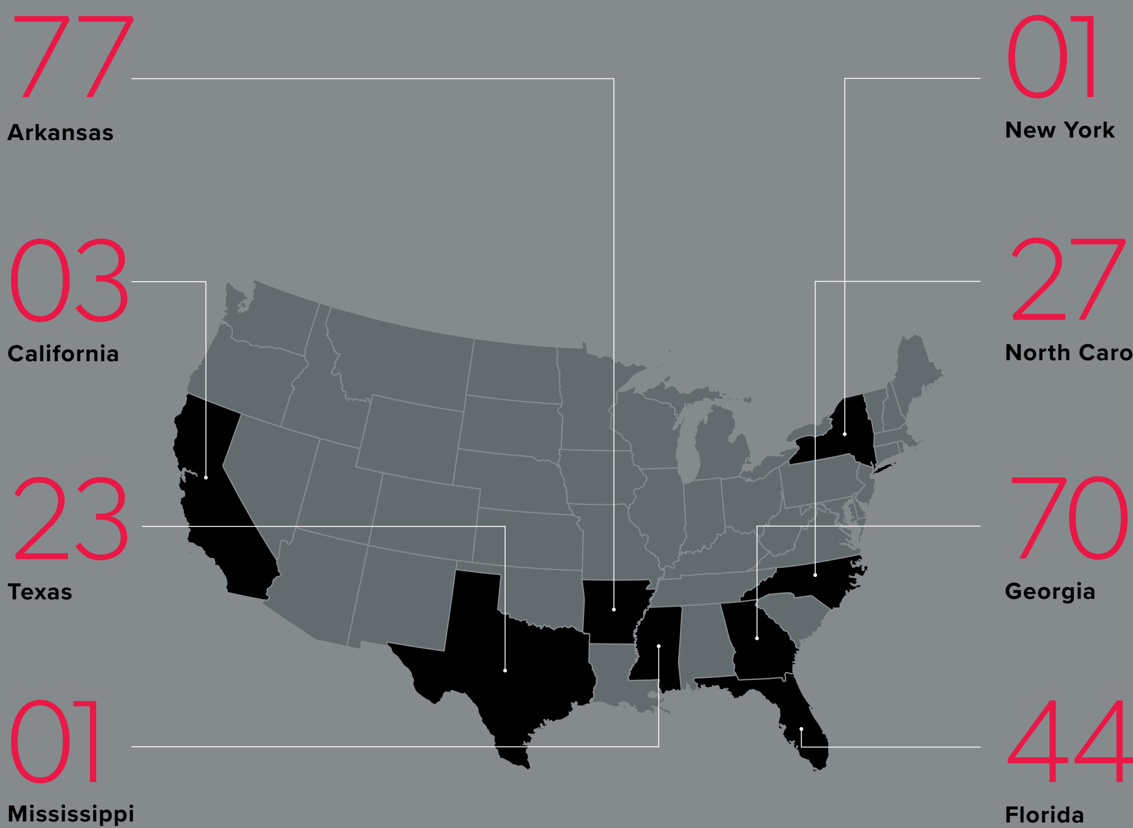
Bank OZK

Annual Report

2021

Through a combination of organic growth and acquisitions, we serve our customers in 240+ offices throughout eight states.*



*As of December 31, 2021

This report contains forward-looking statements and reflects management's current views of future economic circumstances, industry conditions, Company performance and financial results. Actual future performance, outcomes and results may differ materially from those expressed in these forward-looking statements due to certain risks, uncertainties and assumptions. A description of certain factors that may affect future results can be found in this annual report under "Forward-Looking Information" and under "Part I—Item 1A. Risk Factors."

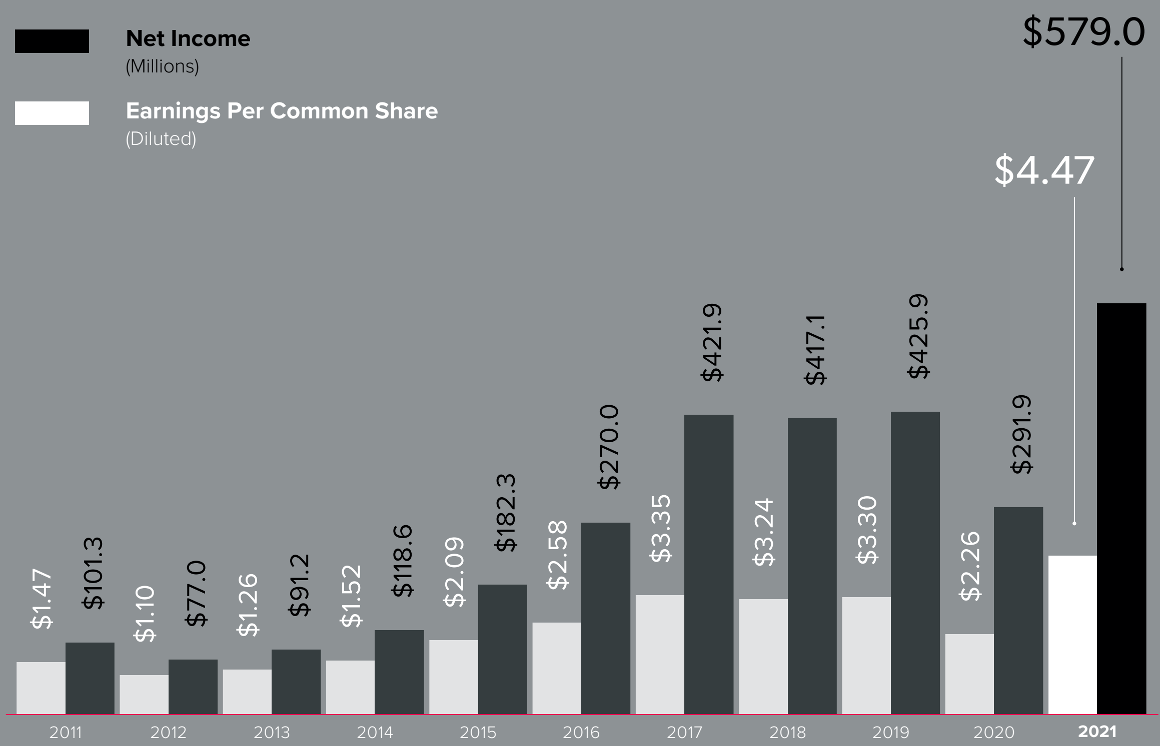
Bank OZK has a 118-year tradition of community-based service and commitment to our customers. We've always been the kind of bank where our customers like to do business and where our employees like to work. With a strong commitment to the communities we serve, we cultivate relationships that grow and thrive.

At Bank OZK, we are committed to providing the great service you've come to expect from our community bank heritage, while leveraging technology to deliver for our customers. And no matter where you go, our digital experiences can go with you, making life simpler, safer and more fun.

A Long-Term Perspective

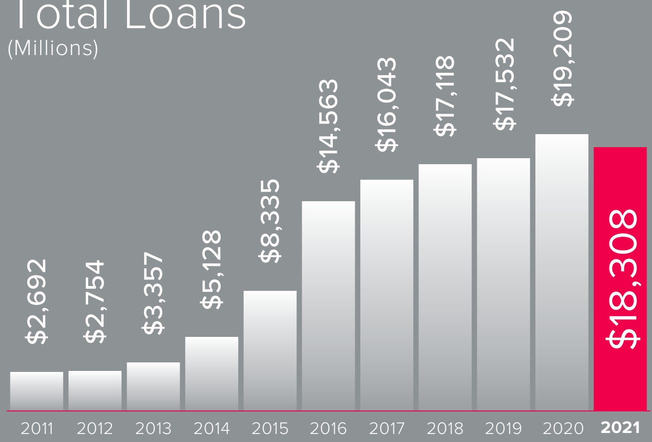
We remain focused on asset quality, profitability and growth. The record results we achieved in 2021 reflect our continued commitment to excellence and our focus on long-term performance. Our constant pursuit of building relationships, improving performance and enhancing efficiency has consistently produced superior results.

19.0% **Compound annual growth rate in net income**



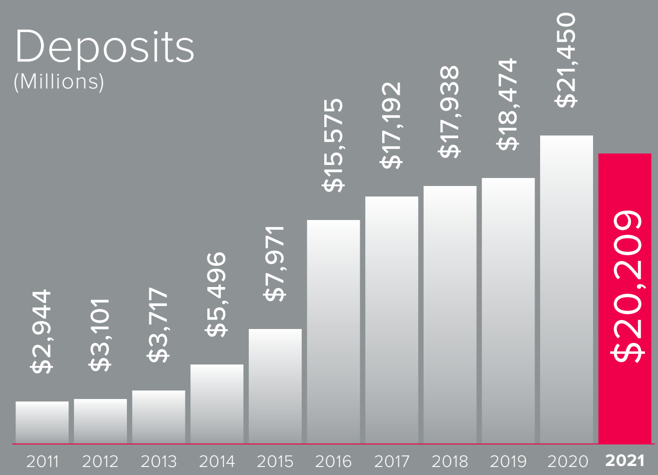
Over the past ten years, we have achieved compound annual growth rates of **19.0%** in net income and **11.8%** in diluted earnings per common share.

Total Loans
(Millions)



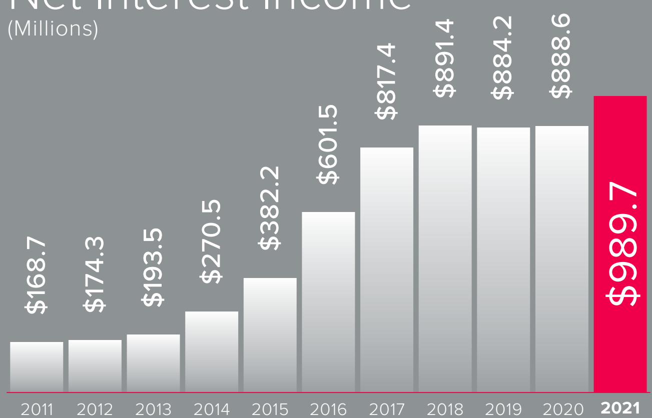
Over the past ten years, our total loans, including purchased loans, have grown at a compound annual rate of **21.1%.**

Deposits
(Millions)



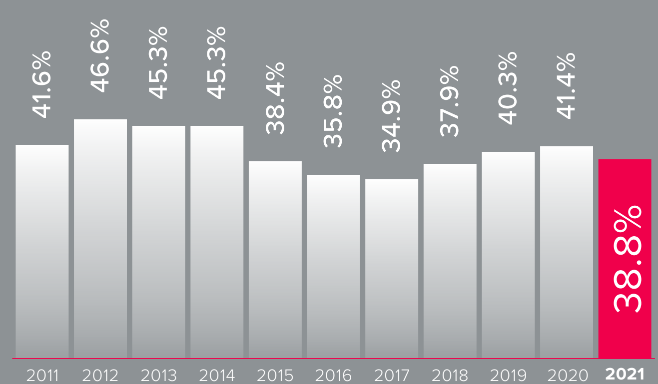
Over the past ten years, our deposits have grown at a compound annual rate of **21.2%.**

Net Interest Income
(Millions)



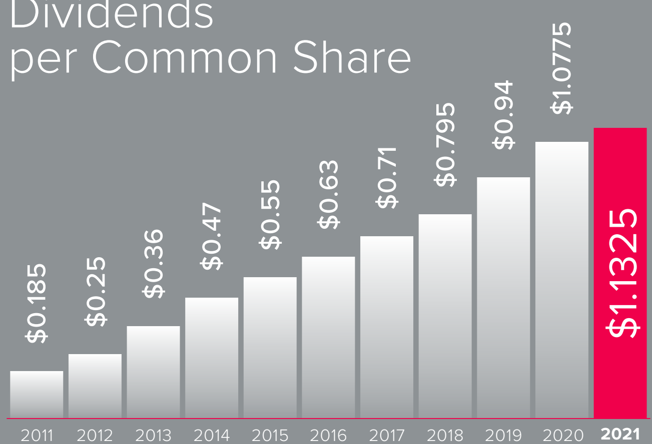
Net interest income has grown over the last ten years at a compound annual rate of **19.4%.**

Efficiency Ratio



We have worked relentlessly to become one of the most efficient banks in the nation. Our efficiency ratio has ranked in the top decile of the industry for the past 20 years.

Dividends per Common Share

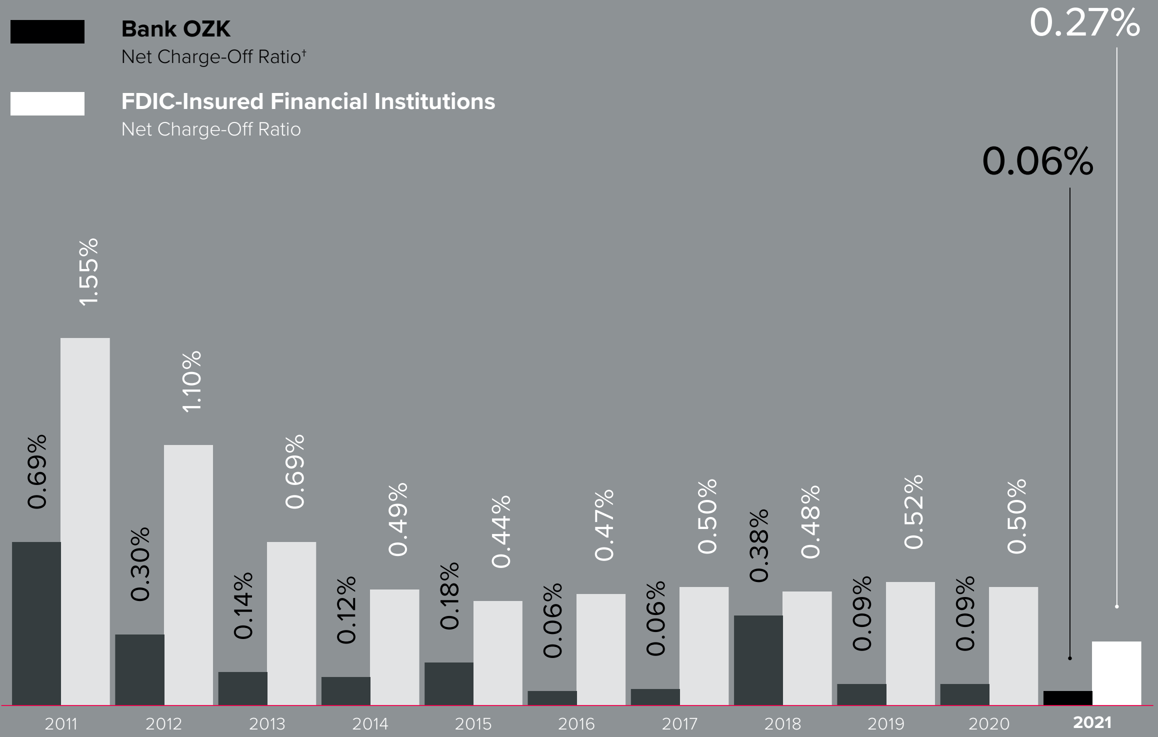


Over the past ten years, we have increased dividends paid to our common shareholders at a compound annual rate of **19.9%**, and we have increased our cash dividend in each of the last 46 quarters and every year since going public in 1997.

History of Asset Quality Better than the Industry

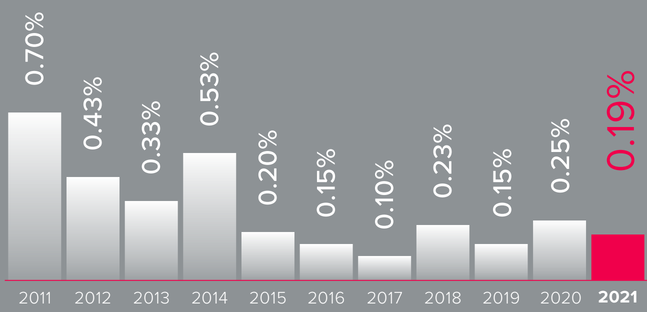
Our net charge-off ratio has consistently compared favorably with the ratio for all FDIC-insured institutions as a group.

0.06% **Net Charge-Off Ratio†**



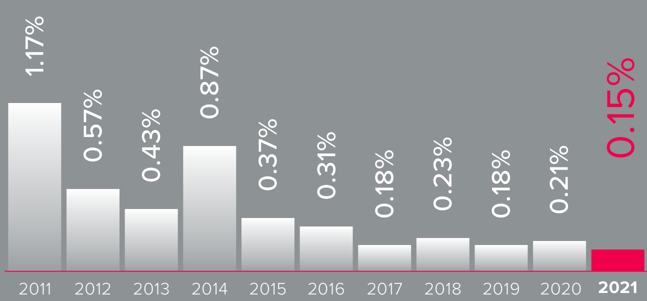
Source: Data from the FDIC Quarterly Banking Profile for 3Q21.
†Ratios exclude purchased loans and net charge-offs related to such loans.

Nonperforming Non-Purchased Loans ("NPLs")/ Total Non-Purchased Loans %



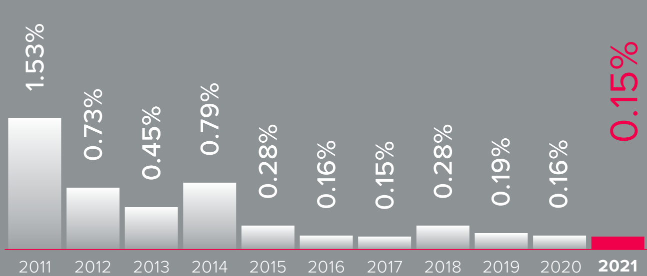
NPLs were just $35 million, or 0.19% of total non-purchased loans, at 12/31/21.

Nonperforming Assets ("NPAs")/Total Assets %†*



NPAs, which include NPLs and foreclosed assets, were just $40 million, or 0.15% of total assets, at 12/31/21.

Non-Purchased Loans Past Due 30 Days or More Including Past Due Nonaccrual Non-Purchased Loans ("Loans Past Due")/Total Non-Purchased Loans %



Non-purchased loans past due, including past due nonaccrual non-purchased loans, were just $28 million, or 0.15% of total non-purchased loans, at 12/31/21.

†Ratios exclude purchased loans, except for their inclusion in total assets.

*In 2014, we terminated our loss share agreement with the FDIC and reclassified foreclosed assets previously reported as covered by FDIC loss share to foreclosed assets.

Quality and Diversity of Our Board

CONTRIBUTE TO OUR SUCCESS

Chairman and CEO

George Gleason

Independent Directors*

Nicholas Brown

Paula Cholmondeley

Beverly Cole

Robert East

Kathleen Franklin

Catherine B. Freedberg, Ph.D.

Jeffrey Gearhart

Peter Kenny
Presiding Independent Director

William Koefoed

Christopher Orndorff

Steven Sadoff

Ross Whipple

*As of December 31, 2021

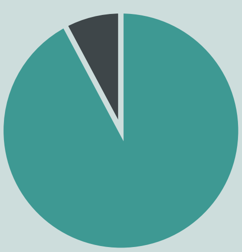
DIVERSE BLEND OF

Experiences & Qualifications

Relevant Industry Experience	Including banking, investment management, financial services and real estate experience
Expertise in Technology and Information Security	Experience in information security, data privacy, cybersecurity, or use of technology for operations
Leadership Experience	Experience as CEO, CFO, COO or similar executive role with major organization
Finance, Audit and Accounting	Large accounting firm, CFO, or other relevant experience in accounting, auditing or financial reporting
Compliance Experience	Significant roles in risk management, legal or as part of a highly regulated industry such as financial services
Human Capital	Experience through human resources or similar leadership role in management and development of human capital
Strategic Planning	Experience defining and driving strategic direction and growth and managing business operations
Public Company Experience	Experience as a board member or executive of a publicly-traded company
Community Affairs	Experience in community affairs and managing community relations or community organization relationships

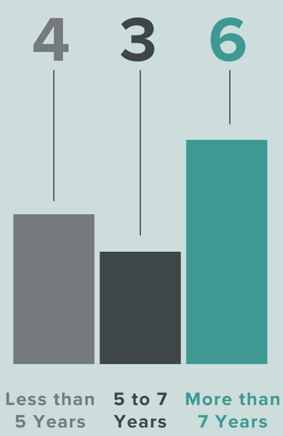
Independence*

1 Non-Independent



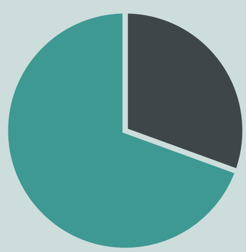
12 Independent

Director Tenure*
(# of Directors)



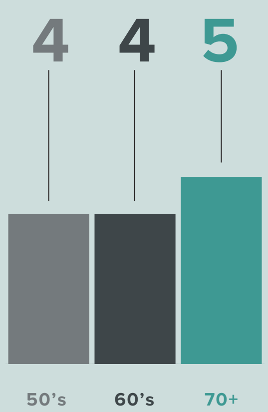
Gender*

4 Female



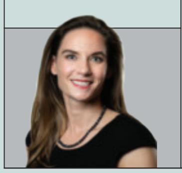
9 Male

Director Age*
(# of Directors)



*As of December 31, 2021

Deep and Talented Executive Management Team*

George Gleason		Chairman of the Board and Chief Executive Officer	**43** years with OZK
Brannon Hamblen		President	**14** years with OZK
Greg McKinney		Chief Financial Officer	**19** years with OZK
Tim Hicks		Chief Credit and Administrative Officer/ Chairman Loan Committee	**13** years with OZK
Cindy Wolfe		Chief Banking Officer	**24** years with OZK
Alan Jessup		Chief Lending Officer	**14** years with OZK
Carmen McClennon		Chief Retail Banking Officer	**2** years with OZK
Scott Trapani		Chief Risk Officer	**3** years with OZK
Stan Thomas		Chief Accounting Officer	**11** years with OZK
Helen Brown		General Counsel and Corporate Secretary	**8** years with OZK
Malcolm Hicks		Chief Information Officer	**6** years with OZK
Patrick Carr		Managing Director— Corporate Finance Data and Technology	<**1** year with OZK

13

Average years with OZK

*Bank OZK executive officers as of February 28, 2022

Bank OZK

Form 10-K

2021

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

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2021

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

For the transition period from to .

FDIC Certificate No. 110

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

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

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

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	OZK	Nasdaq Global Select Market
4.625% Series A Non-Cumulative Perpetual Preferred Stock, $0.01 par value per share	OZKAP	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity as of the last business day of the registrant's most recently completed second fiscal quarter: $5,173,000,000.

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

Class	Outstanding at January 31, 2022
Common Stock, par value $0.01 per share	124,641,668

Documents incorporated by reference: Portions of the Registrant's Proxy Statement for the 2022 Annual Meeting of Shareholders, scheduled to be held on May 16, 2022 are incorporated by reference into Part III of this Annual Report on Form 10-K.

BANK OZK
ANNUAL REPORT ON FORM 10-K
December 31, 2021

PART I

FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations, other public filings made by us and other oral and written statements or reports by us and our management include certain forward-looking statements within the meaning of, and subject to the protections of, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as such may involve risks and uncertainties. We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's expectations as well as certain assumptions and estimates made by, and information available to, management at the time. Those statements are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Forward-looking statements include, without limitation, statements and discussions about economic, real estate market, competitive, employment, credit market and interest rate conditions, including expectations for further changes in monetary and interest rate policy by the Board of Governors of the Federal Reserve System; our plans, goals, beliefs, expectations, thoughts, estimates and outlook for the future with respect to our revenue growth; net income and earnings per common share; net interest margin; net interest income; non-interest income, including service charges on deposit accounts, trust income, bank owned life insurance income, loan service, maintenance and other fees, and gains (losses) on investment securities and sales of other assets; non-interest expense; efficiency ratio; future federal, state and local effective income tax rates; anticipated future operating results and financial performance; expectations regarding future loan originations or loan repayments; asset quality and asset quality ratios, including the effects of current economic and real estate market conditions; nonperforming loans; nonperforming assets; net charge-offs and net charge-off ratios; provision and allowance for credit losses; past due loans; current or future litigation; interest rate sensitivity, including the effects of possible interest rate changes; future growth and expansion opportunities, including plans for making additional acquisitions; problems with obtaining regulatory approval of or integrating or managing acquisitions; plans for opening new offices or relocating, selling or closing existing offices; opportunities and goals for future market share growth; expected capital expenditures; loan and deposit growth, including growth from unfunded closed loans; changes in the volume, yield and value of our investment securities portfolio; availability of unused borrowings; descriptions of plans or other expectations for future operations, products, services and/or new business lines; the need to issue debt or equity securities and other similar forecasts and statements of expectation. Forward-looking statements also include statements related to our continuing response to the coronavirus ("COVID-19") pandemic. Words such as "anticipate," "assume," "believe," "could," "estimate," "expect," "goal," "hope," "intend," "look," "may," "plan," "project," "seek," "target," "trend," "will," "would," and similar words and expressions, as they relate to us or our management, identify forward-looking statements.

Actual future performance, outcomes and results may differ materially from those expressed in, or implied by, forward-looking statements made by us and our management due to certain risks, uncertainties and assumptions. Certain factors that may affect our future results include, but are not limited to, potential delays or other problems in implementing our growth, expansion and acquisition strategies, including delays in identifying satisfactory sites, hiring or retaining qualified personnel, obtaining regulatory or other approvals, obtaining permits and designing, constructing and opening new offices or relocating, selling or closing existing offices; the ability to enter into and/or close additional acquisitions; the availability of and access to capital; possible downgrades in our credit ratings or outlook which could increase the costs of or decrease the availability of funding from capital markets; the ability to attract new or retain existing or acquired deposits or to retain or grow loans, including growth from unfunded closed loans; the ability to generate future revenue growth or to control future growth in non-interest expense; interest rate fluctuations, including changes in the yield curve between short-term and long-term interest rates or changes in the relative relationships of various interest rate indices; the potential impact of the transition from the London Interbank Offered Rate ("LIBOR") as a reference rate; competitive factors and pricing pressures, including their effect on our net interest margin or core spread; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions and the costs and expenses to comply with new and/or existing legislation and regulatory actions, including those actions in response to the COVID-19 pandemic such as the Coronavirus Aid, Relief and Economic Security Act, the Consolidated Appropriations Act of 2021, the American Rescue Plan Act of 2021 and any similar or related laws, rules and regulations; the impact of any future federal government shutdown and uncertainty regarding the federal government's debt limit or changes in U.S. Government monetary and fiscal policy; Federal Deposit Insurance Corporation special assessments or changes to regular assessments; the ability to keep pace with technological changes, including changes regarding maintaining cybersecurity; the impact of failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business, including as a result of cyber-attacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting us or our customers; natural disasters or acts of war or terrorism; the adverse effects of the ongoing global COVID-19 pandemic, including the magnitude and duration of the pandemic, and actions taken to contain or treat COVID-19 on us, our employees, our customers, the global economy and the financial markets; potential impact of supply chain disruptions or inflation; national, international or political instability or military conflict, including escalating military tension between Russia and Ukraine; the competition and costs of recruiting and retaining human talent; impairment of our goodwill or other intangible assets; adoption of new accounting standards, or changes in existing standards; and adverse results (including costs, fines, reputational harm and/or other negative effects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions or rulings as well as other factors described in this Annual

Report on Form 10-K or as detailed from time to time in the other public reports we file with the FDIC. See also Part I, Item 1A. Risk Factors in this Annual Report on Form 10-K. 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.

EXPLANATORY NOTE

In June 2017, we eliminated our former bank holding company by merging it with and into Bank of the Ozarks (subsequently renamed Bank OZK), an Arkansas state banking corporation (the "Bank"). The Bank is subject to regulation by the Arkansas State Bank Department ("ASBD") and, as an insured depository institution that is not a member bank of the Board of Governors of the Federal Reserve System ("FRB"), the Bank's primary federal regulator is the Federal Deposit Insurance Corporation ("FDIC"). The Bank is not subject to the FRB's regulation and supervision, except such regulations as are made applicable to the Bank by law and regulation of the FDIC. Unless the context otherwise requires, references in this Annual Report on Form 10-K to terms such as "Bank," "we," "us," and "our" refer to the Bank and its consolidated subsidiaries. Shares of the Bank's common stock are listed on the Nasdaq Global Select Market under the symbol "OZK."

Item 1. BUSINESS

The disclosures set forth in this item are qualified by "Item 1A. Risk Factors," the section captioned "Forward-Looking Information" and other cautionary statements set forth elsewhere in this Annual Report on Form 10-K.

General

Bank OZK, chartered in 1903, is a full-service Arkansas state-chartered bank, headquartered in Little Rock, Arkansas with deposits insured by the FDIC. We are focused on meeting the needs of our customers through a broad array of financial products and services at competitive prices and with high-quality personal service. At December 31, 2021, we had total assets of $26.53 billion, total loans (including purchased loans) of $18.31 billion, total deposits of $20.21 billion and total common stockholders' equity of $4.50 billion. For 2021, net interest income was $1.07 billion, net income available to common stockholders was $579 million and diluted earnings per common share were $4.47.

We provide a wide range of retail and commercial banking services through more than 240 offices (as of December 31, 2021) in Arkansas, Georgia, Florida, North Carolina, Texas, California, New York and Mississippi. Deposit services include checking, savings, money market, time deposit and individual retirement accounts. Loan services include various types of real estate, consumer, commercial and industrial loans. We also provide, among other products and services, treasury management services for businesses, non-profits and governmental entities, including wholesale lockbox services, remote deposit capture services, trust and wealth management services for businesses, individuals and non-profit and governmental entities (including financial planning, money management, custodial services and corporate trust services, among other services), ATMs, telephone banking, online and mobile banking services (including electronic bill pay and mobile deposits), debit cards and safe deposit boxes. Through third party providers, we offer credit cards for consumers and businesses and processing of merchant debit and credit card transactions. We currently operate in one business segment and do not have significant foreign operations.

Our Mission

Our mission is to be the best banking organization in each of the markets we serve as determined by our customers, shareholders, employees, regulators and communities. Our approach for achieving this mission for each of these constituent groups is as follows:

- *Customers.* We strive to be the best bank for our customers by providing exceptional customer service and offering an array of financial products and services, including innovative technology-based products and services.
- *Shareholders.* We strive to be the best bank for our shareholders by maximizing long-term shareholder value through meaningful year-to-year growth in loans, deposits, capital, net income and earnings per share, while achieving asset quality, profit margins and operating efficiency that compare favorably to the industry.
- *Employees.* We strive to be the best bank for our employees by being the employer of choice and promoting a culture of excellence and of the highest ethics. We provide competitive compensation and benefits, opportunities for growth and advancement, an opportunity to share in the success of the Bank and a positive workplace and culture.
- *Regulators.* We strive to be the best bank for regulators by adhering to safe, sound and prudent banking practices, complying with all applicable laws and regulations and giving appropriate attention to capital adequacy, asset quality, management, earnings, liquidity and market sensitivity, as well as maintaining comprehensive programs for enterprise risk management, internal audit, credit review, data governance, compliance and related matters.

- *Communities.* We strive to be the best bank for the communities we serve by creating healthy and sustainable environments, which are a cornerstone for a vibrant economy. We focus on sound environmental stewardship and pursue business practices to reasonably use and protect our natural resources. We foster improvements to make our communities a better place to work, live and play.

Business Strategy

We believe that stable long-term growth and profitability are the result of developing comprehensive, strong banking relationships with our customers by offering a wide range of products and services and delivering excellent customer service while maintaining disciplined underwriting standards. We are focused on originating high-quality loans and growing a stable deposit base through our emphasis on relationship-based banking, and believe that the following strategies will assist us in growing our loan portfolio responsibly, managing our deposit sources to appropriately fund growth in our earning assets, maintaining our operational efficiency, increasing our profitability, and preserving our asset quality.

- We are focused on growing our non-purchased loan portfolio while remaining committed to our conservative credit culture. Historically, a significant portion of our non-purchased loan portfolio growth has been attributable to our Real Estate Specialties Group ("RESG"), which focuses primarily on acquisition, development and construction lending of commercial real estate ("CRE"). We expect to continue to pursue meaningful non-purchased loan growth, including growth within RESG, while diversifying our growth to achieve more balance between CRE lending and other types of loan originations. As part of this diversification effort, in 2021 we added two new lending verticals run by seasoned banking leaders – our Asset-Based Lending and Equipment Finance and Capital Solutions Groups. While RESG continues to be an industry leader in CRE finance, in recent years our Indirect Recreational Vehicle ("RV") and Marine lending business has also become another national lending platform that helps us achieve diversification within our loan portfolio. We expect that production from our other lending teams such as our Community Banking division (which includes consumer finance, small business, government guaranteed, business aviation, affordable housing, middle market CRE and homebuilder finance) and our Corporate and Business Specialties Group ("CBSG"), as well as our asset-based lending and equipment finance and capital solutions lending units established in 2021, will continue to further contribute to that diversification effort over time.
- As we continue to grow and diversify our lending activities, we intend to employ, and enhance as appropriate, the same disciplined underwriting standards and credit risk management processes that have contributed to our consistently strong asset quality.
- We are focused on generating primary deposit relationships with our personal, business and public funds clients throughout our footprint. We strive to offer competitive deposit products, services and rates that provide value to our customers, while generating a fair return for the Bank. A key priority for us is developing and promoting deposit products and tools that encourage positive savings habits and help our customers improve their financial security.
- Our reputation, expertise and banking model enable us to build and expand our banking relationships with customers in the markets we serve. We remain committed to growing our business in a disciplined manner. We intend to focus on underwriting and originating high-quality loans and expanding our business by offering an array of financial products and services, which we believe will allow us to continue to achieve long-term and profitable expansion within our current markets.
- We continue to focus on the evolving role and importance of technology in our business. We are developing innovative technology-based solutions through our OZK Labs and other technology groups and through coordination with various external partners that provide many of our technology platforms and systems. This focus is critical in today's rapidly evolving banking environment where technology is becoming increasingly important in driving efficiency, speed and quality of service.
- Our focus on long-term operational efficiency is a key factor in achieving our profitability and future growth goals and objectives. We believe that our expanded and enhanced infrastructure, which has been an area of emphasis for us in recent years, including our focus on technology and risk management, may generate opportunities to improve operational efficiencies over the long term as we grow our business.
- Our historically strong earnings and earnings retention rate, among other factors, have contributed to our building capital ratios well above the minimum to be considered "well capitalized." We are focused on strategies to utilize our excess capital that are in the best long-term interest of our shareholders. Options for deploying our excess capital may include, among others, organic loan growth, adding new business lines, continuing to increase our cash dividend, financially attractive acquisitions for cash or some combination of cash and stock, and continued stock repurchases.

Lending Activities

We offer a variety of commercial and consumer lending products to our customers, including most types of real estate loans, consumer and small business loans, indirect RV and marine loans, asset-based commercial lending, equipment financing, business aviation financing, commercial and industrial loans, government guaranteed loans, agricultural loans, homebuilder loans, affordable housing loans and subscription financing, among others. Interest rates charged by us vary with degree of risk, type, size, complexity, repricing frequency and other relevant factors associated with the loan or financing arrangement. Competition from other lending providers also affects the interest rates we charge.

Real Estate Loans. Real estate loans are a significant portion of our loan portfolio and include loans secured by residential 1-4 family, non-farm/non-residential, agricultural, construction/land development, multifamily residential properties and other land loans. Non-farm/non-residential loans include those secured by real estate mortgages on owner-occupied commercial buildings of various types, leased commercial, retail and office buildings, hospitals, nursing and other medical facilities, hotels and motels, mixed use properties and other business and industrial properties. Agricultural real estate loans include loans secured by farmland and related improvements, including some loans guaranteed by the Farm Service Agency ("FSA") and the Small Business Administration ("SBA"). Real estate construction/land development loans include loans secured by vacant land, loans to finance land acquisition, development or construction of industrial, commercial, residential or farm buildings or additions or alterations to existing structures. Included in our residential 1-4 family loans are home equity lines of credit. Our real estate loan products are generally amortized over five to thirty years, payable in monthly or other periodic installments of principal and interest, and due and payable in full (unless renewed) at a balloon maturity generally within one to seven years. A significant portion of our loans are structured as term loans with adjustable interest rates (adjustable daily, monthly, semi-annually, annually, or at other regular adjustment intervals), and many of such adjustable rate loans have established "floor" interest rates.

Indirect RV and Marine Loans. Our portfolio of indirect loans includes loans to individuals for the purchase of RVs and marine vessels, generated largely through relationships with dealers and correspondent lenders. These loans are generally collateralized by the purchased asset and have terms ranging up to 240 months. These loans are underwritten based on a combination of borrower credit score, documented debt service coverage, previous asset ownership, experience and borrower liquidity, among other factors.

Consumer Loans and Business Purpose Loans to Individuals. Our portfolio of consumer loans and business purpose loans to individuals includes loans to fund the purchase of automobiles, equipment (including agricultural equipment), ATVs, mobile homes and other similar purposes for consumer or business purpose needs. These loans are generally collateralized and have terms ranging up to 120 months, depending upon the nature of the collateral, size of the loan, and other relevant factors.

Government Guaranteed Loans. Our portfolio of government guaranteed loans is comprised mainly of SBA, FSA and U.S. Department of Agriculture guaranteed loans, including loans originated under the SBA's Paycheck Protection Program ("PPP"). These loans are commercial in nature and are typically for the refinance or origination of credit facilities secured by, but not limited to, commercial real estate, agricultural real estate, equipment and various other assets.

Small Business Loans. Our portfolio of small business loans includes loans to businesses with less than $1 million in annual revenues. Such loans generally include loans for the purchase (or refinance) of commercial or residential real estate, equipment (including agricultural equipment), lines of credit and various other business purposes. These loans are centrally underwritten and are based on the borrower's ability to make repayment from the cash flow of its business with collateral or guarantor support being a secondary source of repayment.

Commercial and Industrial Loans. Our commercial and industrial loan portfolio consists of loans for commercial, industrial and professional purposes including loans to fund working capital requirements (such as inventory, floor plan and receivables financing), purchases of machinery and equipment and other purposes. Also included in commercial and industrial loans are our subscription credit facilities and asset-backed facilities, our business aviation financing, and our equipment finance, lender finance and structured finance solutions. We offer a variety of commercial and industrial loan and financing arrangements, including term loans, balloon loans, lines of credit, and lease structures, including some loans guaranteed by the SBA, with the purpose and collateral supporting a particular loan determining its structure. These arrangements are offered to businesses and professionals for short and medium terms. As a general practice, we obtain as loan collateral a lien on furniture, fixtures, equipment, inventory, receivables, unfunded capital commitments or other assets.

Mortgage Lending. We offer certain residential mortgage products, including long-term fixed rate loans that are retained in our loan portfolio. We no longer originate new secondary market consumer mortgage loans.

Lending Approvals and Process

Our Board of Directors ("Board") and Loan Committee ("LC"), which is comprised of three or more directors and is chaired by our Chief Credit and Administrative Officer ("CCAO"), oversee and provide policy direction for our lending operations, which are primarily administered by our Chief Executive Officer ("CEO") and Chief Lending Officer ("CLO"). We maintain a tiered loan limit authorization system. The CEO and CLO are granted lending authority by the Board. The loan authorities of other lending officers are granted by the LC on the recommendation of appropriate senior officers in amounts commensurate with the lending officer's skill level and knowledge. Our lending policies contain various measures to limit concentration exposures, including customer and CRE exposures for both funded balances and total commitment (comprised of both funded and unfunded balance), as well as by property type and geography.

We have detailed, comprehensive standards for evaluating credit risk, both at the point of origination and thereafter, as well as a comprehensive internal grading system that is used to identify credit risk at the individual loan level. Oversight of credit risk is provided through loan policy, and various other credit-related policies, clearly defined processes and detailed procedures. These policies, processes and procedures place emphasis on strong underwriting standards and early detection of potential credit problems in order to develop and implement any necessary action plan(s) on a timely basis to mitigate potential losses, and are carried out on a daily basis by our lenders and lending support personnel, our credit administration group, our underwriters and various other officers and personnel that have credit management responsibilities. Such policies, processes and procedures are subject to review by our Credit Risk Management ("CRM") group (second line oversight), our Board Risk Committee ("BRC") and periodic reviews by our Internal Audit group (third line oversight).

Deposits

We offer an array of deposit products consisting of non-interest bearing checking accounts, interest bearing transaction accounts, business sweep accounts, savings accounts, money market accounts, time deposits, including individual retirement accounts, among others. We also make available, through various deposit placement networks, reciprocal deposits to our consumer, commercial and public funds deposit customers who want to make large deposit balances eligible for FDIC insurance beyond the traditional $250,000 per insured bank, per depositor. Rates paid on deposits vary by banking market and deposit category due to different terms and conditions, individual deposit size, services rendered and rates paid by competitors on similar deposit products. We act as depository for a number of state and local governments and government agencies or instrumentalities. Such public funds deposits are often subject to competitive bid and generally must be secured by pledging a portion of our investment securities or a letter of credit.

Deposit balances are generally influenced by national, regional and local economic conditions, changes in prevailing interest rates, internal pricing decisions, perceived stability of financial institutions and competition, among other factors. Our deposits come primarily from within our trade area, except that brokered deposits, listing service deposits and certain of our public funds deposits are from outside our primary trade area and may vary from time to time depending on competitive interest rate conditions, funding needs and other factors.

In addition to our deposit base, we have access to other sources of funding, including Federal Home Loan Bank of Dallas ("FHLB") advances, FRB borrowings, repurchase agreements and secured and unsecured federal funds lines of credit from correspondent banks. In recent years, we have also accessed the capital markets through subordinated debt and common and preferred stock offerings. For additional information concerning the Bank's deposits and other funding sources, see Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Elements – Liquidity Risk Management to this Annual Report on Form 10-K.

Other Banking Services

Trust and Wealth Services. We offer a broad array of trust and wealth services from our headquarters in Little Rock, Arkansas, with additional staff in Northwest Arkansas, Texas, North Carolina, Georgia and Florida. These services include personal trusts, custodial accounts, investment management accounts, retirement accounts, corporate trust services including trustee, paying agent and registered transfer agent services, and other incidental services. At December 31, 2021, total trust assets were approximately $2.65 billion compared to approximately $2.12 billion at December 31, 2020 and approximately $2.06 billion at December 31, 2019.

Treasury Management Services. We offer treasury management services designed to provide a high level of customized solutions to business, non-profit and governmental customers. Our treasury management services include automated clearing house, or ACH, services (e.g. direct deposit, direct payment and electronic cash concentration and disbursement), wire transfer, zero balance accounts, current and prior day transaction reporting, wholesale lockbox services, remote deposit capture services, automated credit line transfer, investment sweep accounts, reconciliation services, positive pay services, and merchant and commercial card, among other services.

Market Areas, Concentrations and Competition

At December 31, 2021, we conducted operations through more than 240 offices, including offices in Arkansas, Georgia, Florida, North Carolina, Texas, California, New York and Mississippi. Our business is impacted by the trends of the regional and local economies in the market areas we serve.

The banking industry in our market areas is highly competitive. In addition to competing with other commercial and savings banks and savings and loan associations, we compete with credit unions, finance companies, leasing companies, mortgage companies, fintech companies, insurance companies, brokerage and investment banking firms, asset-based non-bank lenders and many other financial service firms. Competition is based on interest rates offered on deposit accounts, interest rates charged on loans, fees and service charges, the quality and scope of products offered and services rendered, including technology-driven solutions and the convenience of banking facilities, among other factors.

A number of competing commercial banks operating in our market areas are branches or subsidiaries of larger organizations affiliated with regional or national banking companies and as a result may have greater resources and lower costs of funds than we have, may have greater access to capital markets, and may offer a broader range of financial services than we currently provide. Additionally, we face competition from a large number of smaller community banks in the markets we serve. Some of our competitors (larger or smaller) may have more liberal lending policies and processes. Competition among providers of financial products and services continues to increase as technology advances have lowered the barriers to entry for financial technology companies, with consumers having the opportunity to select from a growing variety of traditional and nontraditional alternatives, including crowdfunding, digital wallets and money transfer services, among others. The ability of non-banking financial institutions to provide services previously limited to commercial banks has also intensified competition. Because non-banking financial institutions are not subject to many of the same regulatory restrictions as banks, they can often operate with greater flexibility and lower cost structures. Despite the highly competitive environment, we believe we will continue to be competitive because of our expertise in real estate lending and various other types of lending, strong commitment to quality customer service, active community involvement and competitive products and pricing.

Information Technology

The ability to access and use technology is an increasingly competitive factor in the financial services industry. Technology is not only important with respect to delivering financial services and protection of the security of customer information but also in processing information. We must continually make technology investments to remain competitive in the financial services industry. We utilize, to varying degrees in our business, certain patents, copyrights and trademarks. The performance of our technology partners is managed and monitored in accordance with our internal policies, processes and procedures. Additionally, we have various technology applications developed or under development within OZK Labs and other internal technology groups to address the needs of our customers, our lending groups and our employees, among others, by using technology to provide solutions, create additional operational efficiencies and provide greater privacy and security protection for our and our customers' data. While each of these patents, copyrights, trademarks and technology applications is important to our business, we believe through effective business resilience planning the loss or unavailability of one or more of these items would not be expected, at the present time, to have a material adverse effect on our business.

Information Security, Cybersecurity, and Privacy

Bank OZK has implemented and continues to mature a robust information security program. The program aligns with industry standards and leading practices, complies with regulatory requirements, including those of the Federal Financial Institutions Examination Council ("FFIEC"), and is subject to periodic review by the FDIC and ASBD, as well as internal audits. We rely on electronic communications and information systems to conduct our operations and store sensitive data, and employ an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. We also utilize a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. We closely monitor information security for trends and new threats, including cybersecurity risks, and invest significant resources to continuously improve the security and privacy of our systems and data.

Business Resilience

We have developed and implemented business resilience programs to provide employees, customers, and stakeholders with reasonable assurance of resilience and recovery capabilities prior to, during and following a disruption. These programs align with industry standards and leading practices, comply with regulatory requirements, including those of the FFIEC, and are subject to periodic review by the FDIC and ASBD, as well as internal audits.

The key elements of the programs are business continuity, disaster recovery and crisis management. These include planning, monitoring for new or adapting threats, adjustments to meet the needs of a dynamic and growing organization, verification of recovery capabilities through tests and exercises, and continuous process improvement. The programs are actively managed, include various plans and teams trained and available around-the-clock to respond to disruptions and provide appropriate response during a disruption affecting our employees, customers, assets, business operations, technology infrastructure, brand and/or third-party relationships. The plans and programs are supported by a governance framework and are reviewed no less than annually to ensure strategies are effective, scalable, and current.

Employees and Human Capital Resources

At December 31, 2021, we had 2,542 full-time equivalent employees. None of our employees is represented by a union, collective bargaining agreement or similar arrangement, and we have not experienced any labor disputes or strikes arising from any organized labor groups. We believe our employee relations are good.

Our Culture. Our guiding principles, shown below, which we refer to as the OZK Way, are the foundation of our corporate culture and are incorporated into our employee communications, training and goals.

- We want to provide exceptional service, present our products and services in an engaging way, and leverage our evolving technology to maximize the experience for each customer.

- We believe that capitalizing on the unique insights, abilities and experiences of each team member is critical to achieving the Bank's full potential. We embrace teamwork, collaboration and diversity in all its forms, recognizing that our potential together far exceeds the sum of our potential individually.

- We expect our team members to conduct themselves and our business with the highest standards of honesty, ethics, integrity and fair dealing.

- We will relentlessly pursue excellence. We strive to be Better to the X-Power®, continuously implementing new and innovative ideas and improving our performance in every way, realizing that many small incremental enhancements can compound mightily over time.

Diversity, Equity and Inclusion. One of our corporate strengths is our commitment to promoting and advancing diversity, equity and inclusion ("DEI") across the Bank. We believe that fostering a culture of diversity, equity and inclusion broadens perspectives, engages employees, encourages teambuilding and helps create a positive environment to work and grow. This ultimately can better address the varied needs of our customers and the communities in which we serve. Our Director of Employee Relations, Diversity and Inclusion oversees the implementation of our diversity, equity and inclusion initiatives and is supported by our DEI Strategy Council, which is comprised of diverse, senior leaders from multiple business units within the Bank. We are also investing in building a future pipeline of diverse candidates through programs within our local communities and by casting a wider net for talent acquisition and development. Our talent acquisition practices are designed to attract top talent in the financial services industry and foster an inclusive, respectful and rewarding workplace. Our talent acquisition professionals guide supervisors in the proper recruitment and selection of talent, and our employee referral programs serve to reward current employees for identifying top talent who choose to apply and accept employment with us.

Training and Talent Development. We aim to help each member of our corporate family grow, develop and achieve his or her career objectives and potential. In return, we expect all employees to advance our interests through their hard work, loyalty, positive attitudes and performance. Because continuous learning is essential to our success and the success of our employees, we invest significantly in employee education and development, not only to ensure our employees are knowledgeable about regulatory requirements and corporate policies, but also to build the skills and capabilities necessary for employees to advance professionally over the long-term. We continue to assess and enhance our leadership development program and offerings to enable our employees to improve competencies in communications, coaching and team development through online and micro-learning and guided discussion sessions. In addition, to help drive our culture of inclusion, we have added new training resources for our employees that focus on building understanding in the workplace, including the recognition of unconscious bias and micro inequities, and offer practical tips for navigating DEI challenges.

Compensation & Benefits. We provide competitive compensation and benefits programs to help meet the needs of our employees. In addition to base wages, these programs include a 401(k) plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, family care resources, flexible work schedules, and employee assistance programs, among many others. All employees are compensated based on their individual merit and performance without regard to race, color, national origin, religion, sex (including gender, pregnancy, sexual orientation or gender identity), age, disability, genetic information, veteran status or any other protected status under federal, state or local law.

Employee Health, Wellness & Safety. The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of innovative, flexible and convenient health and wellness programs, including benefits that support their physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors.

From the outset of the COVID-19 pandemic, we communicated consistently, proactively and transparently with our employees to keep them apprised of developments, ever-evolving company and governmental health and safety initiatives and protocols. In addition to enhancing our technology and information security infrastructure to support the increased use of remote-access availability, the Bank implemented a new COVID-19 paid leave policy and internal COVID-19 reporting and communication processes, redesigned our customer and branch interactions consistent with recommended public health practices, monitored COVID-19 case trends and local health orders across our markets, and coordinated on-site vaccination clinics for our employees at certain locations.

We encourage you to refer to our most recent Environmental, Social and Governance ("ESG") Report, available on our investor relations website, for more detailed information regarding our human capital initiatives. Nothing on our website, or in our ESG Report, shall be deemed incorporated by reference into this Annual Report on Form 10-K.

Information about our Executive Officers

The following is a list of our executive officers. All information is given as of February 28, 2022.

George Gleason, age 68, Chairman and Chief Executive Officer. Mr. Gleason has served the Company as Chairman, Chief Executive Officer and/or President since 1979. He holds a B.A. in Business and Economics from Hendrix College and a J.D. from the University of Arkansas.

Brannon Hamblen, age 56, President. Prior to assuming the role of President in 2021, Mr. Hamblen served as President – RESG from 2018 to 2021, Chief Operating Officer – RESG in 2017 and served as Director of Asset Management from 2012 to 2017. Mr. Hamblen joined the Bank in 2008 as Senior Vice President, Originations and assumed leadership of RESG Asset Management in 2010. Prior to joining the Bank, Mr. Hamblen worked in the real estate consulting practices of Ernst & Young/Kenneth Leventhal and KPMG, and in acquisitions, development, asset management, and capital markets with R.M. Crowe Company, a large Dallas-based, privately owned real estate owner/operator. Mr. Hamblen holds a B.S. in Agricultural Economics and a M.S. in Land Economics and Real Estate from Texas A&M University.

Tim Hicks, age 49, Chief Credit and Administrative Officer. Prior to assuming the role of Chief Credit and Administrative Officer in 2020, Mr. Hicks served as Chief Administrative Officer and Executive Director of Investor Relations since 2017. Mr. Hicks joined the Bank in 2009 and served as Senior Vice President, Corporate Finance from 2009 to 2012, Executive Vice President, Corporate Finance from 2012 to 2016, and Executive Vice President and Chief of Staff from 2016 through July 2017. From 2006 to 2009, Mr. Hicks served as director of investor relations and assistant treasurer of a publicly-traded telecommunications company. Prior to 2006, Mr. Hicks held various positions with a big-four public accounting firm, leaving as a senior audit manager. Mr. Hicks is a C.P.A. (inactive) and holds a B.A. in Business and Economics from Hendrix College.

Greg McKinney, age 53, Chief Financial Officer. Mr. McKinney joined the Bank in 2003 and served as Executive Vice President and Controller prior to assuming the role of Chief Financial Officer and Chief Accounting Officer in 2010. From 2001 to 2003 Mr. McKinney served as a member of the financial leadership team of a publicly-traded software development and data management company. From 1991 to 2000 he held various positions with a big-four public accounting firm, leaving as senior audit manager when the firm closed its Little Rock office. Mr. McKinney is a C.P.A. (inactive) and holds a B.S. in Accounting from Louisiana Tech University.

Cindy Wolfe, age 56, Chief Banking Officer. Prior to assuming the role of Chief Banking Officer in 2018, Ms. Wolfe served as Deputy Director of Community Banking since 2015 overseeing the Bank’s Middle Market Commercial Real Estate business unit and offices across North Carolina and South Carolina. Ms. Wolfe joined the Bank in 1997, opened the Bank’s Charlotte loan production office in 2001, and served as Senior Vice President – Lending from 2001 to 2005, Executive Vice President – Lending from 2005 to 2012, Charlotte Market President from 2012 to 2014, and Carolinas Division President from 2014 to 2018. Prior to joining the Bank, Ms. Wolfe held various positions with national banks in commercial lending, operations, project management and internal audit. Ms. Wolfe holds a B.A. in Business Administration from Queens University of Charlotte and is a Certified Commercial Investment Member.

Alan Jessup, age 49, Chief Lending Officer. Prior to assuming the role of Chief Lending Officer, Mr. Jessup served as Deputy Director of Community Banking since 2015 overseeing the Bank’s Agricultural Lending Division and offices across South Arkansas, Alabama, Florida and Georgia. Mr. Jessup joined the Bank in 2008 and served as Saline County President from 2008 to 2011 and South Arkansas President from 2011 to 2015. Mr. Jessup holds a B.S. in Finance from Arkansas State University.

Scott Trapani, age 59, Chief Risk Officer. Prior to joining the Bank in 2019, Mr. Trapani served as Executive Vice President and Chief Risk Officer for Hilltop Holdings Inc. (NYSE: HTH) in Dallas, Texas from 2015 through 2019. Mr. Trapani served as Senior Vice President and Chief Risk Officer for the Federal Home Loan Bank of Dallas from 2013 through 2015 and as Chief Compliance Officer for Invesco, Ltd. in Atlanta, Georgia from 2008 through 2013. Earlier in his career, Mr. Trapani held senior roles in compliance and risk management with SunTrust Bank, GE Capital Corporation, BearingPoint Consulting and the FDIC. Mr. Trapani is a C.F.A. and holds a B.S. in Finance from Arizona State University.

Stan Thomas, age 50, Chief Accounting Officer. Mr. Thomas joined the Bank in 2011 and served as Senior Vice President/ Director of Financial Reporting from 2011 to 2015 and Executive Vice President/Director of Financial Reporting from 2015 to 2019 prior to assuming the role of Chief Accounting Officer in 2020. From 2008 to 2011, Mr. Thomas was a senior audit manager with a regional accounting firm. Prior to 2008, Mr. Thomas held various positions with big-four accounting firms, leaving as a senior audit manager. Mr. Thomas is a C.P.A and holds a B.S. in Accounting and an M.B.A from Louisiana Tech University.

Helen Brown, age 44, General Counsel and Corporate Secretary. Prior to assuming the role of General Counsel in 2020, Ms. Brown served as the General Counsel Corporate Governance and Corporate Secretary from 2018 to 2020. Ms. Brown joined the Bank in 2013 as General Counsel Corporate Finance. Prior to joining the Bank, Ms. Brown was a Partner at Bass, Berry & Sims PLC in the firm’s Corporate and Securities practice group. While in private practice, Ms. Brown focused on capital markets transactions, mergers and acquisitions and strategic investments, as well as advising companies on a variety of corporate governance and securities law matters. Ms. Brown received her Juris Doctor degree from the University of Arkansas School of Law, summa cum laude, and her Bachelor of Arts degree from the University of Arkansas, cum laude.

Carmen McClennon, age 57, Chief Retail Banking Officer. As Chief Retail Banking Officer, Ms. McClennon oversees the Bank's digital banking, retail branches, customer care centers and corporate marketing and communications. Ms. McClennon joined the Bank in July 2019 and served as Executive Vice President and Director of Marketing Strategies before assuming her current role in December 2019. Prior to joining the Bank, she led customer and product strategy at First Citizens Bank from 2017 to 2019 and was the Director, Integrated Channels at Key Bank from 2015 to 2017, where she led the consumer bank integration when Key Bank acquired First Niagara Bank. Ms. McClennon has over two decades of banking experience in leadership roles managing retail, product and channel strategy, customer experience and digital banking supporting national and multi-national financial institutions. She holds a B.A. from the University of Victoria and an M.B.A. from Dalhousie University.

Pat Carr, age 50, Managing Director, Corporate Finance – Data and Technology. Prior to joining the Bank in December 2021, Mr. Carr served as Senior Vice President and Chief Accounting Officer of Hanmi Financial Corporation and its wholly owned subsidiary, Hanmi Bank, from September 2020 to November 2021. He previously held several roles in finance, accounting and risk management at JPMorgan Chase, most recently serving as Managing Director, Consumer Risk Analytics and Forecasting. Mr. Carr is a certified public accountant and spent the first nine years of his career at big-four accounting firms. Mr. Carr earned his B.S. degree in Business Administration in Accountancy from John Carroll University.

Malcolm Hicks, age 52, Chief Information Officer. Prior to assuming the role of Chief Information Officer in March 2021, Mr. Hicks served as Chief Data & Innovation Officer since June 2020 and served as the Managing Director of Data Innovation & Development from April 2019 to 2020. Mr. Hicks joined the Bank in 2015 and served as Senior Vice President IS from 2015 to 2017 and Executive Vice President, RESG Information Technology from 2017 to 2019. Prior to joining the Bank, Mr. Hicks held positions with RealFoundations, Intrawest, Turner Construction, Cap Gemini and Ernst & Young providing senior technology leadership. Mr. Hicks holds a BBA in Management from Texas Tech University and MBA in Information Systems from Baylor University.

SUPERVISION AND REGULATION

We are subject to extensive regulation under federal and state banking laws that establish a comprehensive framework for our operations. This regulatory framework may materially impact our growth potential and financial performance and is intended primarily for the protection of depositors, customers, federal deposit insurance funds and the stability of the banking system as a whole, not for the protection of our shareholders or creditors. Significant elements of some of the statutes, regulations and policies applicable to us are described below, although the following discussion is a summary and does not purport to be complete. This description is qualified in its entirety by reference to the full text of the statutes, regulations and policies described herein.

Overview

As an insured state bank that is not a member of the FRB, we are examined, supervised and regulated by the ASBD and the FDIC, which is our primary federal regulator. The laws enforced by, and regulations and policies of, these agencies affect most aspects of our business, including prescribing permissible types of loans and investments, the amount of required reserves, requirements for branch offices, the permissible scope of our activities and various other requirements. We are also subject to the regulations of the states in which we do business, the enforcement and rulemaking authority of the Consumer Financial Protection Bureau ("CFPB") regarding consumer protection laws and regulations, and various other regulatory authorities, as well as the information reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and the FDIC rules relating thereto, as administered and enforced by the FDIC. We file periodic and current reports and other materials required to be filed under the Exchange Act with the FDIC. Our common stock is listed on the Nasdaq Global Select Market ("NASDAQ") under the trading symbol "OZK" and our 4.625% Series A Non-Cumulative Perpetual Preferred Stock is listed on the NASDAQ under the trading symbol "OZKAP." Accordingly, Bank OZK is also subject to the rules of the NASDAQ for listed companies.

With few exceptions, state and federal banking laws have as their principal objective either the maintenance of the safety and soundness of the Deposit Insurance Fund ("DIF") of the FDIC or the protection of customers, depositors, other classes of consumers and the banking system as a whole, rather than the specific protection of our non-deposit creditors or shareholders. Banks that fail to conduct their operations in a safe and sound manner or in compliance with applicable laws can be compelled by the regulators to change the way they do business and may be subject to regulatory enforcement actions, including civil monetary penalties and restrictions imposed on their operations, including in extraordinary circumstances, closure of the banks.

The Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA") became law in 2018 and, among other things, amended certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and included certain additional banking, commercial real estate, consumer protection, and securities law-related provisions. The EGRRCPA provides limited regulatory relief to certain financial institutions while preserving the existing framework under which U.S. financial institutions are regulated. Despite the relief for mid-sized financial institutions such as us that have resulted from the

EGRRCPA, many provisions of the Dodd-Frank Act and its implementing regulations remain in place and will continue to result in additional operating and compliance costs that could have a material adverse effect on our business, financial condition, and results of operations. In addition, the EGRRCPA requires the enactment of various implementing regulations that may have a material effect on the ultimate impact of the law.

The current U.S. political environment makes the prospects for further statutory changes to federal banking laws in the near term uncertain; however, even absent additional legislation, the federal banking agencies will continue to consider and potentially propose and adopt regulatory changes. In particular, in light of the 2020 U.S. presidential election results and new administration, we and other financial institutions may undergo increased supervisory and regulatory scrutiny and become subject to more extensive regulatory requirements. In addition, changes in key personnel at the federal agencies that regulate us, including the federal banking regulators and the CFPB, may result in differing interpretations of existing rules and guidelines and potentially more stringent enforcement and more severe penalties than previously in place, along with new areas of supervisory and regulatory focus, such as consumer protection, mergers and acquisitions, and enterprise risk management, among other things. Changes in applicable laws or regulations, and in their interpretation and application by regulatory agencies and other governmental authorities, cannot be predicted, but any of such changes may have an adverse effect on our business, financial condition or results of operations.

Safety and Soundness

The federal banking agencies have adopted guidelines pursuant to the Federal Deposit Insurance Act ("FDIA") establishing general safety and soundness standards for depository institutions related to, among other things, internal controls, information systems, internal audit systems, loan underwriting and documentation, compensation, interest rate exposure, and asset growth. For example, the FDIA limits the interest rates paid on deposits by undercapitalized institutions, restricts the use of brokered deposits, and limits the aggregate extensions of credit by a depository institution to an executive officer, director, principal shareholder or related interest. If the FDIC determines that an institution fails to meet these standards, the FDIC may require the institution to submit an acceptable compliance plan or, alternatively, pursue other courses of action depending on the specific circumstances and severity of the noncompliance.

Permissible Activities

Our business is generally limited to activities permitted by Arkansas law and any applicable federal laws. Under the Arkansas Banking Code of 1997 (the "Arkansas Banking Code"), we may generally engage in all usual banking activities, including, among other activities, taking deposits, lending money, issuing letters of credit, buying, discounting and negotiating promissory notes, bonds, drafts and other forms of indebtedness, and buying and selling certain investment securities. Subject to the authorization of the Arkansas State Bank Commissioner (the "Bank Commissioner"), we may also engage in any activity then permissible for national banks.

In addition, under the Gramm-Leach-Bliley Act of 1999 (the "GLBA"), state banks such as ours may invest in financial subsidiaries that engage as the principal in activities that would only be permissible for a national bank to conduct in a financial subsidiary. This authority is generally subject to the same conditions that apply to national bank investments in financial subsidiaries.

Dodd-Frank Act

The Dodd-Frank Act fundamentally restructured federal banking regulation by shifting from prudential regulation of individual institutions to a systemic view of regulations, resulting in significant regulatory change. Aspects of the Dodd-Frank Act that have had or may have a material effect on our business include, among others: changing the assessment base for federal deposit insurance; making permanent the $250,000 limit for federal deposit insurance; eliminating the requirement that the FDIC pay dividends from the DIF in certain cases; repealing the federal prohibitions on the payment of interest on demand deposits; heightening corporate governance requirements for all public companies (including "say-on-pay" shareholder votes, compensation clawback policy requirements, expanded executive compensation disclosures and new director independence requirements); creation of the CFPB; imposing additional underwriting standards and other requirements for mortgage lending; permitting the establishment of *de novo* interstate branches; limiting debit card interchange fee charges for banks with $10 billion or more in assets; and incentivizing and protecting whistleblowers who report violations of the federal securities laws.

Because our total assets exceed $10 billion, we are subject to certain additional requirements created by the Dodd-Frank Act, including enhanced prudential oversight requirements and a more frequent and enhanced regulatory examination regime. Failure to comply with these requirements could result in regulatory enforcement actions, could negatively impact our business, financial condition or results of operations and could limit our growth or expansion activities. The changes resulting from the Dodd-Frank Act have had and may continue to have an adverse effect on the profitability of our business activities, require further changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. These changes have required and may continue to require us to invest significant management attention and resources to evaluate and take any actions necessary to comply with new statutory and regulatory requirements.

Capital Stress Testing. As a result of the EGRRCPA, we are no longer required to prepare annual capital stress tests pursuant to the Dodd-Frank Act. However, we continue to utilize internal stress testing as part of our capital planning and risk management processes and monitor our capital consistent with the safety and soundness expectations of the federal regulators.

Debit Interchange Fees. Because our total assets exceed $10 billion, we are required to comply with Section 1075 of the Dodd-Frank Act, often referred to as the Durbin Amendment, which caps interchange fees for debit card transactions, or “swipe fees,” at $0.21 plus 5 basis points multiplied by the size of the transaction.

The Volcker Rule. Section 619 of the Dodd-Frank Act, also known as the Volcker Rule, prohibits banks and their affiliates from engaging in proprietary trading or acquiring or retaining an ownership interest in, sponsoring, or having certain relationships with a hedge fund or private equity fund. Effective January 1, 2020, the federal banking agencies amended the Volcker Rule to establish a tiered compliance regime based on a bank’s dollar amount of trading activity. Because we do not currently engage and have not historically engaged in activities prohibited by the Volcker Rule or its associated regulations, we do not currently anticipate that it will have a material effect on our operations. We may incur costs if we are required to adopt additional policies and systems to ensure compliance with the Volcker Rule, but any such costs are not expected to be material. Unanticipated effects of the Volcker Rule’s provisions or future regulatory or court interpretations may have an adverse effect on our business.

Deposit Premiums and Assessments

Our deposits are insured by the FDIC’s DIF to the fullest extent permissible by law, and we are subject to deposit insurance assessments to maintain the DIF. Under the FDIC’s risk-based assessment system, the assessment rates for an insured depository institution are determined by an assessment rate calculator, which is based on a number of elements such as supervisory evaluations, regulatory capital levels and other components that measure the perceived risk the institution poses to the DIF. The calculated assessment rate is applied to the institution’s average consolidated total assets less its average tangible equity during the assessment period to determine the dollar amount of the assessment paid by the institution. The FDIC has the ability to make discretionary adjustments to the total score based upon its determination of the existence of significant risk factors that are not adequately captured in the calculations. In addition to ordinary assessments, the FDIC has the ability to impose special assessments in certain instances.

The Dodd-Frank Act increased the minimum target DIF reserve ratio from 1.15% to 1.35% of estimated insured deposits and required that the increased reserve ratio be reached by September 30, 2020. Pursuant to the FDIC’s DIF restoration plan, insured institutions with total assets of $10 billion or more, including us, were responsible for funding the increase, and on July 1, 2016, the FDIC began imposing a surcharge on such banks. The surcharge equaled an annual rate of 4.5 basis points applied to the institution’s assessment base (with certain adjustments), and continued through October 1, 2018, when the reserve ratio exceeded 1.35%. Although the reserve ratio fell below 1.35% as of June 30, 2020 and remained below 1.35% as of September 30, 2021, the FDIC has not increased assessment rates to restore the DIF to the 1.35% minimum ratio.

The FDIC has established a long-term target for the reserve ratio of 2.0%. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking, if required. Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Capital Requirements

We are subject to the risk-based capital requirements established by the FDIC and other federal banking regulators consistent with agreements reached by the Basel Committee on Banking Supervision (“Basel III”) and certain provisions of the Dodd-Frank Act (the “Basel III Rules”). The Basel III Rules became effective for us on January 1, 2015 (subject to a phase-in period for certain provisions). The Basel III Rules require the maintenance of minimum amounts and ratios of common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets, and of tier 1 capital to adjusted quarterly average assets.

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

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

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

Total capital includes tier 1 capital and tier 2 capital. Tier 1 capital includes common equity tier 1 capital and certain additional tier 1 items such as preferred stock. Tier 2 capital includes, among other things, the allowable portion of the allowance for credit losses, trust preferred securities and subordinated notes.

The Basel III Rules also changed the risk-weights of assets in an effort to better reflect perceived credit risk and other risk exposures. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans (“HVCRE”) and the unsecured portion of non-residential mortgage loans that are 90 days past due or otherwise on nonaccrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (up from 100%) for mortgage servicing rights and deferred tax assets that are not deducted from capital; and increased risk weights (from 0% to up to 600%) for equity exposures. The EGRRCPA clarified the definition and risk-weighting of HVCRE loans, with the revised definition excluding any loans made prior to January 1, 2015, and certain other loans currently classified as HVCRE.

The Basel III Rules limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” consisting of 2.5% of common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets in addition to the amount necessary to meet minimum risk-based capital requirements. The Basel III Rules require us to maintain (i) a minimum ratio of common equity tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 7.0%, (ii) a minimum ratio of tier 1 capital to risk-weighted assets of at least 6.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 8.5%, (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 10.5%, and (iv) a minimum leverage ratio of 4.0%.

Information Security, Cybersecurity, and Privacy

Information security and cybersecurity are high-priority items for legislators and regulators at the federal and state levels, as well as internationally. State and federal banking regulators have issued various policy statements and, in some cases, regulations emphasizing the importance of technology risk management and supervision. Such policy statements and regulations require that financial institutions design multiple layers of security controls to establish lines of defense and ensure that their risk management processes address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing the internet-based services of the financial institution. A financial institution’s management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution’s operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. These requirements may cause us to incur significant additional compliance costs and, in some cases, may impact our growth prospects. Additionally, if we fail to observe federal or state regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties which could be substantial.

Federal statutes and regulations, including the GLBA and the Right to Financial Privacy Act of 1978, limit our ability to disclose non-public information about consumers, customers and employees to nonaffiliated third parties. Specifically, the GLBA requires us to disclose our privacy policies and practices relating to sharing non-public information and enables retail customers to opt out of our ability to share information with unaffiliated third parties under certain circumstances. The GLBA also requires us to implement a comprehensive information security program that includes administrative, technical and physical safeguards to ensure the security and confidentiality of customer records and information and, if applicable state law is more protective of customer privacy than the GLBA, financial institutions, including us, will be required to comply with such state law. Other laws and regulations similarly impact our ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In connection with the regulations governing the privacy of consumer financial information, the federal banking agencies, including the FDIC, have adopted guidelines for establishing information security standards and programs to protect such information.

Proposed or new legislation or regulations related to data privacy may significantly increase our compliance costs and impede our ability to grow into specific markets. There are several proposals that have either recently been adopted or are currently pending before federal, state, and foreign legislative and regulatory bodies. For example, the California Consumer Privacy Act of 2018 (the “CCPA”) became effective in January 2020, and its successor, the California Privacy Rights Act of 2020, which expands on the consumer data privacy provisions of the CCPA, becomes effective in January 2023. These laws, along with those either recently passed (including

Virginia and Colorado) or currently pending in other states, impose additional obligations on companies regarding the handling of personal data while also providing enhanced individual privacy rights to persons whose data is stored.

In the event of a data breach, there are mandatory reporting requirements that may hamper a company's ability to fully assess an incident prior to external reporting; for example, in 2021 the federal banking agencies approved a final rule requiring financial institutions to notify their primary federal regulator of any significant computer-security incident as soon as possible and no later than 36 hours after the institution determines that a cyber incident has occurred. Risks and exposures related to cybersecurity attacks, including litigation and enforcement risks, are expected to be elevated for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers. See Item 1A. Risk Factors for a further discussion of risks related to cybersecurity. We must constantly monitor additional legal and regulatory requirements that apply to existing and future subsets of our customer base for protection against legal, reputational, and financial risk due to compliance failures.

Community Reinvestment Act and Fair Lending

The Community Reinvestment Act of 1977 ("CRA") requires that federal banking regulators, in connection with their examinations of financial institutions, evaluate the record of financial institutions in meeting the credit needs of their local communities, including low and moderate-income individuals and neighborhoods, consistent with the safe and sound operations of the banks. Failure to adequately meet these criteria could impose additional requirements and limitations on us. Regulations under the CRA also provide for regulatory assessment of a bank's record in meeting the needs of its service areas, and this record is taken into account by the regulators when considering applications to, among other things, establish branches or merge with or acquire another bank or its assets or liabilities. A bank's CRA performance record is reviewed in connection with the filing of certain regulatory applications, including merger applications and branch applications. An unsatisfactory performance record can substantially delay or block the transactions contemplated by such applications. Additionally, a bank must make certain portions of its most recent CRA examination report conducted by its federal banking regulators available for public review. In June 2020, the Office of the Comptroller of the Currency ("OCC") adopted changes to the CRA's implementing regulations in an attempt to reduce their complexity, which it then rescinded and replaced in December 2021. While the FDIC had joined in the original proposed rule change, it ultimately did not adopt the OCC's final rule changes on the CRA. We will continue to evaluate the impact of any changes to the regulations implementing the CRA and their impact to our financial condition, results of operations, and/or liquidity, which cannot be predicted at this time.

We are also subject to certain fair lending laws and regulations, including the Equal Credit Opportunity Act of 1974 and the Fair Housing Act of 1968, which (among other things) prohibit discrimination in credit and residential real estate transactions, including discrimination on the basis of, among other factors, race or color, national origin, gender, marital or familial status, age, handicap or disability, and religion. We are required to have a fair lending program of sufficient depth and breadth to monitor fair lending risks and appropriately remediate identified risks. Bank regulators have increasingly focused on the enforcement of these laws, and fair lending weaknesses can result in significant supervision and/or enforcement actions, along with fines, penalties, or financial remediation; reputational damage; CRA rating downgrade; investigation and enforcement actions by the U.S. Department of Justice ("DOJ"); or restrictions on our growth, revenue or expansion opportunities. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation.

Executive and Incentive Compensation

The federal banking regulators have adopted guidelines prohibiting excessive compensation as an unsafe and unsound practice. Compensation is considered excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder.

The federal banking regulators have issued guidance on incentive compensation policies intended to ensure that banks' incentive compensation policies do not undermine safety and soundness by encouraging excessive risk taking. This guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based on key principles that a bank's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to identify and manage risk, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective board oversight. Deficiencies in compensation practices may affect our supervisory ratings, which could affect our ability to make acquisitions or take other actions, and enforcement actions may be taken if our incentive compensation arrangements or related risk-management control or governance processes pose a risk to safety and soundness and we are not taking prompt and effective measures to correct the deficiencies.

The Dodd-Frank Act requires the federal banking agencies and the Securities and Exchange Commission ("SEC") to establish joint regulations or guidelines for specified regulated entities, like us, having at least $1 billion in total assets, to prohibit incentive-based payment arrangements that encourage inappropriate risk-taking by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. These regulators must also establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements.

The federal regulators proposed such regulations in April 2011 and issued a second proposed rule in April 2016. The April 2016 proposed rule would apply to banks with at least $1 billion in average total consolidated assets and would prohibit certain types and features of incentive-based compensation arrangements, require incentive-based compensation arrangements to adhere to certain basic principles, and require appropriate board or committee oversight and recordkeeping and disclosures to the appropriate agency. Although final rules have not been adopted to date, if these or other regulations are adopted in a form similar to that proposed, they will impose limitations on the manner in which we may structure compensation for our executives and certain other employees.

Anti-Money Laundering, the USA PATRIOT Act and the Office of Foreign Assets Control Regulation

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The Bank Secrecy Act ("BSA") and its implementing regulations and parallel requirements of the federal banking regulators require us to maintain a risk-based anti-money laundering ("AML") program reasonably designed to prevent and detect money laundering and terrorist financing and to comply with the recordkeeping and reporting requirements of the BSA, including the requirement to report suspicious activity. The USA PATRIOT Act of 2001 (the "Patriot Act") substantially broadened the scope of AML laws and regulations by imposing significant new compliance and due diligence obligations on financial institutions, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. Financial institutions, including banks, are required under final rules implementing Section 326 of the Patriot Act to establish procedures for collecting standard information from customers opening new accounts and verifying the identity of these new account holders within a reasonable period of time. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must take certain steps to assist government agencies in detecting and preventing money laundering and to report certain types of suspicious transactions. The Patriot Act also amended Section 18(c) of the FDIA (commonly referred to as the "Bank Merger Act") to require federal banking regulatory authorities to consider the effectiveness of a financial institution's AML program when reviewing an application to expand operations.

We are subject to the customer due diligence rules issued by Treasury's Financial Crimes Enforcement Network ("FinCEN") under the BSA, which require financial institutions to identify the beneficial owners who own or control certain legal entity customers at the time an account is opened and to update their AML compliance programs to include risk-based policies and procedures for conducting ongoing customer due diligence, including policies and procedures that are reasonably designed to (1) identify and verify the identity of customers; (2) identify and verify the identity of the beneficial owners of companies opening accounts; (3) understand the nature and purpose of customer relationships to develop customer risk profiles; and (4) conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information. As part of the requirement to obtain beneficial ownership information, we must identify and verify the identity of any individuals who own 25 percent or more of a legal entity, and an individual who controls the legal entity.

On January 1, 2021, the National Defense Authorization Act for Fiscal Year 2021, including the Anti-Money Laundering Act of 2020 (the "AMLA"), was enacted. The AMLA significantly amends the BSA to, among other things, require certain companies to report beneficial ownership information to FinCEN that will be made available to financial institutions to conduct customer due diligence, increase the duties and powers of FinCEN, and instruct Treasury and FinCEN to promulgate or amend regulations related to beneficial ownership reporting requirements, AML program requirements and other matters.

Among other things, AMLA's provisions clarify that cryptocurrency and other digital assets are within the scope of the regulatory requirements of the BSA, and codify existing guidance from FinCEN to resolve any doubts raised by some industry participants regarding Congress' delegation of authority intended to regulate this sector. AMLA also updates and expands whistleblower rewards and anti-retaliation protections contained in the BSA, including that whistleblowers can receive up to 30% of an assessed monetary penalty where that penalty totals more than $1 million, and imposes enhanced applicable penalties for BSA violators and persons convicted of repeat violations or committing an "egregious violation" of the BSA. Among other changes enacted in AMLA, FinCEN must provide financial institutions with information about financial crime concerns and patterns and within six months after passage of AMLA, Treasury must establish national AML priorities, to be updated at least once every four years. Federal banking regulators may subsequently review whether and to what extent financial institutions have incorporated the national AML priorities into their risk-based programs to comply with BSA requirements.

FinCEN and the federal banking agencies continue to issue regulations and guidance with respect to the application and requirements of the BSA and their expectations for effective AML programs. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, to comply with United States sanctions that affect transactions with designated foreign countries, nationals and others, or to comply with any other relevant laws or regulations, could have serious legal, economic and reputational consequences for the institution, including causing applicable bank regulatory authorities to not approve any applications, including branch openings and mergers or acquisitions, when regulatory approval is required or to prohibit such transactions even if approval is not required. The ultimate impact of AMLA and the regulations to be promulgated thereunder, including its effect on our business, results of operations and financial condition, is uncertain.

Oversight and Enforcement

Enforcement Authority. The FDIC possesses enforcement authority over insured banks, including us, pursuant to the FDIA, the Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDICIA") and other statutes. Insured banks may be subject to potential actions for unsafe or unsound practices or violations of laws, rules, regulations or conditions imposed in writing by applicable federal banking agencies. The FDIC may exercise its enforcement powers by, among other things, issuing a cease-and-desist order, imposing civil monetary penalties, requiring an increase in capital, entering into informal and formal enforcement actions against the insured bank, requiring the insured bank to take identified corrective actions to address cited concerns or refrain from taking certain actions, or terminating deposit insurance.

Federal and state banking regulators have the authority to initiate informal or formal enforcement actions against us. Informal actions may include board resolutions approved by the applicable regulators, supervisory letters or memoranda of understanding. Formal actions may include consent orders, cease-and-desist orders, requiring an increase in capital, termination of deposit insurance and civil money penalties. Informal actions are generally a confidential part of the regulators' examination and supervisory process and may not be disclosed without the permission of the regulators. Formal actions, however, are publicly disclosed.

In connection with the FDICIA, federal banking agencies established capital measures (including both a leverage measure and a risk-based capital measure) and specified for each capital measure the levels at which depository institutions will be considered well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized. If an institution becomes classified as undercapitalized, the appropriate federal banking agency will require the institution to submit an acceptable capital restoration plan and can suspend or greatly limit the institution's ability to effect numerous actions, including capital distributions, certain deposit gathering activities, acquisitions of assets, establishing new branches, entering into new lines of business, or using brokered deposits. The capital restoration plan will not be accepted by the regulators unless any company having control of the undercapitalized institution guarantees the subsidiary's compliance with the capital restoration plan up to a certain specified amount.

Examination. Consistent with their supervision practices for banks of our size, the FDIC and ASBD utilize a joint examination team that remains on site throughout the year (although they worked virtually in 2021 due to the COVID-19 pandemic). The examination team conducts regular examinations of us, reviewing such matters as the overall safety and soundness of our institution, the adequacy of our allowance for credit losses, the quality of our loans and investments, the appropriateness of management practices, risk management, interest rate exposure, vendor management, internal controls and audit systems, compliance with laws and regulations, and other aspects of our operations. These examinations are designed for the protection of our depositors, rather than our shareholders. Our FDIC and ASBD examinations are generally conducted jointly by the agencies. In addition, the Dodd-Frank Act gives the CFPB the authority to include its examiners, on a sampling basis, in examinations performed by primary federal regulators such as the FDIC, in order to assess compliance with consumer financial protection laws.

Acquisition Approvals. Under the Bank Merger Act and the Arkansas Banking Code, the prior approval of the FDIC and the ASBD is required for us to merge with another bank or purchase all or substantially all of the assets or assume any of the deposits of another FDIC-insured depository institution. In reviewing applications for merger and acquisition transactions, bank regulators consider, among other things, the competitive effect and public benefits of the transactions, the capital position and managerial resources of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's CRA performance record, the applicant's compliance with fair housing and other consumer protection laws and the effectiveness of all organizations involved in combatting money laundering activities. Failure to implement or maintain adequate compliance programs could cause bank regulators not to approve an acquisition where regulatory approval is required or to prohibit an acquisition even if approval is not required. In addition, in July 2021, President Biden issued an Executive Order on Promoting Competition in the American Economy. Among other initiatives, the Executive Order encouraged the federal banking agencies to review their current merger oversight practices under the BHC Act and the Bank Merger Act and adopt a plan for revitalization of such practices. There are many steps that must be taken by the agencies before any formal changes to the framework for evaluating bank mergers can be finalized and the prospects for such action are uncertain at this time; however, the adoption of more expansive or prescriptive standards may have an impact on our future acquisition activities, if any. See Item 1A. Risk Factors for a more extensive discussion of this topic.

Change in Bank Control. Under the Change in Bank Control Act (the "CIBCA"), a notice must be submitted to the FDIC if any person (including a company), or group acting in concert, seeks to acquire "control" of us. Control is defined as the power, directly or indirectly, to direct our management or policies or to vote 25% or more of any class of our outstanding voting securities. Additionally, a rebuttable presumption of control arises when any person (including a company), or group acting in concert, seeks to acquire 10% or more, but less than 25%, of any class of our outstanding voting securities which are publicly traded. When reviewing a notice under the CIBCA, the FDIC will take into consideration the financial and managerial resources of the acquirer, the convenience and needs of the communities served by us, the anti-trust effects of the acquisition and other factors. Under the Bank Holding Company Act of 1956, as amended (the "BHCA"), any company that is not an existing bank holding company would be required to obtain prior approval from the FRB before it could obtain "control" of us (and thereby become a bank holding company) within the meaning of the BHCA. Control generally is defined to mean the ownership or power to vote 25% or more of any class of our voting securities, the ability to control in any manner the election of a majority of our directors or the exercise of a controlling influence over our management and policies. An existing bank holding company would be required to obtain the FRB's prior approval under the BHCA before acquiring more than 5% of any class of our voting securities.

CRE Lending Concentrations. The federal banking agencies, including the FDIC, have promulgated guidance governing financial institutions with concentrations in CRE lending. The guidance indicates that, for supervisory purposes, a bank has a concentration in CRE lending if (i) total reported loans for construction, land development and other land represent 100% or more of the sum of the bank's tier 1 capital plus its allowance for credit losses attributed to loans and leases or (ii) total reported loans secured by multifamily and non-owner occupied non-farm/non-residential properties and loans for construction, land development and other land represent 300% or more of the sum of the bank's tier 1 capital plus its allowance for credit losses attributed to loans and leases and the bank's CRE loan portfolio has increased 50% or more during the prior 36 months. If a concentration is present, management must employ heightened risk management practices that address key elements, including board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of CRE lending. We have determined that we have a concentration in CRE lending, and while we believe we have implemented policies and procedures with respect to our CRE lending consistent with the regulatory guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us.

Other Regulations and Restrictions

Reporting Obligations. We must submit to federal and state regulators annual audit reports prepared by independent auditors. Our Annual Report on Form 10-K, which includes the report of our independent auditors, can be used to satisfy this requirement. We also submit FFIEC Consolidated Reports of Condition and Income to the FDIC on a quarterly basis and file other required reports with various federal and state regulators.

Lending Limits. Our lending and investment authority is derived from Arkansas law. The lending power is generally subject to certain restrictions, including limitations on the amount which may be lent to a single borrower. Under Arkansas law, the obligations of one borrower to a bank may not exceed 20% of the bank's capital base. See also Note 19 of the consolidated financial statements under Part II, Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a discussion of lending limits.

Reserve Requirements. Arkansas law requires state chartered banks to maintain such reserves as are required by the applicable federal regulatory agency. Federal banking laws require all insured banks to maintain reserves against their checking and transaction accounts (primarily checking accounts, NOW and Super NOW checking accounts). Effective March 26, 2020, the FRB reduced reserve requirement ratios to zero percent, where they remain as of the date of this report. Because reserves must generally be maintained in cash, non-interest bearing accounts or accounts that earn only a nominal amount of interest, the effect of any reserve requirements is to increase our cost of funds.

Payment of Dividends. Regulations of the FDIC and the ASBD limit our ability to pay dividends to our shareholders without the prior approval of such agencies. FDIC regulations prevent insured state banks from paying any dividends from capital and allow the payment of dividends only from net profits then on hand after deduction for losses and bad debts. The ASBD currently limits the amount of dividends that we can pay our shareholders to 75% of net profits after taxes for the current year plus 75% of retained net profits after taxes for the immediately preceding year. In addition, our ability to pay dividends may also be restricted by certain covenants contained in the indentures governing our trust preferred securities, our subordinated debentures, our subordinated notes, and the relative powers, preferences and other rights of the holders of our Series A Preferred Stock. See also Note 19 of the consolidated financial statements under Part II, Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a discussion of dividend restrictions.

Restrictions on Transactions with Affiliates or Related Parties. Federal law substantially restricts transactions between financial institutions and their affiliates, particularly their non-financial institution affiliates. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank.

We are subject to Section 23A of the Federal Reserve Act, which places limits on the amount of loans or extensions of credit to, or investments in, or certain other transactions with, affiliates. In addition, limits are placed on the amount of advances to third parties collateralized by the securities or obligations of affiliates. Most of these loans and certain other transactions must be secured in prescribed amounts. We are also subject to Section 23B of the Federal Reserve Act, which prohibits an institution from engaging in transactions with certain affiliates unless the transactions are on terms substantially the same, or at least as favorable to such institution or its subsidiaries, as those prevailing at the time for comparable transactions with non-affiliated companies. We are subject to restrictions on extensions of credit to executive officers, directors, certain principal shareholders, and their related interests. These extensions of credit (1) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and (2) must not involve more than the normal risk of repayment or present other unfavorable features. See also Note 18 of the consolidated financial statements under Part II, Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a discussion of related party transactions.

Securities Laws and Regulations. We are subject to certain federal and state laws and regulations applicable to corporations generally, including, without limitation, certain provisions of the federal securities laws. We are subject to the jurisdiction of the FDIC, the ASBD and state securities regulatory authorities for matters relating to the offer and sale of our securities.

COVID-19 Related Reforms. In response to the COVID-19 pandemic, the U.S. Congress, through the enactment of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), and the federal banking agencies, through rulemaking, interpretive guidance and modifications to agency policies and procedures, took a series of actions to provide national emergency economic relief measures. The CARES Act, as amended in 2021, allows banks to elect to suspend requirements under GAAP for loan modifications related to the COVID-19 pandemic for certain loans. The federal banking agencies also issued guidance to encourage banks to make loan modifications for borrowers affected by COVID-19 or offer other borrower friendly options. The CARES Act also amended the PPP to fund payroll and operational costs of eligible businesses, organizations and self-employed persons during COVID-19. In addition, numerous state and federal laws and regulations have been enacted related to COVID-19 that affect the workplace, including the Families First Coronavirus Response Act which requires, among other things, that employers provide paid sick leave and expanded family and medical leave.

Consumer Financial Protection

We are subject to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. These laws include, among others, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Home Ownership and Equity Protection Act, the Electronic Fund Transfer Act, the Fair and Accurate Credit Transactions Act, the Fair Debt Collection Practices Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Truth in Savings Act, the Expedited Funds Availability Act, the Check Clearing for the 21st Century Act, the Service Members Civil Relief Act, the Telephone Consumer Protection Act, the CAN-SPAM Act, and similar state laws, as well as state usury laws and other state consumer protection laws. These and other laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, prohibit unfair, deceptive and abusive acts and practices, restrict our ability to raise interest rates and subject us to significant regulatory oversight. Failure to comply with these and other consumer protection requirements may result in significant liability in private civil actions or enforcement actions by federal and state bank regulators or consumer protection agencies or state attorneys general, and may prevent us from engaging in merger or acquisition transactions or other activities requiring regulatory approval or that regulators may prohibit even if approval is not required.

The CFPB is designed to prevent unfair, deceptive and abusive acts and practices and ensure that all consumers have access to markets for consumer financial products and services, and that such markets are fair, transparent and competitive. Because our total assets exceed $10 billion, the CFPB has direct supervision and enforcement authority over us, including the authority to investigate possible violations of federal consumer financial laws, hold hearings and commence civil litigation, and establish applicable examination, enforcement and reporting requirements. The CFPB has significant authority to implement and enforce the consumer finance laws identified above and others, as well as the authority to identify and prohibit unfair, deceptive or abusive acts and practices. The review of products and practices to prevent such unfair, deceptive or abusive acts and practices is a continuing focus of the CFPB, and of banking regulators more broadly. The ultimate impact of this heightened scrutiny is uncertain but could result in changes to our pricing, practices, products and procedures. It could also result in increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties.

In recent months, certain members of Congress and the leadership of the CFPB and other banking regulators have expressed a heightened interest in bank overdraft protection programs. In December 2021, the CFPB published a report providing data on banks' overdraft and NSF fee revenues as well as observations regarding consumer protection issues relating to participation in such programs. The CFPB has indicated that it intends to pursue enforcement actions against banking organizations, and their executives, that oversee overdraft practices that are deemed to be unlawful. In response to this increased congressional and regulatory scrutiny, and in anticipation of enhanced supervision and enforcement of overdraft protection practices in the future, certain banking organizations have begun to modify their overdraft protection programs, including by reducing overdraft transaction fees. These competitive pressures from our peers, as well as any adoption by our regulators of new rules or supervisory guidance or more aggressive examination and enforcement policies in respect of banks' overdraft protection practices, could cause us to modify our program and practices in ways that may have a negative impact on our revenue and earnings.

In addition, the CFPB has broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations, to impose significant monetary penalties or injunctive relief that prohibits lenders from engaging in allegedly unlawful practices, or to obtain cease and desist orders providing for affirmative relief or monetary penalties. The CFPB has been active in bringing enforcement actions related to consumer financial protection laws and obtaining the forms of relief described above.

State regulation of financial products and potential enforcement actions, which could be stricter in some cases than federal consumer protection standards, could also adversely affect our business, financial condition or results of operations.

Arkansas Law

We are subject to examination and regulation by the ASBD. Under the Arkansas Banking Code, the acquisition of more than 25% of any class of the outstanding capital stock of any bank requires approval of the Bank Commissioner. The Bank Commissioner's approval is required in order for us to make acquisitions, amend our articles of incorporation, repurchase shares of our capital stock (other than payments to dissenting shareholders in a transaction), issue debt, increase, reduce or retire any part of our capital stock, retire debt instruments, or conduct certain types of activities that are incidental or closely related to banking.

The Bank Commissioner has the authority, with the consent of the Governor of the State of Arkansas, to declare a state of emergency and temporarily modify or suspend banking laws and regulations in communities where such a state of emergency exists. The Bank Commissioner may also authorize a bank to close its offices and any day when such bank offices are closed will be treated as a legal holiday, and any director, officer or employee of such bank shall not incur any liability related to such emergency closing. To date no such state of emergency has been declared to exist by the Bank Commissioner.

Effect of Governmental Monetary Policies

Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the U.S. government and its agencies. The monetary policies of the FRB have had, and are likely to continue to have, an important impact on the operating results of commercial banks through the FRB's statutory power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The FRB, through its monetary and fiscal policies, affects the levels of bank loans, investments and deposits through its control over the issuance of U.S. government securities, its regulation of the discount rate applicable to member banks and its influence over reserve requirements to which member banks are subject. We cannot predict the nature or impact of future changes in the FRB's monetary and fiscal policies.

Future Regulation of Banks

Banking regulators, federal and state governments and other bodies routinely consider and enact new laws, regulations and policies, and may have differing interpretations regarding certain laws, regulations and policies, regulating the banking industry and public companies generally. In addition to potential legislative action, it is unclear whether or to what extent the federal departments and agencies will finalize, adopt, amend or repeal existing or proposed rules and regulations, including those implementing the Dodd-Frank Act, the EGRRCPA and the AMLA, among others. The ultimate impact of changes in laws on our business and results of operations will depend in part on regulatory interpretation and rulemaking, including as a result of the EGRRCPA and the AMLA, among others, as well as the success of any actions taken to mitigate the negative earnings impact of certain provisions.

We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which our business may be affected by any new regulation or statute. However, given our growth and the extensive and comprehensive regulation of our industry, we expect that our regulatory compliance costs will continue to increase over time. The scope, timing and implementation of regulatory and statutory changes, including as a result of the recent U.S. presidential and congressional elections or staffing changes at the federal banking regulatory agencies, are uncertain and could have an adverse effect on our business, financial condition or results of operation.

AVAILABLE INFORMATION

We file annual, periodic and current reports, proxy statements and other information required by the Exchange Act with the FDIC, copies of which are available electronically at the FDIC's website at http://www.fdic.gov. In addition, we make available, free of charge, through the Investor Relations section of our Internet website at http://ir.ozk.com under "Filings," our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such reports with or furnish them to the FDIC. You may also inspect and copy any document we file with the FDIC at the public reference facilities maintained at the FDIC, Accounting and Securities Disclosure Section, Division of Risk Management Supervision, 550 17th Street, NW, Washington, DC 20429.

We have adopted a written code of ethics that applies to all directors, officers and employees of the Bank, including our principal executive officer, principal financial officer and principal accounting officer, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder. Our code of ethics is available on our Investor Relations website, http://ir.ozk.com, under "Corporate – Governance Documents." In the event that we make changes in, or provide waivers from, the provisions of this code of ethics that we are required to disclose, we intend to disclose these events on our Investor Relations website in such section. Our Corporate Governance Guidelines, Board committee charters and other corporate governance related documents are also posted on our website, and available in print upon request from any shareholder to our Investor Relations Department.

Information contained on or accessible through our website or any other website referenced in this report is not part of this report. References to websites in this report are intended to be inactive textual references only.

Shareholders may obtain a copy of any of the above-referenced corporate governance documents by writing to our Investor Relations Department at Investor Relations, Bank OZK, P. O. Box 8811, Little Rock, Arkansas 72231-8811 or by calling (501) 978-2265. Pursuant to Section 350.3 of the FDIC rules and regulations, each bank is required to make available on request an annual disclosure statement. Our Annual Report on Form 10-K serves as our annual disclosure statement.

Item 1A. RISK FACTORS

An investment in shares of our common stock involves a variety of risks, some of which are specific to us and some of which are inherent to the financial services industry. The following risks and other information in this report or incorporated in this report by reference, including our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," should be carefully considered before investing in our securities. These risks may adversely affect our financial condition, results of operations or liquidity. Many of these risks are out of our direct control, though efforts are made to manage those risks while optimizing financial results. These risks are not the only ones we face. Additional risks and uncertainties that we are not aware of or focused on or that we currently deem immaterial may also adversely affect our business and operation. This Annual Report on Form 10-K is qualified in its entirety by all these risk factors.

SUMMARY

The following is a summary of the principal risks that could adversely affect our business, financial condition and results of operations.

Economic and Credit Risks

- Our financial performance may be adversely affected by conditions in the financial markets and economic conditions generally and in our markets in particular.
- Our business depends on the condition of the local and regional economies where we operate and we may have more credit risk to the extent loans are concentrated by location or industry of the borrowers or collateral.
- If we do not properly manage our credit risk, our business could be seriously harmed.
- We make and hold a significant number of construction/land development and non-farm/non-residential real estate loans in our loan portfolio and our concentration in CRE lending may subject us to additional scrutiny.
- Our business may suffer if there are significant declines in the value of real estate.
- The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property may not accurately describe the net value of the collateral that we can realize.
- Our indirect lending involves risk elements in addition to normal credit risk.
- We could experience deficiencies in our allowance for credit losses.
- We face strong competition in our markets.
- We depend on the accuracy and completeness of information about customers.

Operational Risks

- We depend on key personnel for our success.
- We rely on certain third-party vendors.
- We need to stay current on technological changes in order to compete and meet customer demands.
- Failures or interruptions in or breaches to our computer systems, or other cyber threats or information security incidents, could materially and adversely affect our business and operations.
- Ineffective techniques for managing risk, maintaining data quality, or failures or circumvention of our internal controls, may expose us to material unanticipated losses.
- We are subject to environmental liability risks.
- Our business, financial condition, liquidity and results of operations have been, and may continue to be, adversely affected by the COVID-19 pandemic.
- We may incur losses as a result of unforeseen or catastrophic events, including terrorist attacks, extreme weather events, or other natural disasters and other unexpected events due to climate change.

- Climate change-related legislative and regulatory initiatives and the increased focus on ESG issues may result in operational changes that could significantly impact our business.
- Consumers may decide not to use banks to complete their financial transactions.
- New lines of business, products, product enhancements or services may subject us to additional risks.
- Our accounting estimates and risk management processes rely on analytical and forecasting models and tools.
- Our selection of accounting policies and methods may affect our reported financial results.

Legal, Compliance and Regulatory Risks

- We are subject to extensive government regulation that limits or restricts our activities and could adversely affect our operations.
- We are involved in legal proceedings and may be the subject of additional litigation and/or investigations in the future.
- We may be subject to claims and litigation asserting lender liability.
- We may be subject to claims and litigation pertaining to fiduciary responsibility.
- We may not be able to protect our intellectual property and may be subject to claims of third-party intellectual property rights.
- Changes in accounting standards could materially impact how we report our financial results.
- Increases in FDIC insurance premiums may adversely impact our earnings and financial condition.
- Existing and proposed legislation and regulations may affect our operations and growth.
- We are subject to changes in federal, state and local tax laws, interpretation of existing laws and examinations and challenges by taxing authorities.
- Certain state and/or federal laws may deter potential acquirers and may depress our stock price.

Liquidity and Market Risks

- We may not be able to meet the cash flow requirements of our depositors, borrowers, or creditors, or the cash needs for expansion or other corporate activities.
- If we lose a significant portion of our core deposits or our cost of funding deposits increases, our liquidity and/or profitability could be adversely impacted.
- We use brokered deposits which may be an unstable and/or expensive deposit source to fund earning asset growth.
- We may need to raise additional capital in the future to continue to grow, but that capital may not be available when needed.
- We cannot guarantee that we will pay dividends on our capital stock in the future.
- Our operations are significantly affected by interest rate levels.
- We and/or the holders of certain classes of our securities could be adversely affected by unfavorable ratings from rating agencies.
- The performance of our investment securities portfolio is subject to fluctuation due to changes in interest rates and market conditions, including credit deterioration of the issuers of individual securities.
- We currently invest in bank owned life insurance (“BOLI”) and may continue to do so in the future.
- We may be adversely impacted by the transition from LIBOR as a reference rate.
- The holders of our subordinated debentures, subordinated notes and Series A Preferred Stock have rights that are senior to those of our common shareholders.
- The price of our common and preferred stock is affected by a variety of factors, many of which are outside our control.
- Our common and preferred stock trading volume may not provide adequate liquidity for investors.
- Future issuances of additional equity securities could result in dilution of existing shareholders’ equity ownership and may adversely affect the market price of our stock.
- Our capital stock is not an insured deposit.

Strategic, Reputational and Other Risks

- Our recent results may not be indicative of our future results.
- We have made, and are continuing to make, significant changes and enhancements to our infrastructure in a number of important areas. The ultimate success and completion of these changes may vary significantly from initial planning, which could materially affect our control environment, operating efficiency, and results of operations.

- If we do not manage our growth effectively, our business, future prospects, financial condition, results of operations and liquidity could be adversely affected.
- We may be adversely affected by risks associated with any potential future acquisition.
- Reputational risk and social factors may impact our results.
- The soundness of other financial institutions could adversely affect us.
- If our goodwill becomes impaired, we could be required to record impairment charges.

ECONOMIC AND CREDIT RISKS

Our financial performance may be adversely affected by conditions in the financial markets and economic conditions generally and in our markets in particular.

Our financial performance is highly dependent on the business environment in the markets where we operate and in the U.S. as a whole. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, investor or business confidence, consumer sentiment, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, natural disasters, terrorist attacks, acts of war or military conflict, or a combination of these or other factors. A worsening of business and economic conditions generally or specifically in the principal markets in which we conduct business could have adverse effects, including, but not limited to, the following:

- a decrease in deposit balances or the demand for loans and other products and services we offer;
- an increase in the number of borrowers who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us, which could lead to higher levels of past due loans, nonperforming assets, net charge-offs and provisions for credit losses;
- a decrease in the value of loans and other assets secured by real estate;
- a decrease in net interest income from our lending and deposit gathering activities; and
- an increase in competition resulting from financial services companies.

While recent economic conditions in the markets where we operate, the United States and worldwide have generally seen improving trends since the onset of the COVID-19 pandemic, there can be no assurance that this improvement will continue. Evolving responses from federal and state governments and other regulators, and our customers or our third-party partners or vendors, to new challenges such as climate change have impacted and could continue to impact the economic and political conditions under which we operate. Economic and inflationary pressure on consumers and uncertainty regarding continuing economic improvement could result in changes in consumer and business spending, borrowing and savings habits. Such conditions could have a material adverse effect on the credit quality of our loans and our business, financial condition and results of operations.

Our business depends on the condition of the local and regional economies where we operate and we may have more credit risk to the extent loans are concentrated by location or industry of the borrowers or collateral.

A large number of our banking offices are located in south central and southeastern portions of the United States. As a result, our financial condition and results of operations may be significantly impacted by changes in the economies of the states where we currently have most of our banking offices, or the markets in which our assets are geographically located. Slowdown in economic activity in these areas, including deterioration in housing or real estate markets or increases in unemployment and under-employment, may have a significant and disproportionate effect on consumer and business confidence and the demand for our products and services, result in an increase in delinquencies or non-payment of loans and a decrease in collateral value, and significantly affect our deposit funding sources. Any of these events could have an adverse effect on our financial position, results of operations and liquidity.

Approximately 14% of the funded balance of our total loan portfolio at December 31, 2021 (18% at December 31, 2020) was concentrated in the New York–Newark–Jersey City, NY–NJ–PA Metropolitan Statistical Area (“MSA”). As a result, our financial condition and results of operations depend, in part, upon economic conditions in this market area. Deterioration in economic conditions in this market could result in one or more of the following: an increase in loan delinquencies and charge-offs, an increase in problem assets and foreclosures, a decrease in the demand for our products and services, or a decrease in the value of collateral for loans, especially real estate.

If we do not properly manage our credit risk, our business could be seriously harmed.

There are substantial risks inherent in making any loan, including, but not limited to:

- risks resulting from changes in economic and industry conditions;
- risks inherent in dealing with individual borrowers;

- risks inherent from uncertainties as to the future value of collateral; and
- the risk of non-payment of loans.

Although we attempt to minimize our credit risk through, among other management and monitoring procedures, prudent loan underwriting procedures and by monitoring concentrations of our loans, there can be no assurance that our management and monitoring procedures will reduce these risks. Moreover, as we continue to expand into new markets, credit administration and loan underwriting policies and procedures may need to be adapted to local conditions. The inability to properly manage our credit risk or appropriately adapt our credit administration and loan underwriting policies and procedures to local market conditions or changing economic circumstances could significantly increase our credit risk, which could have an adverse effect on our allowance and provision for credit losses and our financial condition, results of operations and liquidity.

We make and hold a significant number of construction/land development and non-farm/non-residential real estate loans in our loan portfolio and our concentration in CRE lending may subject us to additional scrutiny.

Our loan portfolio is comprised of a significant amount of real estate loans, including a large number of construction/land development and non-farm/non-residential loans. Our real estate loans comprised 77.0% of our total loans at December 31, 2021 (74.1% at December 31, 2020). In addition, our construction/land development and non-farm/non-residential loans, which are subsets of our real estate loans, comprised 45.0% and 20.7%, respectively, of our total loan portfolio at December 31, 2021 (41.9% and 21.9%, respectively, at December 31, 2020). Real estate loans, including construction/land development and non-farm/non-residential loans, pose different risks than other types of loan categories. In particular, real estate construction, acquisition and development loans have certain risks not present in other types of loans, including, among others, risks associated with uncertainty of total construction costs, including the potential for construction cost overruns, project completion risk, general contractor credit risk and risks associated with the ultimate sale, lease or use of the completed construction. In addition, many of our real estate construction, acquisition and development loans typically involve large balances to single borrowers or groups of related borrowers. If a decline in economic conditions or other issues cause difficulties for our borrowers of these types of loans, if we fail to accurately evaluate the credit risk of these loans when we underwrite them or if we do not continue to adequately monitor the performance of these loans, the underlying construction projects that collateralize our loans may have material adverse deviations from projected construction plans and budgets, resulting in the potential that our loan portfolio could experience delinquencies, defaults and credit losses that could have a material adverse effect on our business, financial condition or results of operations.

We believe we have established appropriate underwriting and ongoing monitoring policies and procedures for our real estate loans, including construction/land development and non-farm/non-residential loans, and have established appropriate allowances for such loans. However, there can be no assurance that such underwriting and ongoing monitoring policies and procedures are, or will continue to be, appropriate or that losses on real estate loans, including construction/land development and non-farm/non-residential loans, will not require additions to our allowance for credit losses, which could have an adverse effect on our financial position and results of operations.

In addition, the federal banking agencies, including the FDIC, have promulgated guidance on sound risk management practices for financial institutions with concentrations in CRE lending. The guidance states that if a concentration is present, management must employ heightened risk management practices that address key elements, including board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of CRE lending. While we believe we have implemented policies, procedures and appropriate risk management practices with respect to our CRE loan portfolio consistent with this guidance, bank regulators could require us to implement additional policies, procedures or risk management practices, or require us to maintain increased capital levels, consistent with their interpretation of the guidance that may result in additional costs to us.

Our business may suffer if there are significant declines in the value of real estate.

The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located, whether locally, regionally or nationally, and numerous other factors. If the value of the real estate serving as collateral for our loan portfolio were to decline materially, a significant part of our loan portfolio could become under-collateralized. If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, we may not be able to realize the value of the security anticipated when we originated the loan, which in turn could have an adverse effect on our net charge-offs, our allowance and provision for credit losses and our financial condition, results of operations and liquidity.

The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property may not accurately describe the net value of the collateral that we can realize.

Our underwriting and ongoing monitoring policies and processes for real estate loans generally utilize appraisals of the real property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may change significantly in relatively short periods of time (especially in periods of heightened economic uncertainty), this estimate may not accurately describe the net value of the real property collateral after the loan is made. As a result, we may obtain subsequent appraisals that differ materially from prior appraisals regarding the value of the property, which could have an adverse effect on the loan's credit quality or risk rating, and we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. This could have a material adverse effect on our business, financial condition or results of operations.

Our indirect lending involves risk elements in addition to normal credit risk.

Our Indirect RV and Marine lending group makes loans to individuals for the purchase of those types of vehicles and vessels. We serve customers that cover varying ranges of creditworthiness, and the terms and rates of these types of loans reflect those varying risk profiles. We have limited personal contact with these borrowers as a result of indirect lending through non-bank channels, namely dealer and correspondent relationships. If we are not able to maintain existing relationships with significant dealers or correspondents or if we are not able to develop new relationships for any reason – including if we are not able to provide services on a timely basis or compete successfully with the products and services of our competitors – our indirect lending volumes, and the number of dealers and correspondents with whom we have relationships, could decline in the future, which could adversely affect our results of operations or financial condition. While our lending team is experienced and skilled at underwriting and monitoring these loans, such loans involve risk elements in addition to normal credit risk. While these loans are secured, they are secured principally by depreciating assets and characterized by LTV ratios that could result in us not recovering the full value of an outstanding loan upon default by the borrower. If the losses from our indirect loan portfolio are higher than anticipated, it could have a material adverse effect on our allowance and provision for credit losses and our financial condition and results of operations.

We could experience deficiencies in our allowance for credit losses ("ACL").

Effective January 1, 2020, we adopted the CECL methodology which requires, among other items, that we establish an allowance for the lifetime expected losses on individual loans, and a reserve (reflected as a liability on our consolidated balance sheet) for lifetime expected losses on our unfunded loan commitments (comprised primarily of closed but unfunded construction and development loans). The aggregate of the allowance for our funded loans and the reserve for losses on unfunded loan commitments is referred to as our ACL. Although we believe that we maintain our ACL at a level adequate to absorb lifetime expected losses in our loan portfolio, estimates of credit losses are subjective and their accuracy may depend on the outcome of future events that are difficult to predict. Our experience in the banking industry indicates that some portion of our loans may only be partially repaid or may never be repaid at all. Credit losses occur for many reasons beyond our control. Accordingly, we may incur charge-offs or otherwise be required to make significant and unanticipated increases in our ACL during future periods which could materially affect our financial position and results of operations. Additionally, bank regulatory authorities, as an integral part of their supervisory functions, periodically review our ACL and our methodologies for calculating the ACL. These regulatory authorities may require adjustments to the ACL or ACL methodology or may require recognition of additional credit losses or charge-offs based upon their judgment. Any increase in the ACL, credit losses or charge-offs required by bank regulatory authorities could have a material adverse effect on our financial condition, results of operations and liquidity.

We face strong competition in our markets.

Competition in many of our banking markets is intense. We compete with financial and bank holding companies, state and national commercial banks, savings and loan associations, consumer finance companies, credit unions, securities brokerages, insurance companies, mortgage companies, money market mutual funds, asset-based non-bank lenders and other financial institutions and intermediaries, as well as non-financial institutions offering payroll, debit card and other services. Some of these competitors have an advantage over us through greater financial resources, lending limits and larger distribution networks, and may be able to offer a broader range of products and services. Other competitors, many of which are smaller, are either privately-held or non-banks that are not subject to the same extensive regulations that govern our activities and thus benefit from greater flexibility than we have in adopting or modifying growth or operational strategies. Some of our competitors (larger or smaller) may have more liberal lending policies and processes. If we fail to compete effectively for deposits, loans and other banking customers in our markets, we could lose substantial market share, suffer a slower growth rate or no growth and our financial condition, results of operations and liquidity could be adversely affected.

We depend on the accuracy and completeness of information about customers.

In deciding whether to extend credit or enter into certain transactions, we rely on information furnished by or on behalf of customers, including financial statements, credit reports, tax returns and other financial information. We may also rely on representations of those customers or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading information, financial statements, credit reports, tax returns or other financial information, including information falsely provided as a result of identity theft, could have an adverse effect on our business, financial condition and results of operations.

OPERATIONAL RISKS

We depend on key personnel for our success.

Our operating results and ability to execute our strategic plans and minimize credit losses are highly dependent on the services, managerial abilities and performance of our current executive officers and other key personnel. We have an experienced management team that our Board believes is capable of managing and growing our business and executing those strategic plans. We do not have employment contracts with our executive officers or key personnel. Losses of or changes in our current executive officers or other key personnel and their responsibilities may disrupt our business and could adversely affect our financial condition, results of operations and liquidity. Competition for the best people in many activities engaged in by us is intense including with respect to compensation and emerging workplace practices, accommodations and remote work options, and we may not be able to hire people or to retain them. Additionally, our ability to retain our current executive officers and other key personnel may be further impacted by existing or new legislation and regulations regarding incentive compensation that is affecting or may affect the financial services industry, as discussed in Item 1. Business – Supervision and Regulation – Executive and Incentive Compensation. There can be no assurance that we will be successful in retaining our current executive officers or other key personnel, or hiring additional key personnel to assist in executing our business strategies.

We rely on certain third-party vendors.

Our reliance on certain third-party vendors to provide products and services necessary to maintain our day-to-day operations subjects us to the risk of operational disruption, failure or capacity constraints. Third-party vendors provide certain key operational components, such as cloud-based computing, storage services, payment and card processing services and internet connections and network access, among others. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with applicable contractual arrangements or service level agreements. Legal authorities and regulators could hold us responsible for failures by these parties to comply with applicable laws, rules or regulations. These failures could expose us to significant litigation or regulatory action that could limit our activities or impose significant fines or other financial losses. Additionally, we could be subject to significant litigation from consumers or other parties harmed by these failures and could suffer significant losses of business and revenue, as well as reputational harm as a result of these failures.

We maintain a system of policies and procedures designed to monitor vendor risks including, among other things, (i) changes in the vendor’s organizational structure, (ii) changes in the vendor’s financial condition, (iii) changes in existing products and services or the introduction of new products and services, and (iv) changes in the vendor’s support for existing products and services. While we believe these policies and procedures help to mitigate risk, the failure of an external vendor to perform in accordance with applicable contractual arrangements or the service level agreements could be disruptive to our operations, which could have a material adverse effect on our business and our financial condition and results of operations.

We need to stay current on technological changes in order to compete and meet customer demands.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven solutions, and as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems, as well as nontraditional alternatives like crowdfunding and digital wallets. Our future success will depend, in part, upon our ability, including our ability to fully deploy and leverage the technology applications under development from our OZK Labs and other technology groups, to address the needs of our customers by using technology to provide solutions through various delivery channels that will satisfy customer demands for product functionality and convenience, as well as to create additional operational efficiencies and greater privacy and security protection for customers and their personal information. Some of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven solutions or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could impair our ability to retain or acquire new customers and could have an adverse effect on our business, financial position, results of operations and liquidity.

Failures or interruptions in or breaches to our computer systems, or other cyber threats or information security incidents, could materially and adversely affect our business and operations.

We are dependent upon information technologies, computer systems and networks, including those maintained by us and those maintained and provided to us by third parties (e.g. cloud solutions and “software-as-a-service”), to conduct operations and are reliant on technology to help increase efficiency in our business. These systems could become unavailable or impaired from a variety of causes, including, among others, storms and other natural disasters, terrorist attacks, fires, utility outages, internal or external theft or fraud, design defects, human error or complications encountered as existing systems are maintained, replaced or upgraded. We maintain a system of internal controls and security and, for many systems we maintain redundancy and/or back-up technologies, to mitigate the risks of many of these occurrences, and we maintain insurance coverage for certain risks. However, should an event occur that is not prevented or detected by our internal controls, causes an interruption in service where we do not have an effective redundant or back-up system, or is uninsured against or in excess of applicable insurance limits, such occurrence could have an adverse effect on our business and our reputation, which, in turn, could have a material adverse effect on our financial condition, results of operations and liquidity.

In addition, our operations require us to protect our information systems, technology infrastructure and data. Cyber security incidents and other disruptions could jeopardize the security of information stored in and transmitted through our information systems and networks and result in the transmission, theft, disclosure and/or destruction of our confidential information, including customer information, corporate information or other assets. We proactively monitor our network and deploy appropriate security personnel, processes and technologies to identify, protect, detect, respond and recover from damage or unauthorized access to our information systems and network; however, there can be no assurance that these security measures or procedures will be completely successful against every threat, every time, or that we will discover a breach in a timely fashion, especially as the methods used become increasingly complex and sophisticated and change frequently. Additionally, our risk and exposure to cyber threats and other information security breaches is heightened as we expand our use of cloud technology and internet and mobile banking delivery channels for our products and services.

We also face the risk of operational disruption, failure, termination, or capacity constraints of any of the third parties that facilitate our business activities, including vendors, exchanges, and other financial intermediaries. Such parties could also be the source or cause of an attack on, or breach of, our operational systems, data or infrastructure, and could disclose such attack or breach to us in a delayed manner or not at all. In addition, we may be at risk of an operational failure with respect to our customers' systems. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats and the continued uncertain global economic environment.

As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures, investigate and remediate any information security vulnerabilities, or respond to any changes to state or federal regulations, policy statements or laws concerning information systems or security. Any failure to maintain adequate security over our information systems, our technology-driven products and services or our customers' personal and transactional information could negatively affect our business and our reputation and result in fines, penalties, or other costs, including litigation expense and/or additional compliance costs, all of which could have a material adverse effect on our financial condition, results of operations and liquidity.

Ineffective techniques for managing risk, maintaining data quality, or failures or circumvention of our internal controls, may expose us to material unanticipated losses.

In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and control our exposure to material risks, such as credit, operational, legal and reputational risks, among other risks. Additionally, data is key to the decision-making processes used throughout our Bank. We maintain appropriate data quality and data governance standards, frameworks and processes to help ensure that data and data elements are accurately identified, securely stored, accessed appropriately and utilized in compliance with internal policies and procedures. Our risk management methods and data governance standards may prove to be ineffective due to their design, their implementation or the degree to which we adhere to them, the lack of adequate, accurate or timely information, inappropriate use of data or various other factors. Any failure or circumvention of our controls, processes and procedures or failure to comply with regulations related to controls, processes and procedures could necessitate changes in those controls, processes and procedures, which may increase our compliance costs, divert management attention from our business or subject us to regulatory actions and increased regulatory scrutiny. If our risk management or data quality efforts are ineffective, we could suffer losses that could have a material adverse effect on our financial condition, results of operations and liquidity, and we could be subject to litigation from customers or sanctions or fines from regulators. Our techniques for managing the risks we face may not fully mitigate the risk exposure in all economic or market environments, including exposure to risks that we might fail to identify or anticipate.

Our internal controls, disclosure controls, processes and procedures, and corporate governance policies and procedures are based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls, processes and procedures or failure to comply with regulations related to controls, processes and procedures could necessitate changes in those controls, processes and procedures, which may increase our compliance costs, divert management attention from our business or subject us to regulatory actions and increased regulatory scrutiny. Any of these could have an adverse effect on our financial condition, results of operations and liquidity.

We are subject to environmental liability risks.

A significant portion of our loan portfolio is secured by real property. In the ordinary course of business, we may foreclose on and take title to real properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. Additionally, we have acquired a number of retail banking facilities and other real properties, any of which may contain hazardous or toxic substances. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. We have policies and procedures that require either formal or informal evaluation of environmental risks and liabilities on real property (i) before originating any loan or foreclosure action, except for certain loans where the real estate collateral is second lien collateral or (ii) prior to the completion of any acquisition of retail banking facilities, real property for future development of retail banking facilities or any other real property, including any real property to be acquired in a merger and acquisition transaction. These policies, procedures and evaluations may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard, including any fines or penalties levied for noncompliance with environmental laws, could have an adverse effect on our financial condition, results of operations and liquidity.

Our business, financial condition, liquidity and results of operations have been, and may continue to be, adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic has created economic and financial disruptions that have adversely affected, and may continue to adversely affect, our business, financial condition, liquidity and results of operations. The extent to which the COVID-19 pandemic will continue to negatively affect our business, financial condition, liquidity and results of operations will depend on future developments, which are highly uncertain and cannot be predicted and many of which are outside of our control, including the scope and duration of the pandemic, the emergence of new variants, the effectiveness of our business continuity and emergency response plans, the direct and indirect impact of the pandemic on our employees, customers, counterparties and service providers, as well as other market participants, and actions taken, or that may yet be taken, or inaction, by governmental authorities and other third parties in response to the pandemic. Should the pandemic continue for a more extended period or worsen, we may experience increased rates of employee illness or unavailability and may experience challenges recruiting new employees.

Any disruption to our ability to deliver financial products or services to, or interact with, our customers could result in losses or increased operational costs, regulatory fines, penalties and other sanctions, or harm our reputation. We face an increased risk of litigation and governmental, regulatory and third-party scrutiny as a result of the effects of COVID-19 on market and economic conditions and actions governmental authorities take in response to those conditions. Furthermore, various governmental programs, including the PPP in which we participated, are complex and our participation may lead to additional litigation and governmental, regulatory and third-party scrutiny, negative publicity and damage to our reputation. The length of the pandemic and the efficacy of the measures being put in place to address it are unknown as efforts to combat the virus have been complicated by viral variants and uneven access to, and acceptance and effectiveness of, vaccines globally. To the extent the pandemic adversely affects our business, financial condition, liquidity or results of operations, it may also have the effect of heightening many of the other risks described in this report. See Part II., Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Annual Report on Form 10-K for further discussion.

We may incur losses as a result of unforeseen or catastrophic events, including terrorist attacks, extreme weather events, or other natural disasters and other unexpected events due to climate change.

The occurrence of unforeseen or catastrophic events, including terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations) that could impair our ability to manage our businesses. Our operations and customer base are located in markets where natural disasters, including tornadoes, severe storms, fires, floods, hurricanes, earthquakes and other extreme weather conditions often occur. Such natural disasters could significantly impact the local population and economies and our business, and could pose physical risks to our properties and/or employees, and could increase the risk that many of our borrowers may experience losses or sustained job interruption, which may materially impair their ability to satisfy their loan obligations. Although our banking offices are geographically dispersed primarily throughout the south central and southeastern portions of the United States and we maintain insurance coverages for such events, a significant natural disaster in or near one or more of our markets could have a material adverse effect on our business, financial condition or results of operations.

Some of our operations and customer base are also located in markets which could experience the effects of climate change. To the extent climate change causes changes in weather patterns, our markets could experience symptomatic effects which over time, could result in declining demand for certain types of business that we finance, including commercial real estate projects, or decrease the value of our loans and other assets secured by real estate that might be impacted. Should the impact of climate change be material in nature or occur for lengthy periods of time, our financial condition or results of operations would be adversely affected. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to, among other things, improve the energy efficiency of properties we own in order to comply with such regulations. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable. Given the lack of empirical data on the credit and other financial risks posed by climate change, it is impossible to predict how climate change may impact our financial condition and operations; however, as a banking organization, the physical effects of climate change may present certain unique risks. Although management has established disaster recovery policies and procedures, the occurrence of any unexpected climate change related events could have a material adverse effect on our business, financial condition and results of operations. We have begun to explore the impacts of such changes in our risk management processes and currently incorporate systemic and idiosyncratic shock scenarios in our internal stress testing activities, but we are exploring additional methodologies to further explore the relationship of such shocks to climate change related events and further develop internal strategies, policies and related risk management practices in an effort to bolster our state of readiness to deal with such unforeseen and catastrophic events. There can be no assurance that climate change will not have a material adverse effect on our operations or business.

Climate change-related legislative and regulatory initiatives and the increased focus on ESG issues may result in operational changes that could significantly impact our business.

The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions. The United States government has rejoined the Paris Climate Agreement, the most recent international climate change accord, while the U.S. Congress, state legislatures and federal and state regulatory agencies are likely to continue to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. These agreements and measures may result in the imposition of taxes and fees, the required purchase of emission credits, and the implementation of significant operational changes. In addition, the federal banking agencies may address climate-related issues in their agendas in various ways, including by increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors, and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. Each of the above-described initiatives, as well as other similar initiatives, may require us to expend significant capital and incur compliance, operating, maintenance and remediation costs.

Additionally, ESG and other sustainability matters and our response to these matters could harm our business, including in areas such as diversity, equity and inclusion, human rights, climate change and environmental stewardship, support for local communities, corporate governance and transparency and considering ESG factors in our lending and investment processes. Increasing governmental, investor and societal attention to ESG matters, including expanding mandatory and/or voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, labor and risk oversight, among others, could expand the nature, scope, and complexity of matters that we are required to control, assess and report. These factors may alter the environment in which we do business and may increase the ongoing costs of compliance and adversely impact our results of operations and cash flows. If we are unable to adequately address such ESG matters or we or our borrowers fail or are perceived to fail to comply with applicable laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results.

Consumers may decide not to use banks to complete their financial transactions.

Technology and other changes are allowing parties to complete, through alternative methods and delivery channels, financial transactions that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds with an Internet-only bank, or with virtually any bank in the country through online or mobile banking. Consumers can also complete transactions such as purchasing goods and services, paying bills and/or transferring funds directly without the assistance of banks by transacting through non-bank enterprises or through the use of emerging payment technologies such as cryptocurrencies. The process of eliminating banks as intermediaries could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower-cost deposits as a source of funds could have an adverse effect on our financial condition, results of operations and liquidity.

New lines of business, products, product enhancements or services may subject us to additional risks.

From time to time, we may implement or acquire new lines of business or offer new products and product enhancements as well as new services within our existing lines of business. There are substantial risks and uncertainties associated with these efforts. In acquiring, developing or marketing new lines of business, products, product enhancements or services, we may invest significant time and resources, although there is no guarantee that these new lines of business, products, product enhancements or services will be successful or that we will realize their expected benefits. Further, initial timetables for the introduction, development and delivery of new lines of business, products, product enhancements or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the ultimate implementation and success of new lines of business or offerings of new products, product enhancements or services. Furthermore, any new line of business, product, product enhancement or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or offerings of new products, product enhancements or services could have a material adverse effect on our business, financial condition or results of operations.

Our accounting estimates and risk management processes rely on analytical and forecasting models and tools.

The processes we use to estimate probable credit losses, to measure the fair value of financial instruments, and to measure and monitor risk throughout the Bank, as well as the processes used to estimate the effects of changing interest rates and other measures of our financial condition and results of operations, depend upon the use of analytical and forecasting models and tools. These models and tools reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are accurate, the models and tools may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. Any such failure in our analytical or forecasting models and tools could have a material adverse effect on our business, financial condition and results of operations.

Our selection of accounting policies and methods may affect our reported financial results.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with accounting principles generally accepted in the U.S. ("GAAP") and reflect management's judgment of the most appropriate manner to report our financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet which may result in our reporting materially different results than would have been reported under a different alternative.

Certain accounting estimates have been determined by management to be critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the ACL or sustain credit losses that are significantly higher than the ACL allocation provided; recognize an ACL on our portfolio of investment securities; or significantly increase our accrued tax liability. Any of these could have a material adverse effect on our business, financial condition, or results of operations. For a discussion of our critical accounting estimates, see Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates included in this Annual Report on Form 10-K.

LEGAL, COMPLIANCE AND REGULATORY RISKS

We are subject to extensive government regulation that limits or restricts our activities and could adversely affect our operations.

We operate in a highly regulated industry and are subject to examination, supervision and comprehensive regulation by various federal and state agencies. Compliance with these regulations is costly and restricts certain activities, including issuance or redemption of debt securities, common stock or other forms of capital, payment of dividends, mergers and acquisitions, investments, interest rates charged for loans, interest rates paid on deposits, opening, closing or relocation of banking offices and various other activities and aspects of our operations. We are also subject to capital guidelines established by regulators which require maintenance of adequate capital. Many of these regulations are intended to protect depositors, the public and the FDIC's DIF rather than shareholders. Additionally, in order to conduct certain activities, including acquisitions, we are required to obtain regulatory approval. There can be no assurance that any required approvals can be obtained, or obtained without conditions, or on a timeframe acceptable to us.

We are subject to increased litigation, government investigation and increased scrutiny from bank regulatory and other government authorities, stemming from broader systemic regulatory concerns, including with respect to stress testing, liquidity and capital levels, asset quality, provisioning for credit loss, BSA/AML, consumer compliance and other prudential matters and efforts to ensure that financial institutions take steps to improve their risk management and prevent future crises. In this regard, government authorities, including the bank regulatory agencies and law enforcement, are also pursuing aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures and may also adversely affect our ability to enter into certain transactions or engage in certain activities, or obtain necessary regulatory approvals in connection therewith. The government enforcement authority includes, among other things, the ability to assess significant civil or criminal monetary penalties, fines, or restitution; to issue informal or formal enforcement actions, including required board resolutions, memoranda of understanding, written agreements, consent orders, cease and desist orders or prompt corrective action orders; to take corrective action and cease unsafe and unsound practices; and to initiate injunctive actions against banking organizations and institution-affiliated parties. These enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices.

In some cases, regulatory agencies may take supervisory actions that may not be publicly disclosed, which may address existing controls and could restrict or limit a financial institution. Also, as part of our regular examination process, our regulators may advise us to operate under various restrictions as a prudential matter. Such supervisory actions or restrictions, in whatever manner imposed, could negatively affect our ability to engage in new activities and certain transactions, as well as have a material adverse effect on our business and results of operations and may not be publicly disclosed.

We are involved in legal proceedings and may be the subject of additional litigation and/or investigations in the future.

In the normal course of business, from time to time, we are or have been named as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our business activities and acquisitions. Certain legal actions may include claims for substantial compensatory or punitive damages or indeterminate amounts of damages. In addition, while the arbitration provisions in certain of our customer agreements historically have limited our exposure to consumer class action litigation, there can be no assurance that we will be able to include or enforce such arbitration clauses in the future.

Although we have developed policies and procedures to minimize the impact of legal noncompliance and other disputes and endeavored to provide reasonable insurance coverage, litigation, government investigations and regulatory actions present an ongoing risk. We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against us, our directors, management or employees, including remedies or damage awards. On a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of our business) utilizing the latest and most reliable information available. In accordance with GAAP, for matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable we will incur a loss and the amount can be reasonably estimated, we establish an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings or threatened claims, however, may turn out to be substantially higher than the amount accrued. Further, our insurance may not cover all litigation, other proceedings or claims, or the costs of defense. Future developments could result in an unfavorable outcome for any existing or new lawsuits or investigations in which we are, or may become, involved, which may have a material adverse effect on our business and our results of operations.

We may be subject to claims and litigation asserting lender liability.

From time to time, customers, including real estate developers, may make claims or otherwise take legal action pertaining to performance of our responsibilities. These claims are often referred to as “lender liability” claims and are sometimes brought in an effort to produce or increase leverage against us in workout negotiations or debt collection proceedings. Lender liability claims frequently assert one or more of the following allegations: breach of fiduciary duties, fraud, economic duress, breach of contract, breach of the implied covenant of good faith and fair dealing, and similar claims. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a favorable manner, they may result in significant financial liability and/or adversely affect our market reputation, products and services, as well as potentially affecting customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition, results of operations and liquidity.

We may be subject to claims and litigation pertaining to fiduciary responsibility.

From time to time as part of our normal course of business, customers may make claims and take legal action against us based on actions or inactions related to the fiduciary responsibilities of our Trust and Wealth Division. If such claims and legal actions are not resolved in a manner favorable to us, they may result in financial liability and/or adversely affect our market reputation or our products and services. Any financial liability or reputation damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

We may not be able to protect our intellectual property and may be subject to claims of third-party intellectual property rights.

We utilize, to varying degrees in our business, certain patents, copyrights, trademarks, trade secret laws and confidentiality provisions to establish and protect our proprietary rights, including those created by our OZK Labs group. If we are unable to protect our intellectual property and proprietary technology, including any technology applications developed by our OZK Labs group, our competitors may be able to duplicate our technology and products. To the extent that we do not effectively protect our proprietary intellectual property through patents or other means, other parties, including former employees, with knowledge of our intellectual property may seek to exploit our intellectual property for their own or others’ advantage. In addition, we may unintentionally infringe on claims of third-party patents, and we may face intellectual property challenges from other parties. We may not be successful in defending against any such challenges or obtaining licenses to avoid or resolve any intellectual property disputes. Third-party intellectual property rights, valid or not, may also impede our deployment of the full scope of our products and service capabilities, including our OZK Labs technology applications, in all of the market areas in which we operate or market our products and services.

The intellectual property of an acquired business may be an important component of the value that we agree to pay for such a business. Such an acquisition, however, is subject to the risks that, among others, the acquired business may not own the intellectual property that we believe we are acquiring, that the intellectual property is dependent on licenses from third parties, that the acquired business infringes on the intellectual property rights of others, or that the technology does not have the acceptance in the marketplace that we may have anticipated. Any inability to protect our intellectual property or any claims of third-party intellectual property rights may negatively affect our business, which, in turn, could have an adverse effect on our business reputation, financial condition or results of operations.

In some instances, litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products, services or technology infringe or otherwise violate their intellectual property or proprietary rights. Third parties may have, or may eventually be issued, patents that could be infringed by our products, services or technology. Any of these third parties could bring an infringement claim against us with respect to our products, services or technology. We may also be subject to third-party infringement, misappropriation, breach or other claims with respect to copyright, trademark, license usage or other intellectual property rights. In addition, in recent years, individuals and groups, including patent holding companies, have purchased intellectual property assets in order to make claims of infringement and attempt to extract settlements from companies in the banking and financial services industry. Any litigation or claims brought by or against us, whether with or without merit, could result in substantial costs to us and divert the attention of our management, which could harm our business and results of operations. In addition, any intellectual property litigation or claims against us could result in the loss or compromise of our intellectual property and proprietary rights, subject us to significant liabilities including damage awards, result in an injunction prohibiting us from marketing or selling certain of our products or services, require us to redesign affected products or services, or require us to seek licenses and pay royalties which may only be available on unfavorable terms, if at all, any of which could harm our business and results of operations.

Changes in accounting standards could materially impact how we report our financial results.

The Financial Accounting Standards Board, the SEC and other bodies that establish and/or interpret accounting standards periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements or may change prior interpretations or positions on how these standards should be applied. These changes may be difficult to predict and may materially affect how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, which would result in changes to previously reported financial results.

Increases in FDIC insurance premiums may adversely impact our earnings and financial condition.

Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums we will be required to pay for FDIC insurance, with such premiums being based on our risk classification under an FDIC risk-based assessment system. Our assessments are based on our average consolidated total assets minus our average tangible equity. To determine our initial assessment rate, the FDIC uses a performance score and a loss-severity score, and in calculating these scores the FDIC uses our capital level, supervisory ratings and certain financial measures to assess our ability to withstand asset-related stress and funding-related stress. The FDIC also has the ability to make discretionary adjustments to the total score based upon significant risk factors that the FDIC determines are not adequately captured in these calculations. Changes to our assessment base or assessment rate, which are determined on a quarterly basis, could result in an increase in our FDIC insurance premiums. In addition, unfavorable economic conditions, increased bank failures or other events causing the DIF to suffer losses may cause the FDIC to charge additional special assessments. Future increases of FDIC insurance premiums or special assessments could have a material adverse effect on our business, financial condition or results of operations.

Existing and proposed legislation and regulations may affect our operations and growth.

To address turbulence in the U.S. economy and the banking and financial markets, the U.S. government has enacted a series of laws, regulations, guidelines and programs, many of which are discussed under the section Item 1. Business–Supervision and Regulation in this Annual Report on Form 10-K. The changes resulting from these laws, regulations, guidelines and programs are expected to continue to affect the profitability of our business activities, require additional changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business.

We have been and will continue investing significant management attention and resources to evaluate and make changes necessary to comply with new statutory and regulatory requirements. The CFPB is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws with respect to the conduct of providers of certain consumer financial products and services. The CFPB has rulemaking authority over many of the statutes governing products and services offered to bank consumers. For banking organizations with assets of $10 billion or more like us, the CFPB has exclusive rulemaking and examination authority, and primary enforcement authority for most federal consumer financial laws. In addition, states may adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB. Compliance with any such new regulations will likely increase our cost of operations. Failure to comply with these new requirements, among others, may adversely affect our results of operations and financial condition.

Additionally, in the routine course of regulatory oversight, proposals to change the laws and regulations governing the operations of banks and other financial institutions are frequently raised in the U.S. Congress, state legislatures and before bank regulatory authorities. The likelihood of significant changes in laws and regulations in the future and the effect that such changes might have on our operations are impossible to determine. Similarly, proposals to change the accounting and financial reporting requirements applicable to banks and other depository institutions are frequently raised by the SEC, the federal banking agencies and other authorities. Further, federal intervention in financial markets and the commensurate effect on financial institutions may adversely affect our rights under contracts with such other institutions and the way in which we conduct business in certain markets. The likelihood and impact of any future changes in these accounting and financial reporting requirements and the effect these changes might have on our business and operations are also impossible to determine at this time.

We are subject to changes in federal, state and local tax laws, interpretation of existing laws and examinations and challenges by taxing authorities.

Our financial performance is impacted by federal, state and local tax laws. Given the current economic and political environment, and ongoing budgetary pressures, the enactment of additional new federal or state tax legislation may occur or interpretations of existing tax laws could change. The enactment of such legislation or changes in the interpretation of existing law may have a material adverse effect on our financial condition, results of operations and liquidity.

In the normal course of business, we are routinely subjected to examinations and audits from federal, state and local taxing authorities regarding tax positions taken by us and the determination of the amount of tax due. These examinations may relate to income, franchise, gross receipts, payroll, property, sales and use, unclaimed property or other tax returns filed, or not filed, by us. The challenges made by taxing authorities may result in adjustments to the amount of taxes due, and may result in the imposition of penalties and interest. If any such challenges are not resolved in our favor, they could have a material adverse effect on our financial condition, results of operations and liquidity.

Certain state and/or federal laws may deter potential acquirers and may depress our stock price.

Certain provisions of federal and state laws may have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us. Under certain federal and state laws, a person, entity, or group must give notice to applicable regulatory authorities before acquiring a significant amount, as defined by such laws, of the outstanding voting stock of a bank, including shares of our common stock. Regulatory authorities review a potential acquisition to determine if it will result in a change of control. The applicable regulatory authorities will then act on the notice, taking into account the resources of the potential acquirer, the potential antitrust effects of the proposed acquisition and numerous other factors. As a result, these statutory provisions may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider to be in such shareholder's best interest, including those attempts that might result in payment of a premium over the market price for the shares held by shareholders.

LIQUIDITY AND MARKET RISKS

We may not be able to meet the cash flow requirements of our depositors, borrowers, or creditors, or the cash needs for expansion or other corporate activities.

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

The objective of managing liquidity risk is to ensure that our cash flow requirements resulting from depositor, borrower (including our ability to fund our significant balance of closed but unfunded loans), and other creditor demands are met, as well as our operating cash needs, and that our 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 and monitoring liquidity risk. Generally, we rely on deposits, repayments of loans and cash flows from our investment securities as our primary sources of funds. Our principal deposit sources include consumer and commercial customers in our markets. We have used these funds, together with public funds customers, FHLB advances and brokered deposits, as well as federal funds purchased and other sources of short-term borrowings to make loans, acquire investment securities and other assets and to fund continuing operations.

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

We anticipate we will continue to rely primarily on deposits, loan repayments, and cash flows from our investment securities, as well as other funding sources as appropriate, to provide liquidity. Additionally, where necessary, the secondary sources of borrowed funds described above will be used to augment our primary funding sources. If we are unable to access any of these secondary funding sources when needed, or if we otherwise experience an increase in funding liquidity risk or an increase in market liquidity risk, we might be unable to meet our depositors', borrowers' or creditors' needs, which would adversely affect our financial condition, results of operations and liquidity.

If we lose a significant portion of our core deposits or our cost of funding deposits increases, our liquidity and/or profitability could be adversely impacted.

Our profitability depends in part on successfully attracting and retaining a stable base of relatively low-cost deposits, as deposits have traditionally served as our largest, least costly source of funding. The competition for these deposits in our markets is strong, and deposit trends can shift with economic conditions. Our deposit levels might fall if an improving economy, rising market rates, or increased competition causes depositors to become more comfortable with risk and to demand higher interest rates on their deposits or seek other investments or vehicles offering higher rates of return.

We sometimes offer credit enhancements to depositors, such as FHLB letters of credit and, for certain deposits of public monies, pledges of collateral in the form of readily marketable securities. Any event or circumstance that interferes with or limits our ability to offer these products to customers that require greater security for their deposits, such as a significant regulatory enforcement action or a significant decline in our capital levels, could negatively impact our ability to attract and retain deposits. If we were to lose a significant portion of our low-cost deposits, we would be required to borrow from other sources at higher rates and our liquidity and profitability could be adversely impacted.

We use brokered deposits which may be an unstable and/or expensive deposit source to fund earning asset growth.

We use brokered deposits, subject to certain limitations and requirements, as a source of funding to augment deposits generated from our branch network. Our Board has established policies and procedures with respect to the use of brokered deposits. Such policies and procedures require, among other things, that (i) we limit the amount of brokered deposits as a percentage of total deposits and (ii) our ALCO 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 deposits. At December 31, 2021 we had $452 million in brokered deposits ($1.60 billion at December 31, 2020). In the event that our funding strategies call for the increased use of brokered deposits, there can be no assurance that such sources will be available, or will remain available, or that the cost of such funding sources will be reasonable. Additionally, should we no longer be considered well-capitalized, our ability to access new brokered deposits or retain existing brokered deposits could be adversely affected by market conditions, regulatory requirements or a combination thereof, which could result in most, if not all, brokered deposit sources being unavailable. The inability to utilize brokered deposits as a source of funding could have an adverse effect on our financial position, results of operations and liquidity.

We may need to raise additional capital in the future to continue to grow, but that capital may not be available when needed.

Federal and state bank regulators require us to maintain adequate levels of capital to support operations. At December 31, 2021, our regulatory capital ratios were above the minimum to be considered "well-capitalized" under regulatory guidelines. However, our business strategy calls for continued growth in our existing banking markets and to expand into new markets as appropriate opportunities arise. Growth in assets at rates in excess of the rate at which our capital is increased through retained earnings will reduce our capital ratios unless we continue to increase capital through other means. If our capital ratios were to fall below "well-capitalized" levels, the FDIC insurance assessment rate would increase until capital is restored and maintained at a "well-capitalized" level. Additionally, should our capital ratios fall below "well-capitalized" levels, certain funding sources could become more costly or could cease to be available to us until such time as capital is restored and maintained at a "well-capitalized" level. A higher assessment rate resulting in an increase in FDIC insurance premiums, increased cost of funding or loss of funding sources could have an adverse effect on our financial condition, results of operations and liquidity.

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, accomplished generally through the issuance of equity, including common stock, preferred stock, warrants, depository shares, stock purchase contracts or stock purchase units, and the issuance of senior debt or subordinated debentures. Our ability to raise additional capital, including senior debt or subordinated debentures, if needed, will depend, among other things, on conditions in the equity and/or debt markets at that time, which are outside of our control, and our financial performance. In addition, any issuance of preferred stock or debt by us may be accompanied by time delays associated with obtaining any required regulatory approvals. If market conditions change during any time delays associated with obtaining regulatory approval, we may not be able to issue equity or debt on as favorable terms as were contemplated at the time of commencement of the process, or at all.

We cannot assure you that access to additional capital will be available to us on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, our depositors or counterparties participating in the capital markets, may materially and adversely affect our capital costs and our ability to raise capital and/or debt and, in turn, our liquidity. If we cannot raise additional capital when needed, our ability to continue to grow in our existing banking markets and to expand into new markets could be impaired.

We cannot guarantee that we will pay dividends on our capital stock in the future.

Our shareholders are only entitled to receive dividends on our common or preferred stock as our Board may declare out of funds legally available for such payments. Although we have historically declared such dividends, we are not required to do so and may reduce or eliminate our common and/or preferred stock dividends in the future. Our ability to pay dividends on our capital stock is subject to the restrictions set forth in Arkansas law, by our federal regulator, and by certain covenants contained in the indentures governing our trust preferred securities, our subordinated debentures, our subordinated notes and the terms and conditions of our 4.625% Series A Non-Cumulative Perpetual Preferred Stock ("Preferred Stock"). For example, in the event we become subject to an enforcement action or depending upon our regulatory status, our regulators may prevent us from paying dividends to our shareholders. Further, we cannot declare or pay dividends on our common stock or redeem or repurchase our common stock for any period for which we have not declared and paid in full dividends on our Preferred Stock. Our capital planning and risk management is subject to supervisory review, and, as a result of that review, our discretion to pay dividends or determine the amount of any dividend could be limited. Accordingly, there can be no assurance that we will continue to pay dividends on our capital stock in the future. Our Board will continue to evaluate the payment of dividends based on our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors our Board deems relevant. See Note 19 of the consolidated financial statements under Part II, Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a discussion of dividend restrictions.

Our operations are significantly affected by interest rate levels.

Our profitability is dependent to a large extent on net interest income, which is the difference between interest income earned on loans and investment securities and interest expense paid on deposits, other borrowings, subordinated debentures and subordinated notes. Our business is affected by changes in general interest rate levels and changes in the differential between short-term and long-term interest rates, both of which are beyond our control. An increase in market interest rates on loans is generally associated with a lower volume of loan originations, which may reduce earnings. Following an increase in the general level of interest rates, our ability to maintain a positive net interest spread is dependent on our ability to increase our loan offering rates, replace loan maturities with new originations, minimize increases on our deposit rates, and maintain an acceptable level and mix of funding.

In response to the economic conditions resulting from the outbreak of the COVID-19 pandemic, the Federal Reserve's target federal funds rate has been reduced nearly to 0%. The significant fiscal stimulus and monetary policy actions of the U.S. Government and Federal Reserve have been contributing factors to elevated levels of inflation during much of 2021. As a result, in December 2021, the Federal Reserve released projections related to the target range for the federal funds target rate that imply general increases in such rate may occur over the next few years. Although we have implemented procedures we believe will reduce the potential negative effects or enhance the potential positive effects of changes in interest rates on our net interest income, these procedures may not always be successful. Accordingly, changes in levels of market interest rates could materially and adversely affect our net interest income and our net interest margin, asset quality, loan origination volume, liquidity, and overall profitability. We cannot assure you that we can minimize our interest rate risk.

We rely primarily on an earnings simulation model and economic value of equity ("EVE") to analyze our interest rate risk and our sensitivity to interest rate changes. This earnings simulation model projects a baseline net interest income and estimated changes to such baseline from changes in interest rates and incorporates a number of assumptions. The assumptions and inputs used in our interest simulation model and EVE are difficult to accurately predict. Should these assumptions prove to be inaccurate, our interest simulation model and EVE results may not accurately project our interest rate risk and our sensitivity to interest rate changes. As a result, we may incur increased or unexpected losses due to changes in interest rates which could materially and adversely affect our net interest income, our net interest margin and our results of operations.

We and/or the holders of certain classes of our securities could be adversely affected by unfavorable ratings from rating agencies.

The ratings agencies regularly evaluate us, and their ratings of our long-term debt are based on a number of factors, including our financial strength, as well as factors not entirely within our control, including conditions affecting the financial services industry in general. There can be no assurance that we will not receive adverse changes in our ratings in the future, which could adversely affect the cost and other terms upon which we are able to obtain funding, and the way in which we are perceived in the capital markets. Actual or anticipated changes, or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade, could adversely affect the market value and liquidity of our securities, increase our borrowing costs and negatively impact our profitability. Additionally, a downgrade of the credit rating of any particular security issued by us could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

The performance of our investment securities portfolio is subject to fluctuation due to changes in interest rates and market conditions, including credit deterioration of the issuers of individual securities.

ALCO has primary responsibility for oversight of our investment portfolio functions. Changes in interest rates can negatively affect the performance of most of our investment securities. Interest rate volatility can reduce unrealized gains or increase unrealized losses in our portfolio. Interest rates are highly sensitive to many factors including monetary policies, domestic and international economic and political issues, and other factors beyond our control. Fluctuations in interest rates can materially affect both the returns on and market value of our investment securities. Additionally, actual investment income and cash flows from investment securities that carry prepayment risk, such as mortgage-backed securities and callable securities, may materially differ from those anticipated at the time of investment or subsequently as a result of changes in interest rates and market conditions.

Our investment securities portfolio consists of several securities whose trading markets are "not active." As a result, we utilize alternative methodologies for pricing these securities that include various estimates and assumptions. There can be no assurance that we can sell these investment securities at the price derived by these methodologies, or that we can sell these investment securities at all, which could have an adverse effect on our financial position, results of operations and liquidity.

Our investment portfolio also includes securities that are designated as "trading." These securities are typically bought and sold over a relatively short period with the intent to generate gains on such transactions. However, there can be no assurance that we will be able to generate such gains in future periods. Additionally, any trading securities that are not sold as of the end of any reporting period must be marked to market with such unrealized gains and losses recorded in current period earnings. Mark-to-market adjustments on these investments may reduce our profitability or cause our net income to vary from period to period. We may be unable to generate gains from trading securities activity in future periods or have unrealized losses that are recorded in earnings, which could have an adverse effect on our financial position and our results of operations.

We monitor the financial position of the various issues of investment securities in our portfolio, including each of the state and local governments and other political subdivisions where we have exposure. To the extent we have securities in our portfolio from issuers that have experienced a deterioration of financial condition, or that may experience future deterioration of financial condition, the value of such securities may decline and could result in the need to establish an ACL recorded as a provision for credit loss, which could have an adverse effect on our financial condition, results of operations and liquidity.

We currently invest in bank owned life insurance ("BOLI") and may continue to do so in the future.

We had $775 million in general, hybrid and separate account BOLI contracts at December 31, 2021. BOLI is an illiquid long-term asset that provides tax savings because cash value growth and life insurance proceeds are not taxable. However, if we needed additional liquidity and converted the BOLI to cash, such transaction would be subject to ordinary income tax and applicable penalties. We are also exposed to the credit risk of the underlying securities in the investment portfolio and to the insurance carrier's credit risk (in a general account contract). If BOLI was exchanged to another carrier, additional fees would be incurred and a tax-free exchange could only be done for insureds that were still actively employed by us at that time. There is also interest rate risk relating to the market value of the underlying investment securities associated with the BOLI in that there is no assurance that the market value of these securities will not decline. Investing in BOLI exposes us to liquidity, credit and interest rate risk, among other risks, which could adversely affect our financial condition, results of operation and liquidity.

We may be adversely impacted by the transition from LIBOR as a reference rate.

The United Kingdom's Financial Conduct Authority and the administrator of LIBOR have announced that the publication of the most commonly used U.S. Dollar LIBOR settings will cease to be published or cease to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be published as of December 31, 2021. Given consumer protection, litigation, and reputation risks, the bank regulatory agencies have indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks and that they will examine bank practices accordingly. Therefore, the agencies encouraged banks to cease entering into new contracts that use LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. At this time, we are not able to predict whether the Secured Overnight Financing Rate ("SOFR"), the alternative reference rate recommended by the FRB's Alternative Reference Rates Committee ("ARRC"), will become the market-accepted replacement benchmark for U.S. Dollar LIBOR, or what impact such a transition may have on our business, results of operations, and financial condition.

Our subordinated debentures and related trust preferred securities and significant portions of our loan portfolio are tied to LIBOR benchmark interest rates. While the documentation for some of these instruments contain language pertaining to the discontinuation of

LIBOR, there is a possibility of disputes, litigation, and other actions arising with customers, investors, and counterparties concerning, for example, our exercise of discretion or the interpretation and enforceability of fallback language and related provisions. New York State has enacted legislation that is intended to minimize legal and economic uncertainty following U.S. Dollar LIBOR's cessation by replacing LIBOR references in certain contracts governed by New York law with a benchmark based on SOFR, including any spread adjustment, recommended by the Federal Reserve, the Federal Reserve Bank of New York or the ARRC. However, this legislation does not apply to all contracts, and it is uncertain whether the documentation for our products will allow those products to qualify for the legal protection against litigation contained in other proposed federal and state legislation dealing with the LIBOR transition. These potential challenges in implementing an alternative reference rate could result in losses or reputational damage or otherwise adversely affect our business.

The market transition away from LIBOR to an alternative reference rate, including SOFR, is complex and could have a range of adverse effects on our business, financial condition, and results of operations. In particular, any such transition could:

- adversely affect the interest rates paid or received on, the revenue and expenses associated with, and the value of our floating rate obligations, loans, deposits and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR's role in determining market interest rates globally;
- prompt inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with an alternative reference rate;
- result in disputes, litigation or other actions with customers or counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based securities and/or LIBOR-based loan agreements or the appropriateness or comparability to LIBOR of any substitute indices; and
- require the transition to or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on the applicable alternative pricing benchmark.

In addition, the implementation of LIBOR reform proposals may result in increased compliance costs and operational costs, including costs related to continued participation in LIBOR and the transition to a replacement reference rate or rates. As described above, we have identified material exposures to LIBOR but cannot reasonably estimate the expected impact or other consequences of such exposure. For additional information regarding the actions we have taken to prepare for an orderly transition from LIBOR, see Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Elements – Market and Interest Rate Risk Management – LIBOR Transition of this Annual Report on Form 10-K.

The holders of our subordinated debentures, subordinated notes and Preferred Stock have rights that are senior to those of our common shareholders.

At December 31, 2021, we had an aggregate principal amount of $118 million of floating rate and trust preferred securities outstanding. We guarantee payment of the principal and interest on the trust preferred securities, and the subordinated debentures are senior to shares of our common stock. As a result, we must make payments on the subordinated debentures (and the related trust preferred securities) before any dividends can be paid on shares of our common stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of the subordinated debentures would receive a distribution from our available assets before any distributions could be made to the holders of common stock. We have the right to defer distributions on our subordinated debentures and the related trust preferred securities for up to five years, during which time no dividends may be paid to holders of our common stock. At December 31, 2021, we had an aggregate principal amount of $350 million of subordinated notes which are senior to shares of our common stock. In the event of our bankruptcy, dissolution or liquidation, the holders of the subordinated notes would receive a distribution from our available assets before any distribution could be made to the holders of common stock. At December 31, 2021, we had 14,000,000 shares of Preferred Stock issued and outstanding. Under the terms of our Preferred Stock, in the event that we do not declare and pay dividends on the Preferred Stock for the most recent dividend period, we may not, with certain exceptions, declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock or any of our securities that rank junior to the Preferred Stock. In addition, in the event of our bankruptcy, dissolution or liquidation, the holders of our Preferred Stock would receive a distribution from our available assets before any distribution could be made to the holders of common stock.

The price of our common and preferred stock is affected by a variety of factors, many of which are outside our control.

Stock price volatility may make it more difficult for investors to sell shares of our common stock and Preferred Stock at times and prices they find attractive. Our common stock and Preferred Stock prices can fluctuate significantly, over a short period of time, in response to a variety of factors, including, among other things:

- actual or anticipated variations in quarterly results of operations;
- recommendations or changes in recommendations by securities analysts regarding our securities;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- perceptions in the marketplace about us and/or our competitors;

- new technology used, or products and services offered, by competitors;
- changes in the political climate, including any changes from the recent U.S. elections;
- changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility and other geopolitical, regulatory or judicial events, including current or anticipated military conflict such as the escalating military tension between Russia and Ukraine;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by or involving us or our competitors; and
- changes in, or proposed changes to, governmental regulations.

General market fluctuations, industry factors and general economic and political conditions and events such as economic slowdowns, expected or incurred interest rate changes, credit loss trends, and various other factors and events could adversely affect the price of our common stock and Preferred Stock.

Our common and preferred stock trading volume may not provide adequate liquidity for investors.

Although shares of our common stock and Preferred Stock are listed on the Nasdaq Global Select Market, the average daily trading volume in the common stock or Preferred Stock may be less than that of larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of a sufficient number of willing buyers and sellers of our capital stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Significant sales of our capital stock in a brief period of time, or the expectation of these sales, could cause a decline in the price of our capital stock.

Future issuances of additional equity securities could result in dilution of existing shareholders' equity ownership and may adversely affect the market price of our stock.

We have issued, and may issue in the future, shares of our capital stock in connection with our acquisition of other financial institutions or to support expected growth. We may determine from time to time to issue additional equity securities to raise additional capital, support growth, or to make acquisitions. Further, we have, and may continue to, issue stock options, grant restricted stock awards or other stock grants, awards or units in order to retain, compensate and/or motivate our employees and directors. These issuances of our securities could dilute the voting and economic interests of existing shareholders. In addition, resales of substantial amounts of capital stock in the public market and the potential of such sales could adversely affect the prevailing market price of our capital stock and impair our ability to raise additional capital through the sale of equity securities.

Our capital stock is not an insured deposit.

Shares of our common stock and Preferred Stock are not bank deposits and, therefore, losses in value are not insured by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in shares of our capital stock is inherently risky for the reasons described in this "Risk Factors" section of this Annual Report on Form 10-K, and is subject to the same market forces and investment risks that affect the price of capital stock in any other company, including the possible loss of some or all principal invested.

STRATEGIC, REPUTATIONAL AND OTHER RISKS

Our recent results may not be indicative of our future results.

We may not be able to grow our business at the same rate of growth achieved in recent years or even grow our business at all. Additionally, in the future we may not have the benefit of several factors that have been favorable to our business in past years, such as an interest rate environment where changes in rates occur at a relatively orderly and modest pace, the ability to find suitable expansion opportunities, or otherwise to capitalize on opportunities presented by economic turbulence, or other factors and conditions.

Numerous factors, such as weakening or deteriorating economic conditions, regulatory restrictions or actions, legislative considerations, and competition may impede or restrict our ability to expand our market presence and could adversely affect our future operating results.

We have made, and are continuing to make, significant changes and enhancements to our infrastructure in a number of important areas. The ultimate success and completion of these changes may vary significantly from initial planning, which could materially affect our control environment, operating efficiency, and results of operations.

Over the last several years, we have completed numerous strategic initiatives and improvement projects, including the merger of our bank holding company into the Bank, our name change and strategic rebranding, and expansion and enhancement of our infrastructure for a number of key areas, including expanding our human and physical infrastructure. Ongoing investment will continue with respect to expansion and enhancements to our infrastructure, implementation of various customer-facing digital capabilities, and a variety of other projects to enhance, automate or otherwise create efficiencies in how we do business.

These changes continue to be implemented; some of the projects are fully completed, and some projects are in their early stages. By their very nature, projections of duration, cost, expected savings, expected efficiencies and related items are subject to change and significant variability. We may encounter significant adverse developments in the completion and implementation of these changes. These may include significant time delays, cost overruns, loss of key people, technological problems, processing failures and other adverse developments. Any or all of these issues could result in disruptions to our systems, processes, control environment, procedures and employees, which may adversely impact our customers and our ability to conduct business.

We have plans, policies and procedures designed to prevent or limit the negative effect of these potential adverse developments. However, there can be no assurance that any such adverse developments will not occur or, if they do occur, that they will be adequately remediated. The ultimate effect of any adverse development could subject us to additional regulatory scrutiny or expose us to civil litigation and possible financial liability, any of which could materially affect our control environment, operating efficiency and results of operations.

If we do not manage our growth effectively, our business, future prospects, financial condition, results of operations and liquidity could be adversely affected.

Our reputation, expertise and banking model enable us to build and expand our banking relationships with customers in the markets we serve. We remain committed to growing our business in a disciplined manner. Our growth prospects must be considered in light of the risks, expenses and difficulties frequently encountered by banking companies pursuing such strategies. In order to successfully expand our banking relationships in our current or new markets, we must, among other things:

- attract and retain qualified bank management and staff;
- build a substantial customer base;
- expand our loan portfolio while maintaining credit quality;
- attract sufficient deposits and capital to fund anticipated loan growth;
- identify and expand into suitable markets;
- identify and acquire suitable sites for new banking offices;
- obtain regulatory and other approvals;
- maintain adequate common equity and regulatory capital;
- sustain employee productivity while pursuing various organizational initiatives; and
- maintain sufficient qualified staffing, infrastructure and organizational capacity to support growth and compliance with increasing regulatory requirements.

In addition to the foregoing factors, there are considerable costs involved in opening banking offices, and such new offices generally do not generate sufficient revenues to offset their costs until they have been in operation for some time. Therefore, any new banking offices we open can be expected to negatively affect our operating results until those offices reach a size at which they become profitable. We could also experience an increase in expenses if we encounter delays in opening any new banking offices.

Moreover, we cannot give any assurances that any new banking offices we open will be successful, even after they have become established, or that we can hire and retain qualified bank management and staff to achieve our growth and profitability goals. If we do not manage our growth effectively, our business, future prospects, financial condition, results of operations and liquidity could be adversely affected.

We may be adversely affected by risks associated with any potential future acquisition.

We plan to continue to grow our business organically. However, we have pursued and may continue to pursue additional acquisition opportunities in the future that we believe support our business strategy and may enhance our profitability. Acquisitions involve numerous risks, including, among others:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;
- using inaccurate estimates, assumptions and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets;
- the risk that the acquired business will not perform to our expectations;
- difficulties, inefficiencies or cost overruns in integrating and assimilating the organizational cultures, operations, technologies, products and services of the acquired business with ours;
- the risk of key vendors not fulfilling our expectations or not accurately converting data or operating systems;
- entering geographic and product markets in which we have limited or no direct prior experience;

- the potential loss of key employees, vendors, customers and depositors of the acquired business;
- the potential for liabilities, claims and/or other contingencies arising out of the acquired business; and
- the risk of not receiving required regulatory approvals or such approvals being restrictively conditional.

Acquisitions of financial institutions also involve operational risks and uncertainties, and acquired companies may have unknown or contingent liabilities with no corresponding accounting reserve or allowance, exposure to unexpected asset quality problems that require write downs or write-offs (as well as restructuring and impairment or other charges), difficulty retaining key employees and customers and other issues that could negatively affect our business. We may not be able to realize the expected level of, or any, projected cost savings, synergies or other benefits associated with any such acquisition we complete. Any acquisition may involve the payment of a premium over book and/or market value and, therefore, some dilution of our tangible book value and diluted earnings per common share may occur in connection with any such future acquisition. Failure to successfully integrate the entities we acquire into our existing operations could significantly increase our operating costs and have a material adverse effect on our business, financial condition and results of operations.

We must generally satisfy a number of meaningful conditions prior to completing any acquisition, including, in certain cases, federal and state regulatory approval. Bank regulators consider a number of factors when determining whether to approve a proposed transaction, including the effect of the transaction on financial stability and the ratings and compliance history of all institutions involved, including the CRA examination results and BSA/AML compliance records of all institutions involved. The process for obtaining required regulatory approvals may be difficult. We may fail to pursue, evaluate or complete strategic acquisition opportunities as a result of our inability, or our perceived inability, to obtain any required regulatory approvals in a timely manner or at all.

In addition, we face significant competition from numerous other financial services institutions, some of which will have greater financial resources than we do, when considering acquisition opportunities. Accordingly, attractive acquisition opportunities may not be available to us. There can be no assurance that we will be successful in identifying or completing any potential future acquisitions.

Reputational risk and social factors may impact our results.

Our ability to originate and maintain accounts is highly dependent upon consumer and other external perceptions of our business practices and/or our financial health. Adverse perceptions regarding our business practices and/or financial health could damage our reputation, leading to difficulties in originating and retaining loans and deposits. Adverse developments, consumer sentiment, or other external perceptions regarding the practices of competitors, or the industry as a whole, may also adversely impact our reputation and business prospects. These perceptions could stem from a variety of sources, including negative posts or communications about us on a social media website or the disclosure of non-public information or negative comments regarding us or our business from employees or others on social media or other websites. In addition, adverse reputational effects on third parties with whom we have important relationships may also adversely affect our reputation. Adverse effects on our reputation, or the reputation of the industry, may also result in greater regulatory and/or legislative scrutiny, which may lead to laws or regulations that may change or constrain the manner in which we engage with our customers and the products and services we offer. Adverse reputational effects or events may also increase litigation risk. Any of these factors could have an adverse effect on our ability to achieve our business objectives, which could have an adverse effect on our financial conditions, results of operations and liquidity.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions, or inactions, and financial stability of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to various counterparties, including brokers and dealers, commercial and correspondent banks, and others. As a result, defaults by, or rumors or questions about, one or more other financial services institutions, or the financial services industry generally, may result in market-wide liquidity problems and could lead to losses or defaults by such other institutions. Such occurrences could expose us to credit risk in the event of default of one or more counterparties and could have a material adverse effect on our financial position, results of operations and liquidity.

If our goodwill becomes impaired, we could be required to record impairment charges.

Goodwill represents the amount by which the acquisition cost exceeds the fair value of net assets we acquire in an acquisition. We review goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate the carrying value might be impaired. At December 31, 2021 our goodwill totaled $661 million. While our previous evaluations of goodwill have not resulted in any impairment charges or write downs of our goodwill, there can be no assurance that future evaluations of goodwill will not result in findings of impairment and related write downs, which could have a material adverse effect on our financial condition and results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal executive office is located in Little Rock, Arkansas. At December 31, 2021, we conducted banking operations in 246 offices in eight states, including 229 banking offices and 17 loan production offices. Such offices include both owned and leased facilities.

The following table sets forth specific information about our facilities, by state, at December 31, 2021.

	Banking Facility		
State	**Owned**	**Leased**	**Total**
Arkansas	72 (1)	5 (4)	77
Georgia	61 (2)	9 (5)	70
Florida	34 (3)	10 (6)	44
North Carolina	24	3 (7)	27
Texas	19	4 (8)	23
California	—	3 (9)	3
New York	—	1 (10)	1
Mississippi	—	1 (11)	1
Total	210	36	246

(1) Includes our principal executive office in Little Rock.
(2) Includes one loan production office in Alpharetta.
(3) Includes one loan production office in Jacksonville Beach.
(4) Includes one loan production office in Jonesboro.
(5) Includes two loan production offices in Atlanta.
(6) Includes one loan production office each in Orlando, Aventura and Clearwater.
(7) Consists of one loan production office each in Raleigh, Greenville and Charlotte.
(8) Includes one loan production office in Tyler.
(9) Consists of one loan production office each in Los Angeles, San Francisco and Irvine.
(10) Consists of a loan production office in New York City.
(11) Consists of a loan production office in Brookhaven.

Item 3. LEGAL PROCEEDINGS

On October 26, 2018, a purported class action complaint alleging violations of federal securities laws was filed against Bank OZK in the United States District Court for the Eastern District of Arkansas, captioned Jordan Colbert et al. v. Bank OZK et al., case number now 4:18-cv-793-DPM. Under applicable federal law, the federal district court in the Colbert Case named Strathclyde Pension Fund as the lead class plaintiff. The Colbert complaint, as first amended on June 21, 2019, alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, by the Bank, its CEO, George Gleason, and its CFO, Greg McKinney, for making allegedly false and misleading statements and allegedly failing to disclose material facts relating to the risk of loss regarding two commercial real estate loans. The first amended complaint alleged essentially that the Bank lacked adequate internal controls to assess credit risk; as a result, such loans, which were classified as substandard, posed an increased risk of loss and were reasonably likely to lead to charge-offs, which actually occurred in the third quarter of 2018; and consequently, defendants' public statements during the class period about the Bank's business, operations, and prospects were materially misleading and/or lacked a reasonable basis. The first amended complaint identified the proposed class period as encompassing persons who purchased the Bank's common stock between February 19, 2016 and October 18, 2018, and sought damages against the Bank and the individual defendants. On April 3, 2020, the Court ruled on the Bank's and the individual defendants' motion to dismiss the action, granting the motion in part, dismissing all claims against Mr. McKinney, and denying the motion in part, allowing certain of the claims against the Bank and Mr. Gleason to move forward. On October 8, 2020, lead plaintiff filed a second amended complaint to reassert certain of the claims that had been dismissed, but not to reassert claims against Mr. McKinney. On January 29, 2021, the Court ruled on the Bank's and Mr. Gleason's motion to dismiss the second amended complaint, confirming dismissal of the previously dismissed claims and allowing the claims previously allowed to move forward against the Bank and Mr. Gleason. The Court granted class certification on December 30, 2021. The Bank and Mr. Gleason intend to vigorously defend against the alleged claims.

On September 20, 2021, a shareholder derivative complaint was filed in the Circuit Court of Pulaski County, Arkansas, case no. 60CV-21-5878, by Barbara Bonessi as plaintiff, against the Bank, as nominal defendant, the current members of the Bank's board of directors, and certain current and former officers and directors of the Bank. The complaint alleged claims against (i) the current members of the board of directors for breach of fiduciary duty, waste of corporate assets, unjust enrichment, and failing to prevent other officers and directors from alleged insider trading in the Bank's stock and (ii) certain directors and certain current and former officers of the Bank for breach of fiduciary duty for insider trading and misappropriation of material, non-public information, all in the context of the same factual circumstances recited in the class action complaint noted in the preceding paragraph. On December 22, 2021, the Court granted the parties' joint motion to dismiss the case without prejudice.

On October 13, 2021, a shareholder derivative complaint was filed in the United States District Court for the Eastern District of Arkansas, case no. 4:21-cv-931-BRW, by Alexander Nicozisin and Mary Jacklyn Nicozisin, as plaintiffs, against the Bank as nominal defendant, certain members of the board of directors, and certain current and former officers of the Bank. The complaint alleged claims against the individual defendants for breach of fiduciary duty and, unjust enrichment all in the context of the same factual circumstances recited in the federal securities class action complaint noted above. The plaintiffs filed a notice of voluntary dismissal on November 18, 2021, and the Court entered a judgment of dismissal without prejudice on November 22, 2021.

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

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Bank's common stock is listed on the Nasdaq Global Select Market under the symbol "OZK" and at December 31, 2021, the Bank had approximately 1,398 shareholders of record. On December 31, 2021, the closing price of our common stock was $46.53 per share.

Recent Sales of Unregistered Securities

During the fourth quarter of 2021, the Bank issued 31,400 shares of common stock in connection with the exercise of stock options issued to certain participants under the Bank's Stock Option Plans. The shares were issued in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933, because the sales involved securities issued by a bank.

During the fourth quarter of 2021, the Bank completed a public offering of 14,000,000 shares of its 4.625% Series A Non-Cumulative Perpetual Preferred Stock, par value $0.01 per share, with a liquidation preference of $25.00 per share (the "Series A Preferred Stock"), for aggregate cash consideration of $350 million. The aggregate initial purchaser discount was $10.3 million. The initial purchasers were represented by Morgan Stanley & Co. LLC, BofA Securities, Inc., and Wells Fargo Securities, LLC. Net proceeds, after the initial purchaser discount and estimated expenses, were approximately $339 million, which we intend to use for repurchases of shares of our common stock pursuant to our increased stock repurchase program and for other general corporate purposes. The shares were issued in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933, because the sales involved securities issued by a bank.

Repurchases of Equity Securities by Issuer

As previously disclosed, in October 2021 the Bank's Board of Directors approved an increase in the size of our stock repurchase program up to an aggregate of $650 million and extended the expiration date of the stock repurchase program to November 4, 2022. During the fourth quarter of 2021, the Bank repurchased shares of its common stock in connection with its stock repurchase program, as indicated in the following table.

	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program (1)
	(Dollars in thousands, except share and per share amounts)			
October 1-31, 2021	112,520	$ 43.58	112,520	$ 608,094
November 1-30, 2021	1,562,215	46.98	1,562,215	534,664
December 1-31, 2021	1,712,686	45.58	1,712,686	$ 456,556
Total	3,387,421	$ 46.16	3,387,421	

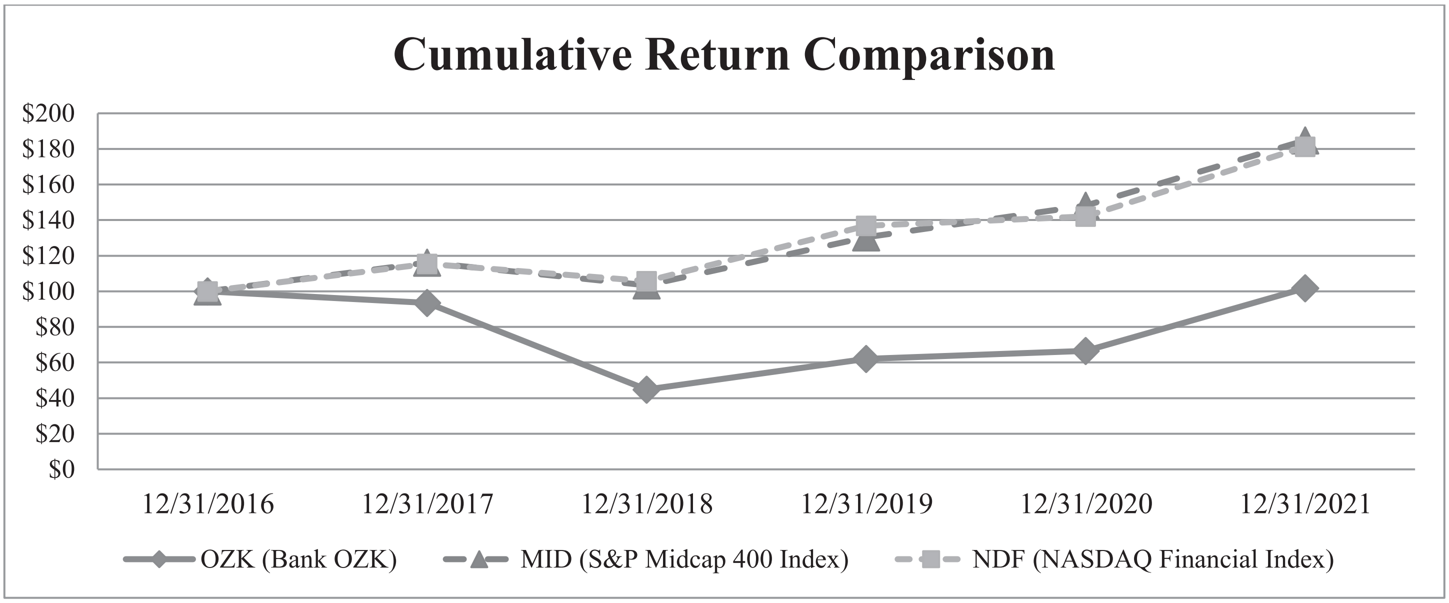
(1) On July 22, 2021, we announced that our board of directors approved a stock repurchase program authorizing the repurchase of up to $300 million of our outstanding shares of common stock (the "Stock Repurchase Program"). On October 28, 2021, we announced that our board of directors approved an increase in the amount of its outstanding shares of common stock authorized to be repurchased under the Stock Repurchase Program by $350 million, bringing the cumulative total value of authorized share repurchases under the program since its inception to $650 million. The Stock Repurchase Program, as amended, will expire on November 4, 2022. Under the Stock Repurchase Program, repurchases may be made from time to time in open market transactions, including pursuant to trading plans adopted in accordance with Rule 10b5-1 of the Exchange Act, or in privately negotiated transactions. The timing and amount of repurchases will be determined by management based on a variety of factors such as our capital position, liquidity, financial performance and alternative uses of capital, stock price, regulatory requirements and general market and economic conditions.

Dividends

The determination of future cash dividends on our capital stock will depend on conditions existing at that time and approval of our Board. Our Board will continue to evaluate the payment of cash dividends based on our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors our Board deems relevant. See "Item 1 – Business – Supervision and Regulation – "Payment of Dividends" and "Common Stock Dividend Policy" and "Preferred Stock Dividend Policy" under "Item 7 – Management's Discussion and Analysis of the Financial Condition and Results of Operations – Capital Management" for restrictions on our present or future ability to pay dividends, particularly those restrictions arising under federal and state banking laws.

Stock Performance Graph

The graph below shows a comparison for the period commencing December 31, 2016 through December 31, 2021 of the cumulative total stockholder returns (assuming reinvestment of dividends) for our common stock, the S&P Midcap 400 Index and the Nasdaq Financial Index, assuming a $100 investment on December 31, 2016.



	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
OZK (Bank OZK)	$ 100	$ 93	$ 45	$ 62	$ 67	$ 102
MID (S&P Midcap 400 Index)	$ 100	$ 116	$ 103	$ 130	$ 148	$ 185
NDF (NASDAQ Financial Index)	$ 100	$ 115	$ 106	$ 137	$ 142	$ 181

Item 6. [RESERVED]

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following is a discussion of our financial condition at December 31, 2021 and 2020 and our results of operations for each of the years in the three-year period ended December 31, 2021. The purpose of this management's discussion and analysis of financial condition and results of operations ("MD&A") is to focus on the most relevant information about our financial condition and results of operations that is not otherwise apparent from the consolidated financial statements and footnotes. This discussion should be read in conjunction with the disclosure regarding "Forward-Looking Information" in Part I as well as the risks discussed under Part I, Item 1A. Risk Factors, and our consolidated financial statements and notes thereto included under Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Bank OZK (the "Bank") is subject to regulation by the Arkansas State Bank Department ("ASBD"). Because the Bank is an insured depository institution that is not a member bank of the Board of Governors of the Federal Reserve System ("FRB"), our primary federal regulator is the Federal Deposit Insurance Corporation ("FDIC"). We are not subject to the FRB's regulation and supervision (except such regulations as are made applicable to the Bank by law and regulation of the FDIC). Shares of the Bank's common stock are listed in the Nasdaq Global Select Market under the symbol "OZK."

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

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

Critical Accounting Estimates

Our consolidated financial statements and related notes presented in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). Our significant accounting policies and methods are discussed in Note 1 to the consolidated financial statements. Certain accounting estimates involve a significant level of estimation uncertainty and require management to make difficult, subjective or complex judgments about matters that are uncertain and have had, or are reasonably likely to have, a material impact on our financial condition or results of operations. Because of the uncertainty involved in these estimates, materially different amounts could be reported under different assumptions or estimates. Our determination of (i) the provisions to and the adequacy of the allowance for credit losses ("ACL"), (ii) the fair value of our investment securities portfolio, and (iii) accounting for our income taxes all involve a higher degree of judgment and complexity than our other significant accounting policies. Accordingly, we consider each of these to be critical accounting estimates.

Provisions to and adequacy of the ACL. Our ACL estimate is established through a provision for credit losses charged against income. Our ACL estimate is subject to uncertainty due to various assumptions and judgments utilized in forming our ACL estimate. In estimating our ACL, we utilize various score cards which use quantitative models and qualitative factors in determining our estimated ACL. In addition, various qualitative adjustments are applied to our ACL estimate to address potential limitations.

The ACL is maintained at a level that we believe will be adequate to absorb expected credit losses in future periods associated with our loan portfolio and unfunded loan commitments. Provisions to and the adequacy of the ACL are based on evaluations of the loan portfolio utilizing objective and subjective criteria. The objective criteria primarily includes estimated losses that are modeled from the respective score cards and the outputs from our CECL platform that considers various economic forecasts and scenarios, a reasonable and supportable forecast of two years followed by a systematic reversion to our historical losses, and other factors. In addition to these objective criteria, we subjectively assess the adequacy of the ACL and the need for changes thereto, with consideration given to the nature and mix of the portfolio, national, regional and local business and economic conditions that may affect borrowers' ability to pay, concentrations of credit, changes in the experience, ability and depth of lending management and other relevant staff, changes in the nature and volume of the portfolio and in the terms of the loans, overall portfolio quality, historical loss experience and other relevant factors. Changes in these criteria or the availability of new information could require adjustment of the ACL in future periods. In addition, for loans that do not share risk characteristics similar to those contained within their respective loan segments, we may perform an individual assessment of the ACL utilizing expected cash flows, collateral values or a combination thereof. On an ongoing basis, we evaluate the underlying collateral on certain collateral dependent loans and, if needed, due to changes in market or property conditions, the underlying collateral is reassessed and the estimated collateral value is revised. The determination of collateral value includes any adjustments considered necessary related to estimated holding periods and estimated selling costs. While an individual assessment and related ACL has been calculated for certain loans, no portion of our ACL is restricted to any individual loan or group of loans, and the entire ACL is available to absorb losses from any and all loans, including unfunded loan commitments.

Changes in the criteria used in this evaluation or the availability of new information could cause the ACL to be increased or decreased in future periods. To the extent that our reasonable and supportable forecast varies from actual economic conditions and/or our actual losses vary from our historical losses, we could experience significant fluctuation in our provision for credit losses and our ACL. In addition, our qualitative factors, including our estimate of qualitative adjustments, may change or vary considering the change in our assumptions or expectations for future loan losses. Also, bank regulatory agencies, as part of their examination process, may require adjustments to the ACL based on their judgment and estimates.

Fair value of the investment securities portfolio. We determine the appropriate classification of investment securities at the time of purchase and reevaluate such designation as of each balance sheet date. At December 31, 2021, we held investment securities classified as both available for sale ("AFS") and trading.

Investment securities are reported at estimated fair value, with the unrealized gains and losses determined on a specific identification basis. We utilize independent third parties as our principal pricing sources for determining fair value of investment securities which are measured on a recurring basis. 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 or comprehensive interest rate tables, pricing matrices or a combination thereof. For investment securities that are not traded or that are traded in a market that is not active, fair value is determined using unobservable inputs.

The fair values of our investment securities traded in both active and inactive markets can be volatile and may be influenced by a number of factors including market interest rates, prepayment speeds, discount rates, credit quality of the issuer, general market conditions including market liquidity conditions and other factors.

Changes in fair value are recorded in accumulated other comprehensive income for our investment securities AFS and in earnings for our trading securities. Factors and conditions are constantly changing and fair values could be subject to material variations that may significantly affect our financial condition, results of operations and liquidity.

Accounting for income taxes. We are subject to federal, state and local tax laws. We utilize the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statements and their related tax basis using enacted tax rates in effect for the year or years in which the differences are expected to be recovered or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In the normal course of business, we are routinely subjected to examinations and audits from federal, state and local taxing authorities regarding tax positions taken by us and the determination of the amount of tax due. Challenges made by taxing authorities may result in adjustments to the amount of taxes due, and may result in the imposition of penalties and interest. If any such challenges are not resolved in our favor, they could have a material adverse effect on our financial condition, results of operations and liquidity.

Recent Developments Related To COVID-19

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

As the COVID-19 pandemic is ongoing and dynamic in nature, there remain many uncertainties including, among other things, its ultimate geographic spread, its severity, the duration of the outbreak and the potential for additional outbreaks or new variants of the disease, the rate and effectiveness of vaccination programs in the U.S. and globally, the impact to our customers, employees and vendors, the impact on the financial services and banking industry and the economy as a whole as well as the effect of actions taken, or that may yet be taken, by federal, state and local governmental authorities and public health officials to contain the current outbreak or any future outbreaks or mitigate the impact of such outbreaks (both economic and health-related). The longer-term potential impact on our business could depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. Furthermore, the sustainability of the economic recovery observed in 2021 remains unclear and significant volatility could continue for a prolonged period as the potential exists for additional variants of COVID-19, including the recent Omicron variant, to impede the global economic recovery and exacerbate geographic differences in the spread of, and response to, COVID-19. For a discussion of the risks we face with respect to COVID-19, the steps taken to mitigate the pandemic and the economic disruption resulting therefrom, see “Item 1A – Risk Factors” in this Annual Report on Form 10-K.

Our Workforce. Throughout the pandemic, we have remained open for business and focused on supporting our employees, customers and communities. During 2021, substantially all of our business units returned to the office. However, additional outbreaks, variants of the disease or “break-through” cases (cases where a vaccinated individual tests positive for the disease), among other factors, could alter our workforce plans in future periods. Additionally, we are experiencing an increasingly competitive labor market due to an on-going labor shortage which has impacted and could continue to impact our ability to staff open positions and/or retain existing employees and has resulted in and is expected to continue to result in an increase in our staffing costs.

COVID-19 could still affect our essential operations due to staff absenteeism, particularly among key personnel; limited access to or closures of our branch facilities and other physical offices; operational, technical or security-related risks arising from our remaining remote workforce; and government or regulatory agency orders, among other things. The national public health crisis arising from the COVID-19 pandemic (and public expectations about it), combined with other factors, including, but not limited to, inflation, labor shortages, and supply chain disruption, could, despite improvements in 2021, again destabilize the financial markets and geographies in which we operate. The resulting economic pressure on consumers and uncertainty regarding the sustainability of any economic improvements could further impact the creditworthiness of potential and current borrowers. In addition, the business and operations of our third party vendors, many of whom perform critical services for our business, could also be significantly impacted by many of these same issues, which in turn could impact us. As a result, we are unable to fully assess or predict the extent of the effects of COVID-19 on our operations, as the ultimate impact will depend largely on factors that are currently unknown and/or out of our control.

Lending Operations and Accommodations to Borrowers. The CARES Act created a new guaranteed, unsecured loan program called the Paycheck Protection Program, or PPP, under the Small Business Administration (“SBA”), commonly referred to as PPP1, to fund operational costs of eligible businesses, organizations and self-employed persons during the pandemic period. One of the notable features of PPP1 is that borrowers are eligible for loan forgiveness if they maintain their staff and payroll and if loan amounts are used to cover payroll, mortgage interest, rents and utilities payments. We originated approximately $0.46 billion of loans under PPP1 and, as of December 31, 2021, the outstanding balance of PPP1 loans was approximately $0.02 billion. While the timing for forgiveness and repayment is not clear, currently, based on existing program requirements, we would expect most of our remaining PPP1 loans to be forgiven and repaid by the SBA during 2022.

In addition to the above, a second round of PPP funding was appropriated by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (“Economic Aid Act”), commonly referred to as PPP2. In January 2021, the SBA began accepting PPP2 loan requests. We participated and originated approximately $0.14 billion of PPP2 funding for borrowers that had a qualifying relationship with us. As of December 31, 2021, the outstanding balance of PPP2 loans was approximately $0.06 billion. While the timing for forgiveness and repayment of our remaining PPP2 loans may vary, our current expectation is the vast majority of such loans will be forgiven and repaid by the SBA during 2022.

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

Analysis of Results of Operations

Financial Highlights

The following selected financial highlights are derived from our audited financial statements as of and for each of the years indicated and should be read in conjunction with this MD&A and Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K. The calculations of tangible book value per common share, returns on average common stockholders' equity and returns on average tangible common stockholders' equity and the reconciliations to GAAP are included in this MD&A – Capital Management of this Annual Report on Form 10-K.

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands, except per share amounts)		
Income statement data:			
Net interest income	$ 989,720	$ 888,624	$ 884,181
Provision for credit losses	(77,938)	203,639	26,241
Non-interest income	115,538	104,608	107,527
Non-interest expense	430,275	413,413	401,130
Net income available to common stockholders	579,001	291,898	425,906
Common share and per common share data:			
Earnings – diluted	$ 4.47	$ 2.26	$ 3.30
Book value	35.85	33.03	32.19
Tangible book value	30.52	27.81	26.88
Dividends	1.1325	1.0775	0.94
Weighted-average diluted shares outstanding (thousands)	129,618	129,435	129,006
End of period shares outstanding (thousands)	125,444	129,350	128,951
Balance sheet data at period end:			
Total assets	$ 26,530,430	$ 27,162,596	$ 23,555,728
Total loans	18,307,825	19,209,168	17,532,043
Non-purchased loans	17,791,610	18,401,495	16,224,539
Purchased loans	516,215	807,673	1,307,504
Allowance for loan losses	217,380	295,824	108,525
Foreclosed assets	5,744	11,085	19,096
Investment securities – AFS	3,916,733	3,405,351	2,277,389
Goodwill and other intangible assets, net	669,063	675,458	684,542
Deposits	20,209,134	21,450,356	18,474,259
Repurchase agreements with customers	6,115	8,013	11,249
Other borrowings	750,206	750,928	351,387
Subordinated notes	346,133	224,047	223,663
Subordinated debentures	121,033	120,475	119,916
Unfunded balance of closed loans	13,619,578	11,847,117	11,325,598
Reserve for losses on unfunded loan commitments	71,609	81,481	—
Total common stockholders' equity	4,497,263	4,272,271	4,150,351
Loan, including purchased loans, to deposit ratio	90.59%	89.55%	94.90%
Average balance sheet data:			
Total average assets	$ 26,624,184	$ 25,768,172	$ 22,759,370
Total average common stockholders' equity	4,451,682	4,149,123	3,971,952
Performance ratios:			
Return on average assets	2.17%	1.13%	1.87%
Return on average common stockholders' equity	13.01	7.04	10.72
Return on average tangible common stockholders' equity	15.32	8.41	12.98
Net interest margin – FTE	4.09	3.81	4.34
Efficiency ratio	38.76	41.37	40.27
Asset quality ratios:			
Net charge-offs to average non-purchased loans (1)	0.06%	0.09%	0.09%
Net charge-offs to average total loans	0.06	0.16	0.11
Nonperforming loans to total loans (2)	0.19	0.25	0.15
Nonperforming assets to total assets (2)	0.15	0.21	0.18
Allowance for loan losses as a percentage of (3):			
Total loans	1.19%	1.54%	0.62%
Nonperforming loans	477%	415%	231%
Capital ratios:			
Common equity tier 1	14.07%	13.36%	13.76%
Tier 1 risk-based capital	15.31	13.36	13.76
Total risk-based capital	17.95	15.84	15.57
Tier 1 leverage	16.17	13.70	15.36

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

Highlights from 2021 include the following:

- Total assets decreased 2.3% to $26.53 billion at December 31, 2021;
- Total loans decreased 4.7% to $18.31 billion at December 31, 2021;
- Growth in investment securities AFS of 15.0% to $3.92 billion at December 31, 2021;
- Deposits decreased 5.8% to $20.21 billion at December 31, 2021;
- Negative provision for credit losses of $77.9 million for 2021 compared to provision expense of $203.6 million for 2020. During 2020, our provision expense was significantly impacted by the economic downturn due to the COVID-19 pandemic in tandem with the adoption of CECL on January 1, 2020. The negative provision expense during 2021 reflects improved economic conditions and prospects for improvement in the U.S. economy;
- Net income available to common stockholders of $579.0 million for 2021, a 98.4% increase compared to 2020;
- Return on average assets of 2.17% for 2021;
- Returns on average common stockholders' equity and average tangible common stockholders' equity of 13.01% and 15.32%, respectively, for 2021 (the calculation of our return on average tangible common stockholders' equity and the reconciliation to GAAP are included in this MD&A under the section "Capital Management");
- Net interest margin, on a fully taxable equivalent ("FTE") basis, of 4.09% for 2021;
- An efficiency ratio (non-interest expense divided by the sum of net interest income, on an FTE basis, and non-interest income) of 38.76% for 2021;
- Net charge-off ratio for total loans of 0.06% for 2021;
- At December 31, 2021, excluding purchased loans, our ratio of nonperforming loans to total loans was 0.19%, and our ratio of nonperforming assets to total assets was 0.15%;
- The redemption in July 2021 of $225 million of 5.50% Fixed-to-Floating Subordinated Notes followed by the completion of a public offering in September 2021 of $350 million of 2.75% Fixed-to-Floating Subordinated Notes;
- The initiation of a stock repurchase program for up to $650 million of our common stock. As of December 31, 2021, we had repurchased $193.4 million of our common stock; and
- The issuance in November 2021 of $350 million of 4.625% Series A Non-Cumulative Perpetual Preferred Stock.

The COVID-19 pandemic significantly affected the U.S. and global economies. The sudden and severe economic downturn, in tandem with the adoption of CECL on January 1, 2020, resulted in our incurring provision for credit losses of $203.6 million in 2020. At December 31, 2020, our ALL was $295.8 million, our reserve for losses on unfunded loan commitments was $81.5 million and our total ACL was $377.3 million. During 2021, as a result of improved economic conditions and prospects for improvement in the U.S. economy, we recorded negative provision of $77.9 million. At December 31, 2021, our ALL was $217.4 million, our reserve for losses on unfunded loan commitments was $71.6 million and our total ACL was $289.0 million. Our ACL and provision for credit losses are tied, in part, to our reasonable and supportable forecast which is related to future economic estimates and perceived economic outlook. Generally, if our reasonable and supportable forecast in future periods suggests economic conditions are expected to deteriorate, we may experience further increases in our ACL and, generally, if our reasonable and supportable forecast in future periods suggest economic conditions are expected to improve, we may experience decreases in our ACL. However, our ACL and provision for credit losses are impacted by Moody's economic forecasts and our estimate of how closely those economic forecasts align with reality, including uncertainty about future U.S. economic conditions. There may be periods when our reasonable and supportable forecast captures more or less risk related to the uncertainty of future U.S. economic conditions based upon how well we believe such uncertainty is reflected in the various Moody's macroeconomic forecasts. Thus, our weightings and selection of Moody's macroeconomic scenarios may vary significantly from period to period.

Net Interest Income

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

Net interest income and net interest margin are analyzed in this discussion on an FTE basis. The adjustment to convert net interest income to an FTE basis consists of dividing tax-exempt interest income by one minus the statutory federal income tax rate of 21%. The FTE adjustments to net interest income were $4.7 million in 2021, $6.0 million in 2020 and $4.4 million in 2019. No adjustments have been made in this analysis for income exempt from state income taxes or for interest expense deductions disallowed under the provisions of the Internal Revenue Code ("IRC") as a result of investments in certain tax-exempt securities.

2021 compared to 2020

Net interest income for 2021 increased to $994.5 million compared to $894.7 million for 2020. The increase in our net interest income for 2021 compared to 2020 was primarily due to an increase in our net interest margin, which increased 28 basis points ("bps") to 4.09% for 2021 compared to 3.81% for 2020, and an increase in our average earning assets.

The increase in net interest margin was primarily the result of a 61 bps decrease in the rate of our interest bearing liabilities, partially offset by a 20 bps decrease in the yield on average earning assets. Yields on average earning assets were 4.43% for 2021 compared to 4.63% for 2020. The yield on our aggregate investment securities portfolio for 2021 decreased 80 bps to 1.32% compared to 2.12% for 2020. During 2021, in an effort to continue to increase our on-balance sheet liquidity and to replace the significant volume of investment securities that paid down, were called or matured, we purchased approximately $3.73 billion of high-quality, mostly short-term investment securities. The yield on such purchases was significantly lower than the yield on our existing investment securities portfolio, resulting in lower yields in 2021 compared to 2020.

The yield on our non-purchased loan portfolio increased 20 bps to 5.51% for 2021 compared to 5.31% for 2020. Our loan yields include accretion of deferred loan fees and discounts and amortization of deferred loan costs, along with elevated levels of minimum interest, prepayment and various other fees as a result of the significant volume of loan repayments and short-term extensions, along with the recognition of deferred fees on loans originated under the SBA PPP that received forgiveness and paid off. The volume and timing of loan repayments and short-term extensions may vary significantly from period to period causing such income items to also vary significantly from period to period. The yield on our purchased loan portfolio increased 35 bps to 6.97% for 2021 compared to 6.62% for 2020. The yield on our purchased loan portfolio is significantly affected by both the volume and timing of payoffs and paydowns which typically result in any remaining purchase accounting valuation amounts treated as yield adjustments, as well as collections on loans charged-off prior to our acquisition of such loans ("pre-acquisition charge-offs"). Because the volume and timing of purchased loan payoffs and paydowns, including collections on pre-acquisition charge-offs, may vary significantly from period to period, the yield on such loans will also vary from period to period.

At December 31, 2021, approximately 79% of our non-purchased loans and approximately 38% of our purchased loans were variable interest rate loans and generally reprice with movements in the London Interbank Offered Rate ("LIBOR"), the Wall Street Journal Prime Rate ("WSJ Prime") or the Secured Overnight Funding Rate ("SOFR"). The target range for the federal funds rate decreased 150 basis points in March 2020 to between zero and 0.25% where it remained through December 31, 2021. This decrease was largely an emergency measure by the FRB aimed at blunting the economic impact of COVID-19. In December 2021, the FRB released projections whereby the midpoint of the projected appropriate target range for the federal funds rate would rise to 0.9% by the end of 2022, to 1.6% by the end of 2023 and to 2.1% by the end of 2024. While there can be no such assurance that any increases in the federal funds rate will occur, these projections imply three 25 basis point increases in the federal funds rate in 2022, followed by three in 2023 and two in 2024. To the extent that the FRB increases the federal funds rate in future periods and LIBOR (to the extent reported), WSJ Prime and/or SOFR also increase, we would expect our yield on both non-purchased and, to a lesser extent, purchased loans to increase, although we may experience some delay before the yield in our variable rate loans would increase until such time as individual loans are able to reprice above their respective floor rates. At December 31, 2021, approximately 99% of our total variable rate loans had floor rates and approximately 92% of our funded balance of total loans within our variable rate portfolio were at their floor rates.

The overall decrease in rates on average interest bearing liabilities, which decreased 61 bps for 2021 compared to 2020, was primarily due to decreases in rates on interest bearing deposits, which decreased 64 bps for 2021 compared to 2020. The decrease in rates on our interest bearing deposits, the largest component of our interest bearing liabilities, was primarily due to decreases in the rates paid on time deposits as well as a shift in the composition of our deposit base to include a larger percentage of lower cost consumer and commercial deposits, as well as a reduction in the percentage of our deposits comprised of time deposits. To the extent there are future increases in the federal funds rate, we would expect to experience increases in the rates on our interest-bearing deposits in future periods. Additionally, changes in expected deposit levels necessary to fund future potential growth, if any, in our earning assets, changes in our level of on-balance sheet liquidity, or changes in competitive conditions, among other factors, could significantly affect deposit costs in future periods.

Our other borrowing sources include (i) repurchase agreements with customers ("repos"), (ii) other borrowings comprised primarily of FHLB advances, and, to a lesser extent, federal funds purchased, (iii) subordinated notes and (iv) subordinated debentures. The rates on repos decreased five bps in 2021 compared to 2020 primarily due to decreases in our administered rates on these accounts. The rates on our other borrowing sources increased nine bps for 2021 compared to 2020. The rates on our other borrowings in 2020 were affected by capitalized interest associated with the construction of a new corporate headquarters facility that was completed during the second quarter of 2020. In July 2021, we redeemed our $225 million of 5.50% fixed-to-floating rate subordinated notes (the "5.50% Notes") and, subsequently, in September 2021, we issued $350 million in aggregate principal amount of 2.75% fixed-to-floating subordinated notes (the "2.75% Notes"). As a result of these transactions, the rate on our subordinated notes decreased 128 bps in 2021 compared to 2020. The rate on these subordinated notes includes amortization of debt issuance costs. (See the “Capital Management” section of this MD&A for a discussion of the redemption of the 5.50% Notes and the issuance of the 2.75% Notes). The rates paid on our subordinated debentures, which are tied to spreads over the 90-day LIBOR and reset periodically, decreased primarily due to decreases in LIBOR on the applicable reset dates.

The increase in average earning assets for 2021 compared to 2020 was primarily due to increases in the average balance of investment securities and our interest earning deposits and federal funds sold, partially offset by decreases in the average balances of both non-purchased and purchased loans. Average interest earning deposits and federal funds sold increased $0.34 billion, or 21.8% to $1.87 billion for 2021 compared to 2020 due to our maintaining higher levels of on-balance sheet liquidity. Average investment securities increased $1.00 billion, or 32.5%, to $4.07 billion for 2021 compared to 2020 primarily due to our purchase of high-quality, short-term investment securities during 2021. Average non-purchased loans decreased $0.11 billion, or 0.6%, to $17.68 billion for 2021 compared to 2020 primarily due to an elevated level of loan repayments compared to previous periods, including repayments related to PPP loans that were originated during 2020. Average purchased loans decreased $0.41 billion, or 38.0%, to $0.66 billion for 2021 compared to 2020, primarily due to continued paydown and payoff activity in that portfolio.

The decrease in average interest bearing liabilities for 2021 compared to 2020 was primarily due to the decrease in the average balance of interest bearing deposits. Average interest bearing deposits decreased 2.6% to $16.32 billion for 2021 compared to $16.76 billion for 2020 primarily due to our ability to grow our non-interest bearing deposits to fund our growth in earning assets.

2020 compared to 2019

Net interest income for 2020 increased to $894.7 million compared to $888.6 million for 2019. Net interest margin decreased 53 bps to 3.81% for 2020 compared to 4.34% for 2019. The increase in net interest income was primarily the result of the increase in average earning assets, which increased 14.7% to $23.48 billion for 2020 compared to $20.46 billion for 2019. The decrease in net interest margin for 2020 compared to 2019 was primarily due to the 107 bps decrease in yield on average earning assets, partially offset by a 68 bps decrease in rates paid on interest bearing liabilities.

Yields on average earning assets were 4.63% for 2020 compared to 5.70% for 2019. The yield on our non-purchased loan portfolio decreased 88 bps to 5.31% for 2020 compared to 6.19% for 2019. This decrease was primarily due to decreases in the federal funds rate, WSJ Prime and LIBOR that occurred during 2020. At December 31, 2020, approximately 77% of our non-purchased loans were variable interest rate loans and generally reprice with movements in LIBOR or WSJ Prime. Additionally, our loan yields include accretion of deferred loan fees and discounts and amortization of deferred loan costs, along with various minimum interest and fees that vary period to period. The yield on our purchased loan portfolio increased 18 bps to 6.62% for 2020 compared to 6.44% for 2019. The yield on our purchased loan portfolio is significantly affected by both the volume and timing of early payoffs and paydowns which typically result in any remaining purchase accounting valuation amounts treated as yield adjustments, as well as collections on pre-acquisition charge-offs. Because the volume and timing of purchased loan payoffs and paydowns, including collections on pre-acquisition charge-offs, may vary significantly from period to period, the yield on such loans will also vary from period to period. At December 31, 2020, approximately 37% of our purchased loan portfolio contained loans with variable interest rates. Additionally, concurrent with the adoption of ASU 2016-13, effective January 1, 2020, income previously reported as “other income from purchased loans” is now included as interest income on purchased loans. The yield on our aggregate investment securities portfolio for 2020 decreased 62 bps to 2.12% compared to 2.74% for 2019. During 2020, we significantly increased our on-balance sheet liquidity through the purchase of approximately $2.5 billion of high-quality, short-term municipal and U.S. Government agency securities. The yield on such purchases was significantly lower than the yield on our existing investment securities portfolio, resulting in lower yields in 2020 compared to 2019.

At December 31, 2020, approximately 99% of our total variable rate loans had floor rates and approximately 93% of our funded balance of total loans within our variable rate portfolio were at their floor rates.

The overall decrease in rates on average interest bearing liabilities, which decreased 68 bps for 2020 compared to 2019, was primarily due to decreases in rates on interest bearing deposits, which decreased 65 bps for 2020 compared to 2019. The decrease in rates on our interest bearing deposits, the largest component of our interest bearing liabilities, was primarily due to decreases in the federal funds rate and rates paid on time deposits as well as a shift in the composition of our deposit base to include a larger percentage of lower cost consumer and commercial deposits. At December 31, 2020, we had approximately $8.14 billion of time deposits with a weighted average rate of approximately 1.00% maturing in 2021.

The rates on repos decreased eight bps in 2020 compared to 2019 primarily due to decreases in our administered rates on these accounts. The rates on our other borrowing sources decreased 118 bps for 2020 compared to 2019. The rates on our other borrowings were significantly affected by the decreases in the federal funds rate and, to a lesser extent, capitalized interest associated with the construction of a new corporate headquarters facility that was completed during the second quarter of 2020. Additionally, during 2020, we utilized low-cost FHLB term advances to support our funding sources and provide us with additional on-balance sheet liquidity. The rate on our 5.50% Notes included amortization of debt issuance costs using a level-yield methodology over the estimated holding period of seven years. The rates paid on our subordinated debentures decreased primarily due to decreases in LIBOR on the applicable reset dates, and, to a lesser extent, capitalized interest associated with the construction of our new corporate headquarters.

The increase in average earning assets for 2020 compared to 2019 was due to increases in the average balance of non-purchased loans, interest earning deposits and federal funds sold and investment securities, partially offset by a decrease in the average balance of purchased loans. Average non-purchased loans increased $1.94 billion, or 12.2%, to $17.80 billion for 2020 compared to 2019. The increase in the average balance of our non-purchased loans was due primarily to continued growth in loan fundings, including our participation in the SBA's PPP, as well as a decrease in loan repayments compared to previous periods. Average interest earning deposits and federal funds sold increased $1.18 billion, or 334.5% to $1.54 billion for 2020 compared to 2019. The increase in the average balance of interest earning deposits and federal funds sold at December 31, 2020 compared to December 31, 2019 is due to our maintaining significantly higher levels of on-balance sheet liquidity. Average investment securities increased $0.49 billion, or 18.9%, to $3.07 billion for 2020 compared to 2019. The increase in the balance of average investment securities at December 31, 2020 compared to December 31, 2019 is primarily due to our purchase of high-quality, short-term investment securities during 2020. Average purchased loans decreased $0.59 billion, or 35.6%, to $1.07 billion for 2020 compared to 2019, primarily due to continued paydown and payoff activity in that portfolio.

The increase in average interest bearing liabilities for 2020 compared to 2019 was primarily due to the increase in the average balance of interest bearing deposits and other borrowings. Average interest bearing deposits increased 9.1% to $16.76 billion for 2020 compared to $15.36 billion for 2019. Average other borrowings increased 664.2% to $721.4 million for 2020 compared to $94.4 million for 2019. The increase in the average balance of interest bearing deposits and other borrowings was due to funding needed to support our growth in interest earning assets and our maintaining higher levels of on-balance sheet liquidity compared to previous periods. Also, the increase in the average balance of interest bearing deposits was aided by deposits from PPP loans and government stimulus payments to our customers.

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

Average Consolidated Balance Sheets and Net Interest Analysis – FTE

	Year Ended December 31,								
	2021			2020			2019		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
				(Dollars in thousands)					
ASSETS									
Interest earning assets:									
Interest earning deposits and federal funds sold	$ 1,871,388	$ 2,510	0.13%	$ 1,535,977	$ 5,665	0.37%	$ 353,528	$ 6,758	1.91%
Investment securities:									
Taxable	3,207,485	36,234	1.13	1,993,667	40,547	2.03	2,099,522	52,812	2.52
Tax-exempt – FTE	864,432	17,378	2.01	1,080,459	24,561	2.27	485,946	18,041	3.71
Non-purchased loans – FTE	17,683,033	973,755	5.51	17,797,684	945,222	5.31	15,861,797	982,430	6.19
Purchased loans	662,434	46,174	6.97	1,069,250	70,812	6.62	1,661,205	106,908	6.44
Total earning assets – FTE	24,288,772	1,076,051	4.43	23,477,037	1,086,807	4.63	20,461,998	1,166,949	5.70
Non-interest earning assets	2,335,412			2,291,135			2,297,372		
Total assets	$26,624,184			$25,768,172			$22,759,370		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest bearing liabilities:									
Deposits:									
Savings and interest bearing transaction	$ 8,788,200	$ 12,481	0.14%	$ 7,724,528	$ 37,428	0.48%	$ 9,039,984	$ 126,685	1.40%
Time deposits of $100 or more	5,218,981	35,375	0.68	5,524,751	83,956	1.52	3,449,197	73,336	2.13
Other time deposits	2,315,263	16,566	0.72	3,511,220	50,429	1.44	2,872,676	58,337	2.03
Total interest bearing deposits	16,322,444	64,422	0.39	16,760,499	171,813	1.03	15,361,857	258,358	1.68
Repurchase agreements with customers	7,027	17	0.24	7,825	23	0.29	13,502	50	0.37
Other borrowings (1)	750,276	4,012	0.53	721,350	3,179	0.44	94,399	1,531	1.62
Subordinated notes	212,600	9,386	4.42	223,850	12,758	5.70	223,469	12,757	5.71
Subordinated debentures (1)	120,751	3,750	3.11	120,190	4,384	3.65	119,629	5,664	4.73
Total interest bearing liabilities	17,413,098	81,587	0.47	17,833,714	192,157	1.08	15,812,856	278,360	1.76
Non-interest bearing liabilities:									
Non-interest bearing deposits	4,380,850			3,521,066			2,753,634		
Other non-interest bearing liabilities	321,583			261,169			217,809		
Total liabilities	22,115,531			21,615,949			18,784,299		
Total stockholders' equity before noncontrolling interest	4,505,544			4,149,123			3,971,952		
Noncontrolling interest	3,109			3,100			3,119		
Total liabilities and stockholders' equity	$26,624,184			$25,768,172			$22,759,370		
Net interest income – FTE		$ 994,464			$ 894,650			$ 888,589	
Net interest margin – FTE			4.09%			3.81%			4.34%

(1) The interest expense and the rates for "other borrowings" and for "subordinated debentures" were affected by capitalized interest, primarily for our corporate headquarters facility that was completed during 2020. Capitalized interest included in "other borrowings" totaled $0.7 million in 2020 and $0.9 million in 2019. Capitalized interest included in other borrowings was not material in 2021. Capitalized interest included in "subordinated debentures" totaled $0.2 million in 2020 and $0.9 million in 2019 (none in 2021). In the absence of this interest capitalization, the rates on other borrowings would have been 0.53% in 2020 and 2.58% in 2019 and the rates on subordinated debentures would have been 3.80% in 2020 and 5.48% in 2019.

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

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 years indicated. Information is provided in each category with respect to changes attributable to (1) changes in volume (changes in volume multiplied by prior yield/rate); (2) changes in yield/rate (changes in yield/rate multiplied by prior volume); and (3) changes in both yield/rate and volume (changes in yield/rate multiplied by changes in volume). The changes attributable to the combined impact of yield/rate and volume have all been allocated to the changes due to volume.

Analysis of Changes in Net Interest Income—FTE

	2021 over 2020			2020 over 2019		
	Volume	Yield/ Rate	Net Change	Volume	Yield/ Rate	Net Change
	(Dollars in thousands)					
Increase (decrease) in:						
Interest income – FTE:						
Interest earning deposits and federal funds sold	$ 450	$ (3,605)	$ (3,155)	$ 4,361	$ (5,454)	$ (1,093)
Investment securities:						
Taxable	13,712	(18,025)	(4,313)	(2,152)	(10,113)	(12,265)
Tax-exempt – FTE	(4,343)	(2,840)	(7,183)	13,515	(6,995)	6,520
Non-purchased loans – FTE	(6,314)	34,847	28,533	102,814	(140,022)	(37,208)
Purchased loans	(28,357)	3,719	(24,638)	(39,202)	3,106	(36,096)
Total interest income – FTE	(24,852)	14,096	(10,756)	79,336	(159,478)	(80,142)
Interest expense:						
Savings and interest bearing transaction	1,511	(26,458)	(24,947)	(6,374)	(82,883)	(89,257)
Time deposits of $100 or more	(2,072)	(46,509)	(48,581)	31,541	(20,921)	10,620
Other time deposits	(8,558)	(25,305)	(33,863)	9,171	(17,079)	(7,908)
Repurchase agreements with customers	(2)	(4)	(6)	(16)	(11)	(27)
Other borrowings	155	678	833	2,764	(1,116)	1,648
Subordinated notes	(497)	(2,875)	(3,372)	22	(21)	1
Subordinated debentures	18	(652)	(634)	20	(1,300)	(1,280)
Total interest expense	(9,445)	(101,125)	(110,570)	37,128	(123,331)	(86,203)
Increase (decrease) in net interest income – FTE	$ (15,407)	$ 115,221	$ 99,814	$ 42,208	$ (36,147)	$ 6,061

Non-Interest Income

Our non-interest income consists primarily of, among others, service charges on deposit accounts, trust income, BOLI income, loan service, maintenance and other fees and net gains on investment securities and on sales of other assets.

2021 compared to 2020

Non-interest income for 2021 increased 10.4% to $115.5 million compared to $104.6 million for 2020.

Service charges on deposit accounts, which includes both NSF and overdraft fees and all other service charges, is the largest component of our non-interest income and increased 13.0% to $42.6 million in 2021 compared to $37.7 million in 2020. This increase was primarily due to an increase in customer activity that resulted in growth of other service charges (excluding NSF and overdraft fees) of 20.7% in 2021 compared to 2020.

Trust income increased 12.8% to $8.5 million in 2021 compared to $7.5 million in 2020.

BOLI income from the increase in cash surrender value decreased 3.0% to $19.6 million in 2021 compared to $20.2 million in 2020. BOLI income from death benefits was $2.0 million in 2021 compared to $0.6 million in 2020. BOLI income in the form of increases in cash surrender value and death benefits helps to offset a portion of employee benefit costs.

Loan service, maintenance and other fees decreased 2.1% to $14.0 million in 2021 compared to $14.3 million in 2020. Loan service, maintenance and other fees include unused line of credit fees, asset management fees, certain underwriting fees and various other fees on loans that are not considered yield adjustments. While income from these items may vary significantly from period to period, we generally expect the income from these items to continue to decrease in 2022.

We had net gains on investment securities of $0.5 million in 2021 compared to $4.5 million in 2020. Beginning in 2021, we began classifying certain of our investment securities as trading and during 2021, we sold approximately $128.9 million of trading investment securities that resulted in a net gain on sale of approximately $0.5 million. For our investment securities AFS, we had no net gains from the sale of such securities in 2021 compared to net gains of $4.5 million in 2020.

Gains on sales of other assets were $10.0 million in 2021 compared to $6.9 million in 2020. Included in gains on sales of other assets in 2021 were gains of $4.4 million from the sale of our South Carolina branches and $2.3 million on the sale of loans compared to gains of $3.8 million from the sale of our Alabama branches during 2020.

2020 compared to 2019

Non-interest income for 2020 decreased 2.7% to $104.6 million compared to $107.5 million for 2019.

Service charges on deposit accounts decreased 9.8% to $37.7 million in 2020 compared to $41.8 million in 2019. This decrease was primarily due to the change in customer activity as a result of the COVID-19 pandemic, which reduced service charges on deposit accounts for 2020 compared to 2019.

Trust income decreased 0.1% to $7.5 million in 2020 compared to $7.6 million in 2019.

BOLI income from the increase in cash surrender value decreased 2.3% to $20.2 million in 2020 compared to $20.7 million in 2019. BOLI income from death benefits was $0.6 million in 2020 compared to $3.2 million in 2019.

Loan service, maintenance and other fees decreased 20.4% to $14.3 million in 2020 compared to $17.9 million in 2019. Income from these items may vary significantly from period to period.

We had net gains from the sale of investment securities of $4.5 million in 2020 compared to $0.7 million in 2019. During 2020 we sold approximately $269 million of investment securities AFS compared to approximately $96 million in 2019.

Gains on sales of other assets were $6.9 million in 2020 compared to $2.2 million in 2019. Included in gains on sales of other assets in 2020 were gains of $3.8 million from the sale of our two Alabama branches.

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

Non-Interest Income

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Service charges on deposit accounts:			
NSF/overdraft fees	$ 14,962	$ 14,782	$ 19,956
All other service charges	27,656	22,917	21,818
Trust income	8,506	7,544	7,554
BOLI income:			
Increase in cash surrender value	19,640	20,239	20,715
Death benefits	2,028	608	3,194
Loan service, maintenance and other fees	13,959	14,257	17,917
Gains on sales of other assets	9,962	6,863	2,233
Net gains on investment securities	504	4,467	713
Other	18,321	12,931	13,427
Total non-interest income	$ 115,538	$ 104,608	$ 107,527

Non-Interest Expense

Our non-interest expense consists of salaries and employee benefits, net occupancy and equipment and other operating expenses.

2021 compared to 2020

Non-interest expense increased 4.1% to $430.3 million in 2021 compared to $413.4 million in 2020.

Salaries and employee benefits, our largest component of non-interest expense, increased 3.7% to $214.6 million in 2021 compared to $206.8 million in 2020. During 2021, we experienced increased competition for talent associated with a broad-based shortage for workers. This increased competition for talent has resulted in increased wage inflation which is expected to increase our salaries and employee benefits expense in future periods. In addition, hiring for currently unfilled positions and adding team members to support expected future growth, if any, is also expected to increase our salaries and employee benefits expense in future periods.

Net occupancy and equipment expense increased 5.4% to $66.8 million in 2021 compared to $63.4 million in 2020. During the second quarter of 2020, we opened our new corporate headquarters facility, which has contributed to the increase in net occupancy equipment expense in 2021.

Other operating expenses increased 4.0% to $148.9 million in 2021 compared to $143.2 million in 2020. The increase in other operating expense in 2021 compared to 2020 is primarily attributable to approximately $2.0 million in branch closure expense and a write-off of approximately $0.8 million in unamortized debt issue cost associated with the redemption of our 5.50% Notes. In addition, we have significantly increased the balance of our CRA and tax credit investments in recent years which resulted in increased amortization of these investments in 2021 compared to 2020.

Our efficiency ratio (non-interest expense divided by the sum of net interest income–FTE and non-interest income) was 38.8% for 2021 compared to 41.4% for 2020.

2020 compared to 2019

Non-interest expense increased 3.1% to $413.4 million in 2020 compared to $401.1 million in 2019. During 2020, we adjusted certain aspects of our branch operations and staffing, accelerated our emphasis on mobile banking and other technology solutions, adjusted certain product offerings, and made other changes that we felt were appropriate for the current and expected future operating environment. During 2020, we also eliminated dozens of positions that were no longer needed or productive while adding new headcount to address the changing needs and expectations of our customers.

Salaries and employee benefits increased 7.3% to $206.8 million in 2020 compared to $192.9 million in 2019. While total full-time equivalent employees were down slightly at December 31, 2020 compared to December 31, 2019, we had net additions of approximately 211 full-time equivalent employees over the course of 2019, which contributed to our increased salaries and benefits expenses in 2020.

Net occupancy and equipment expense increased 7.4% to $63.4 million in 2020 compared to $59.0 million in 2019. During the second quarter of 2020, we opened our new corporate headquarters facility, which has contributed to the increase in net occupancy equipment expense in 2020.

Other operating expenses decreased 4.1% to $143.2 million in 2020 compared to $149.3 million in 2019. The decrease in other operating expense in 2020 compared to 2019 is primarily attributable to decreases in certain non-interest expense, including travel and meals that have been significantly affected by the COVID-19 pandemic.

Our efficiency ratio was 41.4% for 2020 compared to 40.3% for 2019.

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

Non-Interest Expense

	Year Ended December 31, 2021	2020	2019
	(Dollars in thousands)		
Salaries and employee benefits	$ 214,567	$ 206,834	$ 192,851
Net occupancy and equipment	66,801	63,379	59,018
Other operating expenses:			
Professional and outside services	29,013	29,605	31,712
Software and data processing	23,860	21,279	19,535
Deposit insurance and assessments	11,185	15,247	13,425
Telecommunication services	8,427	9,159	10,583
Postage and supplies	6,627	7,462	8,684
ATM expense	6,255	5,256	4,626
Travel and meals	5,694	4,336	11,230
Writedowns of foreclosed and other assets	3,461	3,669	2,419
Loan collection and repossession expense	2,044	3,062	2,818
Advertising and public relations	2,772	6,050	7,242
Amortization of intangibles	6,394	9,085	11,918
Amortization of CRA and tax credit investments	15,078	8,279	3,062
Other	28,097	20,711	22,007
Total non-interest expense	$ 430,275	$ 413,413	$ 401,130

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

As a result of the volatility of our provision for credit losses under CECL, we use PPNR, which is a non-GAAP financial measure, to measure our core earnings and trends thereof. PPNR is a measure of earnings before provision for credit losses and income tax expense. The increase in PPNR in 2021 compared to 2020 was primarily due to the increase in net interest income previously discussed in this MD&A. The decrease in PPNR in 2020 compared to 2019 was primarily due to the decrease in non-interest income and the increase in non-interest expense previously discussed in this MD&A. This non-GAAP financial measure should not be viewed as a substitute for financial measures determined in accordance with GAAP, nor is it necessarily comparable to non-GAAP financial measures that may be presented by other companies.

The reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure is included in the following table for the years indicated.

Calculation of Pre-Tax Pre-Provision Net Revenue

	Year Ended December 31, 2021	2020	2019
	(Dollars in thousands)		
Income before taxes	$ 752,921	$ 376,180	$ 564,337
Provision for credit losses	(77,938)	203,639	26,241
Pre-tax pre-provision net revenue	$ 674,983	$ 579,819	$ 590,578

Income Taxes

Our provision for income taxes was $173.9 million in 2021 compared to $84.3 million in 2020 and $138.4 million in 2019. Our effective income tax rates were 23.1% for 2021, 22.4% for 2020 and 24.5% for 2019. The increase in our effective income tax rate for 2021 compared to 2020 was primarily due to changes in non-taxable income associated with our investment securities AFS portfolio, the earnings on bank-owned life insurance in proportion to pre-tax net income and various other factors related to non-taxable income and non-deductible expenses. The decrease in our effective income tax rate for 2020 compared to 2019 was primarily due to an increase in various federal tax credits realized in 2020, decreases to state income tax rates in several jurisdictions in which we have higher apportionment factors, and various other factors related to non-taxable income and non-deductible expenses.

Accounting for our income taxes utilizes the criteria discussed in the Critical Accounting Estimates section of this MD&A. A reconciliation between the statutory federal income tax rates and our effective income tax rates for 2021, 2020 and 2019 is included in Note 14 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

RISK ELEMENTS

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

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

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

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

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

Credit Risk Management

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

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

We have detailed, comprehensive standards for evaluating credit risk, both at the point of origination and thereafter. We utilize a dual risk rating system that incorporates score cards, which assess quantitative models and qualitative factors, in determining the risk rating for our commercial loans. This dual risk rating methodology incorporates an ORR and an FRR which are combined to create a two-dimensional risk rating for our commercial loans. The ORR is influenced by a loan's PD as determined from the score cards, with such score card PDs affected by various financial metrics such as projected cash flow, LTV, property and/or market characteristics, borrower financial strength and other financial and loan characteristics. Thus, the higher a loan's PD, the more adverse the loan's ORR. The FRR is influenced by a loan's LGD as determined from the score cards. Score card LGDs are affected by the estimated loss when a borrower cannot or will not repay the loan. Estimated losses take into consideration our underwriting standards and protections, including collateral and collateral margin requirements, lien position, compliance with any loan covenants, support required from guarantors, insurance and other factors. The higher a loan's LGD, the more adverse the loan's FRR. The combined dual risk rating provides an annualized expected loss estimate for each commercial loan and, based on such loss estimate, a regulatory risk rating is assigned. Additionally, we may apply risk rating "overrides" whereby management may further adjust a loan's risk rating to the extent we believe there is additional information about a loan or a borrower that is not fully reflected in the ORR and/or the FRR. Our consumer loans and certain small business loans are not risk rated in the same manner as are our commercial loans. Instead, such consumer and small business loans are risk rated based on past due status with all such loans that are less than 30 days past due typically assigned a "pass rating" and all loans that are 30 days or more past due assigned a more adverse rating commensurate with each loan's perceived risk. While our consumer loans and certain small business loans are not risk rated using a dual risk rating scale that incorporates both an ORR and an FRR, we do utilize output from the score cards on such consumer and small business loans for purposes of determining the necessary ACL for those consumer and small business loans.

Oversight of credit risk is provided through loan policy and various other credit-related policies, clearly defined processes and detailed procedures and our credit risk appetite. These policies, processes and procedures place emphasis on strong underwriting standards and detection of potential credit problems in order to develop and implement any necessary action plan(s) on a timely basis to mitigate potential losses and are carried out by our lenders and lending support personnel, our credit administration group, our underwriters and various other officers and personnel in the Bank that have credit management responsibilities. Additionally, our policies, process and procedures are subject to review by our Credit Risk Management ("CRM") group (second line oversight), our BRC and periodic audits by our Internal Audit group (third line oversight). Our Board approved credit risk appetite is monitored at least on a quarterly basis through our credit risk profile which is further categorized into default risk (risk of loss arising from a debtor being unlikely to pay its loan obligations in full) and concentration risk (risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten the Bank's core operations).

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

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

Loan Portfolio. At December 31, 2021, our total loan portfolio was $18.31 billion, a decrease of 4.7% from $19.21 billion at December 31, 2020. At December 31, 2021, our total loan portfolio consisted of 77.0% real estate loans, 2.8% commercial and industrial loans, 11.9% consumer loans and 8.3% other loans. Real estate loans, our largest category of loans, include all loans made to finance the development of real property construction projects, provided such loans are secured by real estate, and all other loans secured by real estate as evidenced by mortgages or other liens.

The amount and type of total loans outstanding, as of the dates indicated, are reflected in the following table.

Total Loan Portfolio

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	$ 887,024	$ 911,115
Non-farm/non-residential	3,782,892	4,267,147
Construction/land development	8,246,674	7,993,467
Agricultural	247,727	204,868
Multifamily residential	934,845	856,297
Total real estate	14,099,162	14,232,894
Commercial and industrial (1)	510,784	842,206
Consumer	2,185,429	2,393,964
Other	1,512,450	1,740,104
Total loans	$ 18,307,825	$ 19,209,168

(1) Includes approximately $0.08 billion and $0.43 billion of loans at December 31, 2021 and 2020, respectively, provided through the SBA's PPP.

Included in "other" loans at December 31, 2021 and 2020 are loans totaling approximately $1.27 billion and $1.44 billion, respectively, that were originated to acquire promissory notes from non-depository financial institutions and are typically collateralized by an assignment of the promissory note and all related note documents including mortgages, deeds of trust, etc. While such loans are considered "other" loans in accordance with FDIC instructions for the Federal Financial Institutions Examination Council 041 Consolidated Reports of Condition and Income ("Call Report"), we underwrite these lending transactions based on the fundamentals of the underlying collateral, repayment sources and guarantors, among other factors, consistent with other similar lending transactions.

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

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

Top Ten Geographies and MSAs for Real Estate Loans

Geography or MSA	Funded Balance	Unfunded Balance	Total Commitment
		(Dollars in thousands)	
December 31, 2021:			
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 2,624,677	$ 606,806	$ 3,231,483
Miami–Fort Lauderdale–Pompano Beach, FL MSA	1,110,064	1,274,278	2,384,342
Los Angeles–Long Beach–Anaheim, CA MSA	1,151,494	694,071	1,845,565
Atlanta–Sandy Springs–Alpharetta, GA MSA	592,394	801,326	1,393,720
San Francisco–Oakland–Berkeley, CA MSA	464,664	923,056	1,387,720
Chicago–Naperville–Elgin, IL–IN–WI MSA	803,682	518,276	1,321,958
Dallas–Fort Worth–Arlington, TX MSA	733,196	570,469	1,303,665
Tampa–St. Petersburg–Clearwater, FL MSA	784,484	362,244	1,146,728
Boston–Cambridge–Newton, MA–NH MSA	168,912	887,159	1,056,071
Philadelphia–Camden–Wilmington, PA–NJ–DE–MD MSA	499,736	461,269	961,005
All other geographies	5,165,859	5,038,188	10,204,047
Total real estate loans	$ 14,099,162	$ 12,137,142	$ 26,236,304
December 31, 2020:			
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 3,481,559	$ 1,473,179	$ 4,954,738
Los Angeles–Long Beach–Anaheim, CA MSA	1,602,817	842,120	2,444,937
Miami–Fort Lauderdale–Pompano Beach, FL MSA	1,166,756	951,134	2,117,890
Tampa–St. Petersburg–Clearwater, FL MSA	530,519	655,332	1,185,851
Chicago–Naperville–Elgin, IL–IN–WI MSA	444,043	639,515	1,083,558
Dallas–Fort Worth–Arlington, TX MSA	509,105	432,887	941,992
Atlanta–Sandy Springs–Alpharetta, GA MSA	602,036	324,294	926,330
San Francisco–Oakland–Berkeley, CA MSA	353,011	405,568	758,579
Washington–Arlington–Alexandria, DC–VA–MD–WV MSA	303,670	427,314	730,984
Phoenix–Mesa–Chandler, AZ MSA	314,720	382,280	697,000
All other geographies	4,924,658	3,810,474	8,735,132
Total real estate loans	$ 14,232,894	$ 10,344,097	$ 24,576,991

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

In addition to the top ten geographies and MSAs shown above, as of December 31, 2021, we had 78 additional geographies and MSAs that contain total committed balances (both funded and unfunded) of $10 million or more, compared to 67 additional geographies and MSAs at December 31, 2020.

Given that we have substantial balances of certain categories of CRE lending (i.e., non-farm/non-residential and construction/land development lending), we have provided further detail on these two categories of loans. During 2021, for loans whose collateral consisted of various mixed use properties, we modified our loan classification categories with respect to a loan’s majority collateral type. This change has been reflected in the following Total Non-Farm/Non-Residential Loans table and Total Construction/Land Development Loans table for each of the periods presented.

The funded amount and type of total non-farm/non-residential loans, as of the dates indicated, and their respective percentage of the total non-farm/non-residential loan portfolio are reflected in the following table.

Total Non-Farm/Non-Residential Loans

	December 31,			
	2021		2020	
	Amount	%	Amount	%
	(Dollars in thousands)			
Hotels and motels	$ 1,330,743	35.2%	$ 1,025,674	24.0%
Office, including medical offices	1,044,105	27.6	1,400,724	32.8
Retail, including shopping centers and strip centers	266,372	7.0	377,863	8.9
Churches and schools	222,171	5.9	266,462	6.2
Manufacturing and industrial facilities	197,834	5.2	221,015	5.2
Restaurants and bars	128,853	3.4	150,181	3.5
Office warehouse, warehouse and mini-storage	99,127	2.6	56,998	1.3
Gasoline stations and convenience stores	69,067	1.8	64,971	1.5
Nursing homes and assisted living centers	55,559	1.5	107,011	2.5
Mixed use properties	50,276	1.3	259,781	6.1
Golf courses, entertainment and recreational facilities	38,740	1.0	29,106	0.7
Hospitals, surgery centers and other medical	15,673	0.4	18,391	0.4
Other non-farm/non-residential	264,372	7.1	288,970	6.9
Total	$ 3,782,892	100.0%	$ 4,267,147	100.0%

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

Total Construction/Land Development Loans

	December 31,			
	2021		2020	
	Amount	%	Amount	%
	(Dollars in thousands)			
Unimproved land	$ 434,939	5.3%	$ 295,402	3.7%
Land development and lots:				
1-4 family residential and multifamily	378,050	4.6	431,079	5.4
Non-residential	619,197	7.5	501,638	6.3
Construction:				
1-4 family residential:				
Owner occupied	8,589	0.1	6,045	0.1
Non-owner occupied:				
Pre-sold	1,699,076	20.6	2,056,486	25.7
Speculative	190,172	2.3	111,614	1.4
Multifamily	890,910	10.8	1,647,347	20.6
Industrial, commercial and other:				
Mixed use properties	2,337,064	28.3	830,170	10.4
Office, including medical offices	911,800	11.1	810,424	10.1
Hotels and motels	396,602	4.8	978,388	12.2
Manufacturing, industrial and warehouse	299,795	3.6	192,569	2.4
Churches and schools	26,406	0.3	34,752	0.4
Agricultural	18,015	0.2	29,870	0.4
Retail, including shopping centers and strip centers	7,667	0.1	21,795	0.3
Restaurants and bars	4,617	0.1	8,684	0.1
Other	23,775	0.3	37,204	0.5
Total	$ 8,246,674	100.0%	$ 7,993,467	100.0%

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

Generally, as part of our underwriting process, we require the borrower's cash equity to cover a majority, or all, of the soft costs, including an amount equal to construction period interest, and an appropriate portion of the hard costs. While we advance interest reserves as part of the funding process, we believe that the borrowers have in most cases provided for these sums as part of their initial equity contribution. During the years ended December 31, 2021, 2020, and 2019, there were no situations where interest reserves were advanced outside of the terms of the contractual loan agreement to avoid such loan from becoming nonperforming. At December 31, 2021 and 2020, we had no construction and development loans with interest reserves that were nonperforming.

During the years ended December 31, 2021, 2020, and 2019, we recognized approximately $284 million, $263 million and $292 million, respectively, of interest income on construction and development loans from the advance of interest reserves. We advanced construction period interest on construction and development loans totaling approximately $281 million, $257 million and $297 million, respectively, during the years ended December 31, 2021, 2020 and 2019.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at December 31, 2021 was approximately $19.13 billion, of which $7.96 billion was outstanding at December 31, 2021 and $11.17 billion remained to be advanced. The weighted-average loan-to-cost ("LTC") on such loans, assuming such loans are ultimately fully advanced, was approximately 52%, which means that the weighted-average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, was approximately 48%. The weighted-average LTV ratio on such loans, based on the most recent appraisals and assuming such loans are ultimately fully advanced, was approximately 44%.

Purchased Loans. Between 2010 and 2016, we made fifteen acquisitions. Purchased loans, which are the remaining loans from those fifteen acquisitions, accounted for 2.8% of our total loan portfolio at December 31, 2021 (4.2% at December 31, 2020). This portfolio will continue to decrease as such loans are repaid.

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

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

Purchased Loans

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Loans not deemed PCD:		
Unpaid principal balance	$ 487,341	$ 760,865
Valuation discount	(6,029)	(10,455)
Carrying value	481,312	750,410
PCD loans:		
Unpaid principal balance	40,320	65,433
Valuation discount	(5,417)	(8,170)
Carrying value	34,903	57,263
Total carrying value	$ 516,215	$ 807,673

Nonperforming Assets

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

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

As of December 31, 2021, all loans that had previously participated in our short-term payment deferrals through our Disaster Relief Loan Program that was implemented in 2020 have either been paid off or are no longer on payment deferrals. In accordance with applicable guidance, loans subject to such deferrals were not considered TDRs.

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

Nonperforming Assets

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Nonaccrual loans [1]	$ 29,480	$ 40,093
Accruing loans 90 days or more past due	—	—
TDRs – nonaccruing [1]	3,794	4,309
TDRs – accruing [1]	1,285	1,483
Total nonperforming loans, excluding purchased loans	34,559	45,885
Nonaccrual purchased loans	10,991	25,335
TDRs – accruing purchased	45	—
Total nonperforming loans	45,595	71,220
Foreclosed assets	5,744	11,085
Total nonperforming assets	$ 51,339	$ 82,305
Nonperforming loans to total loans, excluding purchased loans [1]	0.19%	0.25%
Nonperforming loans to total loans	0.25	0.37
Nonaccrual loans to total loans	0.24	0.36
Nonperforming assets to total assets, excluding purchased loans [2]	0.15	0.21
Nonperforming assets to total assets	0.19	0.30
ALL to nonaccrual loans [3]	491%	424%

(1) Excludes purchased loans.
(2) Excludes purchased loans, except for their inclusion in total assets.
(3) Excludes reserve for losses on unfunded loan commitments.

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

At December 31, 2021 and 2020, we had reduced the carrying value of our nonperforming loans to the estimated fair value of such loans of $35.2 million and $59.1 million, respectively. The adjustment to reduce the carrying value of nonperforming loans to estimated fair value at December 31, 2021 and 2020 consisted of $10.4 million and $12.1 million, respectively, of allowance for loan loss allocations. Nonperforming non-purchased loans at December 31, 2021 and 2020 included $1.3 million and $1.5 million, respectively, of accruing loans that were determined to be TDRs.

At December 31, 2021 and 2020 substandard loans, excluding purchased loans, not designated as nonperforming, nonaccrual or 90 days past due, totaled $52.3 million and $49.9 million, respectively. No loans were designated as doubtful or loss at December 31, 2021 and 2020. Included in substandard loans not deemed as nonperforming, nonaccrual or 90 days past due at December 31, 2021 and 2020 was a single credit at our Real Estate Specialty Group that was downgraded to substandard during the fourth quarter of 2019. This credit, which is collateralized by a lot development and townhouse construction project near Lake Tahoe, California, had an outstanding balance of $42.8 million at December 31, 2021 and $33.0 million at December 31, 2020. This credit was not past due at December 31, 2021 or 2020.

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

Foreclosed Assets

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	$ —	$ 253
Non-farm/non-residential	2,786	5,244
Construction/land development	1,990	4,683
Agricultural	701	497
Total real estate	5,477	10,677
Consumer	267	408
Foreclosed assets	$ 5,744	$ 11,085

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

Activity Within Foreclosed Assets

	Year Ended December 31, 2021	2020	2019
	(Dollars in thousands)		
Balance – beginning of year	$ 11,085	$ 19,096	$ 16,171
Loans and other assets transferred into foreclosed assets	15,435	21,703	31,709
Sales of foreclosed assets	(17,315)	(26,045)	(26,365)
Writedowns of foreclosed assets	(3,461)	(3,669)	(2,419)
Balance – end of year	$ 5,744	$ 11,085	$ 19,096

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

Geographic Distribution of Nonperforming Assets

	Nonperforming Loans	Foreclosed Assets and Repossessions	Total Nonperforming Assets
		(Dollars in thousands)	
Arkansas	$ 11,299	$ 1,388	$ 12,687
Georgia	10,398	2	10,400
Florida	5,134	62	5,196
North Carolina	2,938	1,948	4,886
Texas	2,614	1,027	3,641
Mississippi	1,248	720	1,968
California	224	68	292
New York	102	—	102
All other	11,638	529	12,167
Total	$ 45,595	$ 5,744	$ 51,339

Allowance for Credit Losses

Our total provision for credit losses for 2021 was a negative $77.9 million, including a negative $68.0 million related to our ALL for funded loans and a negative $9.9 million related to our reserve for losses on unfunded loan commitments. Our total provision for credit losses for 2020 was $203.6 million, including $177.1 million related to our ALL for funded loans and $26.5 million related to our reserve for losses on unfunded loan commitments. Our negative provision for credit losses recorded during the year ended December 31, 2021 decreased our ALL for funded loans to $217.4 million, or 1.19% of total loans, and decreased our reserve for losses on unfunded loan commitments to $71.6 million, or 0.53% of unfunded loan commitments, bringing our total ACL to $289.0 million at December 31, 2021. Our provision for credit losses recorded during the year ended December 31, 2020 increased our ALL for funded loans to $295.8 million, or 1.54% of total loans, and increased our reserve for losses on unfunded loan commitments to $81.5 million, or 0.69% of unfunded loan commitments, bringing our total ACL to $377.3 million at December 31, 2020.

The sudden and severe economic downturn as a result of the COVID-19 pandemic, combined with the implementation of CECL and uncertain future economic projections, resulted in the significant increase in our provision for credit losses in 2020 and the increase in our ACL at December 31, 2020. Improved economic conditions and prospects for improvement in the U.S. economy resulted in us recording negative provision expense for 2021 and the decrease in our ACL at December 31, 2021.

The calculations of our provision for credit losses for 2021 and 2020 and our total ACL at December 31, 2021 and 2020 were based on a number of key estimates, assumptions and economic forecasts. Management utilized several economic forecasts provided by Moody’s, including their baseline forecast and certain of their other alternative economic scenarios. In selecting the weightings for the various economic scenarios for purposes of determining our ACL at December 31, 2021, we assigned the largest weighting to the Moody’s S3 (Moderate Recession) and Moody’s S4 (Protracted Slump) scenarios and assigned lesser weighting to the Moody’s baseline scenario. Our selection and weightings of these scenarios reflect our assessment of conditions in the U.S. economy, including uncertainty about the COVID-19 pandemic, Omicron and other potential COVID-19 variants, the rate and long-term effectiveness of vaccination programs in the U.S. and globally, the timing and magnitude of U.S. fiscal policy actions, accelerated tapering of the FRB’s asset purchases, potential increases in the federal funds rate, prospects for a shrinking of the FRB balance sheet, heightened inflationary pressures, global trade and geopolitical matters, the impact of supply chain disruptions and various other factors. These forecasts included a number of economic variables, including gross domestic product (“GDP”), unemployment rates, and commercial and residential real estate prices, among others. For purposes of the forecasts used in our CECL methodology, management utilized a reasonable and supportable forecast period of two years, followed by a reversion, on a systematic basis, of estimated losses back to our historical mean. Management also utilized certain qualitative adjustments to increase our ACL estimates at December 31, 2021 and 2020 in order to capture items that management believed were not fully reflected in our modeled results.

CECL has and is expected to continue to increase the volatility in our provision for credit losses and associated ACL from period to period. The current situation surrounding the COVID-19 pandemic, U.S. fiscal policy, inflation, FRB monetary policy, global trade and geopolitical matters, supply chain disruptions and other factors continues to evolve, and the ultimate depth and duration of resulting economic impacts are not yet fully known.

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

	Allowance for Loan Losses	Reserve for Losses on Unfunded Loan Commitments	Total Allowance for Credit Losses
		(Dollars in thousands)	
Year ended December 31, 2021:			
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Net charge-offs	(10,378)	—	(10,378)
Provision for credit losses	(68,066)	(9,872)	(77,938)
Balances – December 31, 2021	$ 217,380	$ 71,609	$ 288,989
Year ended December 31, 2020:			
Balances – December 31, 2019	$ 108,525	$ —	$ 108,525
Adoption of CECL methodology	39,588	54,924	94,512
Balances – January 1, 2020	148,113	54,924	203,037
Net charge-offs	(29,371)	—	(29,371)
Provision for credit losses	177,082	26,557	203,639
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Year ended December 31, 2019:			
Balances – December 31, 2018	$ 102,264	$ —	$ 102,264
Net charge-offs	(19,980)	—	(19,980)
Provision for credit losses	26,241	—	26,241
Balances – December 31, 2019	$ 108,525	$ —	$ 108,525

The amount of and provision to the ACL is based on our analysis of the adequacy of the ACL utilizing the criteria discussed in the Critical Accounting Estimates section of this MD&A.

The following table is an analysis of the ACL for the years indicated.

Analysis of the ACL

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Balance, beginning of period	$ 377,305	$ 108,525	$ 102,264
Adoption of CECL methodology	—	94,512	—
Balance, beginning of period, as adjusted	377,305	203,037	102,264
Loans charged off:			
Real estate:			
Residential 1-4 family	(287)	(411)	(514)
Non-farm/non-residential	(3,942)	(12,353)	(4,590)
Construction/land development	(176)	(25)	(528)
Agricultural	(18)	(39)	(46)
Multifamily residential	(377)	—	—
Total real estate	(4,800)	(12,828)	(5,678)
Commercial and industrial	(628)	(6,002)	(2,194)
Consumer	(6,585)	(11,518)	(12,836)
Other	(3,282)	(3,044)	(3,635)
Total loans charged off	(15,295)	(33,392)	(24,343)
Recoveries of loans previously charged off:			
Real estate:			
Residential 1-4 family	763	939	174
Non-farm/non-residential	828	330	38
Construction/land development	461	468	117
Agricultural	6	69	7
Multifamily residential	—	146	—
Total real estate	2,058	1,952	336
Commercial and industrial	433	535	301
Consumer	1,534	798	2,983
Other	892	736	743
Total recoveries	4,917	4,021	4,363
Net charge-offs – total loans	(10,378)	(29,371)	(19,980)
Provision for funded loans and unfunded loan commitments:			
Funded loans	(68,066)	177,082	26,241
Unfunded loan commitments	(9,872)	26,557	—
Total provision	(77,938)	203,639	26,241
Balance, end of period	$ 288,989	$ 377,305	$ 108,525
ALL	$ 217,380	$ 295,824	$ 108,525
Reserve for losses on unfunded loan commitments	71,609	81,481	—
Total ACL	$ 288,989	$ 377,305	$ 108,525

Additional information regarding net charge-offs (recoveries) for the years indicated is presented in the table below.

		Net Charge-Offs (Recoveries)	Net Charge-Off (Recovery) Ratio
		(Dollars in thousands)	
December 31, 2021:			
Real estate:			
Residential 1-4 family	$	(476)	(0.05)%
Non-farm/non-residential		3,114	0.08
Construction/land development		(285)	(0.01)
Agricultural		12	0.01
Multifamily residential		377	0.04
Commercial and industrial		195	0.03
Consumer		5,051	0.22
Other		2,390	0.15
Total	$	10,378	0.06%
December 31, 2020:			
Real estate:			
Residential 1-4 family	$	(528)	(0.05)%
Non-farm/non-residential		12,023	0.28
Construction/land development		(443)	(0.01)
Agricultural		(30)	(0.01)
Multifamily residential		(146)	(0.01)
Commercial and industrial		5,467	0.61
Consumer		10,720	0.39
Other		2,308	0.17
Total	$	29,371	0.16%
December 31, 2019:			
Real estate:			
Residential 1-4 family	$	340	0.03%
Non-farm/non-residential		4,552	0.11
Construction/land development		411	0.01
Agricultural		39	0.02
Multifamily residential		—	—
Commercial and industrial		1,893	4.90
Consumer		9,853	0.37
Other		2,892	0.19
Total	$	19,980	0.11%

The following is a summary of our net charge-off and various ALL ratios as of and for the years indicated.

Net Charge-Off and ALL Ratios

	As of and for the Year Ended December 31,		
	2021	2020	2019
Net charge-offs of non-purchased loans to total average non-purchased loans (1)	0.06%	0.09%	0.09%
Net charge-offs of total loans to total average loans	0.06	0.16	0.11
ALL to total loans (2)	1.19	1.54	0.62
Reserve for losses on unfunded loan commitments to total unfunded loan commitments	0.53	0.69	—
ACL to total loans	1.58	1.97	0.62
ACL to total loans and unfunded loan commitments	0.91	1.22	0.38
ALL to nonperforming loans (2)	477%	415%	231%

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

The following table sets forth the sum of the amounts of the ALL and the percentage of loans to total loans as of the dates indicated. The amounts shown in the following table are not necessarily indicative of the actual future losses that may occur within particular categories.

Allocation of the ALL

	December 31,			
	2021		2020	
	Allowance	% of Loans	Allowance	% of Loans
	(Dollars in thousands)			
ALL for loans:				
Real estate:				
Residential 1-4 family	$ 18,675	4.8%	$ 26,655	4.7%
Non-farm/non-residential	79,524	20.7	93,436	22.2
Construction/land development	54,036	45.0	72,237	41.6
Agricultural	3,070	1.4	3,064	1.1
Multifamily residential	6,424	5.1	12,352	4.5
Commercial and industrial	8,017	2.8	13,758	4.4
Consumer	37,430	11.9	45,657	12.5
Other	10,204	8.3	28,665	9.0
Total ALL	$ 217,380		$ 295,824	

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

Allocation of ACL

	ALL	Reserve for Losses on Unfunded Loan Commitments	Total ACL
		(Dollars in thousands)	
December 31, 2021:			
Real estate:			
Residential 1-4 family	$ 18,675	$ 1,172	$ 19,847
Non-farm/non-residential	79,524	2,122	81,646
Construction/land development	54,036	56,364	110,400
Agricultural	3,070	53	3,123
Multifamily residential	6,424	654	7,078
Commercial and industrial	8,017	987	9,004
Consumer	37,430	166	37,596
All other	10,204	10,091	20,295
Total	$ 217,380	$ 71,609	$ 288,989
December 31, 2020:			
Real estate:			
Residential 1-4 family	$ 26,655	$ 1,521	$ 28,176
Non-farm/non-residential	93,436	2,312	95,748
Construction/land development	72,237	64,736	136,973
Agricultural	3,064	82	3,146
Multifamily residential	12,352	641	12,993
Commercial and industrial	13,758	1,832	15,590
Consumer	45,657	190	45,847
All other	28,665	10,167	38,832
Total	$ 295,824	$ 81,481	$ 377,305

Liquidity Risk Management

Overview. Liquidity risk is the potential that we will be unable to meet our obligations as they come due because of an inability to liquidate assets or obtain adequate funding (referred to as “funding liquidity risk”) or that we cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions (referred to as “market liquidity risk”). Our Board-approved liquidity risk appetite, which is monitored through our liquidity risk profile, is further categorized into the following risks: liquid asset management risk (risk of acute funding stress related to insufficient levels of liquid assets), funding diversity and stability risk (risk of loss of a single large funding source that may lead to an inability to fund our business strategy and require us to sell assets or curtail growth) and funding capacity/contingency planning risk (risk of unanticipated growth from lending businesses or unexpected customer activity may lead to unexpected increases in demands on liquidity.) Our ALCO Committee (“ALCO”) has primary responsibility for oversight of our liquidity, funds management, asset/liability (interest rate risk) position, capital and our investment portfolio functions.

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

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

Deposits. Historically, our loan-to-deposit ratio has ranged from about 89% to 99%. In recent years, we have operated with a loan-to-deposit ratio that has ranged from about 90% up to approximately 95%. Given that our lending and investing activities are funded primarily by deposits, increases or decreases in our deposits are generally driven by corresponding increases or decreases in our loan and investments portfolios. Our deposits decreased $1.24 billion in 2021 and increased $2.98 billion in 2020. The decrease in deposits during 2021 was a result of reduced funding needs given the significant loan repayment volume experienced in 2021 and the increase in deposits during 2020 was a result of the funding needed to support our growth of earning assets. Additionally, our deposit growth in 2020 was aided by deposits from PPP loans and government stimulus payments to customers.

The amount of deposits by account type as of the dates indicated and their respective percentage of total deposits are reflected in the following table.

Deposits – By Account Type

	December 31,			
	2021		2020	
	(Dollars in thousands)			
Non-interest bearing	$ 4,983,788	24.7%	$ 3,996,546	18.6%
Interest bearing:				
Transaction (NOW)	3,412,369	16.9	3,124,007	14.6
Savings and money market	5,833,358	28.9	5,036,975	23.5
Time deposits less than $100	1,801,454	8.9	3,075,845	14.3
Time deposits of $100 or more	4,178,165	20.6	6,216,983	29.0
Total deposits	$ 20,209,134	100.0%	$ 21,450,356	100.0%

During 2021, we continued our efforts to enhance the quality of our deposit base by growing our consumer and commercial deposits while reducing our brokered and reciprocal deposits and by growing our non-interest bearing and interest bearing transaction accounts and reducing our time deposits. The amount of deposits by customer type as of the dates indicated and their respective percentage of total deposits are reflected in the following table.

Deposits – By Customer Type

	December 31,			
	2021		2020	
	(Dollars in thousands)			
Non-Interest Bearing	$ 4,983,788	24.7%	$ 3,996,546	18.6%
Interest Bearing:				
Consumer and Commercial:				
Consumer – Non-Time	4,334,378	21.4	3,506,014	16.3
Consumer – Time	4,318,742	21.4	6,511,664	30.4
Commercial – Non-Time	2,634,817	13.0	2,178,253	10.2
Commercial – Time	905,347	4.5	1,137,040	5.3
Public Funds	2,094,800	10.4	2,004,593	9.3
Brokered	452,137	2.2	1,600,116	7.5
Reciprocal	485,125	2.4	516,130	2.4
Total deposits	$ 20,209,134	100.0%	$ 21,450,356	100.0%

At December 31, 2021, we had outstanding brokered deposits of $0.45 billion, or approximately 2.2% of total deposits, compared to $1.60 billion, or approximately 7.5% of total deposits at December 31, 2020. We use brokered deposits, subject to certain limitations and requirements, as a source of funding to augment deposits generated from our branch network, which are our principal source of funding. Our Board has established policies and procedures with respect to the use of brokered deposits. Such policies and procedures require, among other things, that (i) we limit the amount of brokered deposits as a percentage of total deposits and (ii) ALCO monitor our use of brokered deposits on a regular basis, including interest rates and the volume of such deposits in relation to our total deposits.

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

Average Deposit Balances and Rates

	Year Ended December 31,					
	2021		2020		2019	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(Dollars in thousands)					
Non-interest bearing	$ 4,380,850	—	$ 3,521,066	—	$ 2,753,634	—
Interest bearing:						
Transaction (NOW)	3,225,886	0.13%	2,906,816	0.39%	2,571,389	1.02%
Savings and money market	5,562,314	0.15	4,817,712	0.54	6,468,595	1.55
Time deposits less than $100	2,315,263	0.72	3,511,220	1.44	2,872,676	2.03
Time deposits of $100 or more	5,218,981	0.68	5,524,751	1.52	3,449,197	2.13
Total deposits	$20,703,294	0.39	$20,281,565	1.03	$18,115,491	1.68

The calculation of the average rate paid on total interest bearing deposits of 0.39% for 2021, 1.03% for 2020 and 1.68% for 2019 includes interest paid and average balances of all categories of interest bearing deposits. The average rate paid for all deposits, including both interest bearing and non-interest bearing deposits, was 0.31% for 2021, 0.85% for 2020 and 1.43% for 2019. Future decreases or increases in the rate paid on our interest bearing deposits will depend on funding needs to support growth in our earning assets, changes in the federal funds rate and other interest rates, competitive conditions and various other factors.

The estimated amount of uninsured deposits at December 31, 2021 was $8.77 billion. The following table sets forth time deposits that exceed FDIC insurance limits or are otherwise uninsured as of the date indicated.

Maturity Distribution of Time Deposits

	Individual Time Deposits that Exceed the FDIC Insurance Limit	Estimated Aggregate Time Deposits that Exceed the FDIC Insurance Limit or Otherwise Uninsured Time Deposits
	(Dollars in thousands)	
December 31, 2021:		
3 months or less	$ 403,773	$ 510,507
Over 3 to 6 months	391,809	542,862
Over 6 to 12 months	640,309	808,725
Over 12 months	217,942	395,360
Total	$ 1,653,833	$ 2,257,454

Estimated uninsured deposits do not necessarily reflect an evaluation of all scenarios that potentially would determine the availability of deposit insurance to individual accounts or customers based on FDIC regulations.

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

	December 31,			
	2021		2020	
Deposits Attributable to Offices In	**Amount**	**%**	**Amount**	**%**
	(Dollars in thousands)			
Arkansas	$ 6,224,650	30.8%	$ 7,063,100	33.0%
Georgia	5,579,130	27.6	5,545,658	25.9
Florida	3,639,634	18.0	3,776,212	17.6
Texas	3,280,149	16.2	2,735,106	12.8
North Carolina	1,485,571	7.4	1,598,745	7.5
New York	—	—	608,151	2.8
South Carolina	—	—	123,384	0.4
Total	$ 20,209,134	100.0%	$ 21,450,356	100.0%

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

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

Loan Maturities

	1 Year or Less	Over 1 Through 5 Years	Over 5 Through 15 Years	Over 15 Years	Total
	(Dollars in thousands)				
Real estate	$ 4,683,307	$ 7,832,127	$ 900,635	$ 683,093	$14,099,162
Commercial and industrial	107,746	350,998	51,394	646	510,784
Consumer	3,842	21,756	514,585	1,645,246	2,185,429
Other	569,549	929,386	8,325	5,190	1,512,450
Total	$ 5,364,444	$ 9,134,267	$ 1,474,939	$ 2,334,175	$18,307,825
Fixed rate	$ 321,128	$ 1,240,828	$ 650,601	$ 1,870,061	$ 4,082,618
Floating rate (not at a floor or ceiling rate) (1)	145,614	114,431	203,199	192,742	655,986
Floating rate (at floor rate) (1)	4,897,702	7,779,008	621,139	271,361	13,569,210
Floating rate (at ceiling rate)	—	—	—	11	11
Total	$ 5,364,444	$ 9,134,267	$ 1,474,939	$ 2,334,175	$18,307,825

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

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

At December 31, 2021, we had approximately 1,175 PPP loans totaling approximately $0.08 billion that were outstanding. All loans we originated under the PPP were structured to be fully guaranteed by the SBA. Our current expectation is that our portfolio of PPP loans that remain outstanding will be forgiven and repaid by the SBA in 2022.

At December 31, 2021, we had $13.62 billion in unfunded balances on loans already closed, the vast majority of which is attributable to construction and development loans for which construction has commenced. In most cases the borrower's equity and all other required subordinated elements of the capital structure must be fully funded before we advance funds. Typically, we are the last to advance funds and the first to be repaid. In many cases we do not advance funds on loans for many months after closing because the borrower's equity and other funding sources must fund first. This conservative practice for handling construction loans has led to the large unfunded balance of closed loans. As a result, we maintain a detailed 36-month forward funding forecast projecting all loan fundings and loan pay downs and pay offs. Our ability to project monthly net portfolio growth with a substantial degree of accuracy is an important part of our liquidity management process.

Investment Securities AFS. Cash flows from our investment securities portfolio also provide us with an additional source of liquidity. The following table reflects the expected maturity distribution of our investment securities AFS, at estimated fair value, at December 31, 2021 and weighted-average yields (for tax-exempt obligations on an FTE basis) of such securities.

Expected Maturity Distribution of Investment Securities

	1 Year Or Less	Weighted Average Yield - FTE	Over 1 Through 5 Years	Weighted Average Yield - FTE	Over 5 Through 10 Years	Weighted Average Yield - FTE	Over 10 Years	Weighted Average Yield - FTE	Total	Weighted Average Yield - FTE
	(Dollars in thousands)									
Obligations of state and political subdivisions	$ 184,990	1.44%	$ 258,777	1.70%	$ 132,804	4.50%	$ 236,642	4.41%	$ 813,213	2.94%
U.S. Government agency mortgage-backed securities	604,589	1.38	1,290,912	1.28	314,865	0.94	6,915	2.62	2,217,281	1.26
Other U.S. Government agency securities	27,496	0.28	527,765	1.02	—	—	—	—	555,261	0.98
Corporate obligations	272,344	0.54	8,095	3.55	22,248	2.70	3,384	4.41	306,071	0.82
U.S. Treasuries	—	—	24,907	0.69	—	—	—	—	24,907	0.69
Total	$ 1,089,419	1.15%	$ 2,110,456	1.27%	$ 469,917	2.03%	$ 246,941	4.36%	$ 3,916,733	1.53%
Percentage of total	27.8%		53.9%		12.0%		6.3%		100.0%	
Cumulative percentage of total	27.8%		81.7%		93.7%		100.0%			

The maturity for all investment securities is shown based on each security's contractual maturity date, except (1) mortgage-backed securities, which are allocated among various maturities based on an estimated repayment schedule utilizing third party median prepayment speeds or other estimates of prepayment speeds and interest rate levels at December 31, 2021 and (2) callable investment securities for which we have received notification of call, which are included in the maturity category in which the call occurs or is expected to occur. Actual maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. The weighted-average yields – FTE are calculated based on the coupon rate and amortized cost for such securities and includes any projected discount accretion or premium amortization.

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

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

Average Balances and Rates of Other Interest Bearing Liabilities

	Year Ended December 31,					
	2021		2020		2019	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(Dollars in thousands)					
Repurchase agreements with customers	$ 7,027	0.24%	$ 7,825	0.29%	$ 13,502	0.37%
Other borrowings [(1)]	750,276	0.53	721,350	0.44	94,399	1.62
Subordinated notes	212,600	4.42	223,850	5.70	223,469	5.71
Subordinated debentures [(1)]	120,751	3.11	120,190	3.65	119,629	4.73
Total other interest bearing liabilities	$1,090,654	1.57	$1,073,215	1.90	$ 450,999	4.44

(1) The interest expense and rates for "other borrowings" and "subordinated debentures" were impacted by interest capitalized. Capitalized interest included in other borrowings was not material in 2021. Capitalized interest included in other borrowings totaled $0.7 million in 2020 and $0.9 million in 2019. Capitalized interest included in subordinated debentures totaled $0.2 million in 2020 and $0.9 million in 2019 (none in 2021). In the absence of this interest capitalization, the rates on other borrowings would have been 0.53% in 2020 and 2.58% in 2019 and the rates on subordinated debentures would have been 3.80% for 2020 and 5.48% for 2019.

We utilized FHLB advances to support our funding sources and provide additional on-balance sheet liquidity. Details of those outstanding FHLB advances, at December 31, 2021, are shown in the following table.

FHLB Advances

Borrowing Type	Balance	Interest Rate	Maturity Date	Expiration of Lockout Term
		(Dollars in thousands)		
Fixed-rate FOTO advance [(1)]	$ 500,000	0.48%	February 28, 2035	Currently callable
Fixed-rate FOTO advance [(1)]	250,000	0.65	February 28, 2035	February 28, 2022
Other FHLB advances [(2)]	206	Various	Various	N/A
Total	$ 750,206	0.54%		

(1) These borrowings are FHLB advances where the FHLB owns the option ("FOTO"), at its sole discretion, to terminate the advance on a quarterly basis after expiration of the lockout term.
(2) These other FHLB advances have rates ranging from 2.01% to 2.37% and a weighted-average rate of 2.08%. Final maturity dates on these advances range from June 2022 to March 2023.

At December 31, 2021, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) $5.17 billion of available blanket borrowing capacity with the FHLB, (2) $2.45 billion of investment securities available to pledge for federal funds or other borrowings, (3) $1.08 billion of available unsecured federal funds borrowing lines and (4) up to $0.35 billion of available borrowing capacity from borrowing programs of the FRB.

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

Sources and Uses of Funds. Operating activities provided net cash of $543 million in 2021, $552 million in 2020 and $425 million in 2019. Net cash provided by operating activities is comprised primarily of net income, adjusted for certain non-cash items and for changes in various operating assets and liabilities.

Investing activities provided net cash of $0.13 billion in 2021, used net cash of $2.97 billion in 2020 and provided net cash of $0.12 billion in 2019. The increase in net cash provided by investing activities in 2021 compared to 2020 was primarily the result of a reduction in our total loan portfolio which provided $0.90 billion in 2021 and used $1.72 billion in 2020, and increased proceeds from maturities, calls and paydowns of investment securities AFS which provided $2.52 billion in 2021 compared to $1.11 billion in 2020, offset by purchases of investment securities AFS which used $3.73 billion in 2021 compared to $2.50 billion in 2020. The increase in net cash used by investing activities in 2020 compared to 2019 was primarily the result of changes in the level of net purchases in our investment securities portfolio, which used $1.13 billion in 2020 and provided $0.65 billion in 2019, and growth of our total loans which used $1.72 billion in 2020 and used $0.44 billion in 2019.

Financing activities used net cash of $1.01 billion in 2021 and provided net cash of $3.32 billion in 2020 and $0.66 billion in 2019. The increase in the net cash used by financing activity in 2021 compared to 2020 was primarily the result of a reduction in our total deposits, which used $1.13 billion during 2021 compared to providing net cash of $3.06 billion in 2020, proceeds from FHLB callable advances which provided $750 million in 2020 (none in 2021) and the repurchase and cancellation of shares of our common stock which used $195 million in 2021 compared to $2 million in 2020. These items were partially offset by net proceeds from the issuance of preferred stock which provided $0.34 billion in 2021 compared to no proceeds in 2020 and the redemption of our 5.50% Notes and issuance of our 2.75% Notes, which transactions provided $114 million in 2021 compared to none in 2020. The increase in the net cash provided by financing activities in 2020 compared to 2019 was primarily the result of growth of our deposits, which provided $3.06 billion during 2020 compared to $0.54 billion in 2019, and proceeds from callable FHLB advances which provided $0.75 billion during 2020 compared to none during 2019, partially offset by net cash used/provided by other borrowings which used net cash of $0.35 billion in 2020 and provided net cash of $0.25 billion in 2019.

Material Cash Requirements, Contractual Obligations, Commitments and Off-Balance Sheet Arrangements. Our material cash requirements include commitments for contractual obligations (both short-term and long-term), commitments to extend credit, and off-balance sheet arrangements. Our material cash requirements for the next 12 months are primarily to fund loan growth. Additionally, we will utilize cash to fund deposit maturities and withdrawals that may occur in the next 12 months. Other contractual obligations, purchase commitments, lease obligations, and unfunded commitments may require cash payments by us within the next 12 months, and these, along with longer-term obligations, are discussed below. The following table presents, as of December 31, 2021, significant fixed and determinable contractual obligations to third parties by contractual date with no consideration given to earlier call or prepayment features. Other obligations consist primarily of contractual obligations for capital expenditures, software contracts, employee benefits and various other contractual obligations.

Contractual Obligations

	1 Year or Less	Over 1 Through 3 Years	Over 3 Through 5 Years	Over 5 Years	Total
			(Dollars in thousands)		
Time deposits [1]	$ 4,985,989	$ 923,115	$ 88,761	$ 341	$ 5,998,206
Deposits without a stated maturity [2]	14,228,648	—	—	—	14,228,648
Repurchase agreements with customers [1]	6,115	—	—	—	6,115
Other borrowings [1]	4,224	8,059	8,050	782,860	803,193
Subordinated notes [1]	9,759	19,518	17,058	352,822	399,157
Subordinated debentures [1]	3,245	6,490	6,490	146,564	162,789
Lease obligations	8,604	15,260	11,443	52,791	88,098
Other obligations	94,513	23,088	1,147	13,311	132,059
Total contractual obligations	$19,341,097	$ 995,530	$ 132,949	$ 1,348,689	$21,818,265

(1) Includes unpaid interest through the contractual maturity on both fixed and variable rate obligations. The interest included on variable rate obligations is based upon interest rates in effect at December 31, 2021. The contractual amounts to be paid on variable rate obligations are affected by changes in interest rates. Future changes in interest rates could materially affect the contractual amounts to be paid.
(2) Includes interest accrued and unpaid through December 31, 2021.

In the normal course of business, various commitments and contingent liabilities arise that are not required to be recorded on the balance sheet. The most significant of these are loan commitments comprised of our balance of closed but unfunded construction loans totaling $13.62 billion at December 31, 2021, and our standby letters of credit, which totaled $16.8 million at December 31, 2021. These loan commitments and standby letters of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract and, for unfunded construction loans, based on the achievement of certain construction milestones. We evaluate each customer's creditworthiness on a case-by-case basis and the amount of collateral obtained is based on management's credit evaluation of the customer and underlying property, among other factors. Loan commitments and standby letters of credit generally have fixed expiration dates and may or may not be drawn upon in whole or in part prior to their maturity, depending on a number of factors including economic conditions, real estate market condition, competitive factors, among others. Management does not anticipate any material losses from these loan commitments and standby letters of credit that have not been previously considered in establishing our ACL and believes there are no material commitments to extend credit that represent risks of an unusual nature.

The following table details the amounts and expected maturities of significant off-balance sheet commitments as of December 31, 2021.

Off-Balance Sheet Commitments

	1 Year or Less	Over 1 Through 3 Years	Over 3 Through 5 Years	Over 5 Years	Total
			(Dollars in thousands)		
Commitments to extend credit	$ 1,535,662	$ 8,088,247	$ 3,815,004	$ 180,665	$13,619,578
Standby letters of credit	13,735	2,958	67	—	16,760
Total commitments	$ 1,549,397	$ 8,091,205	$ 3,815,071	$ 180,665	$13,636,338

We also have investments in certain CRA and tax credit investments and partnerships generally within the areas we serve. These investments typically supply funds for the construction and operation of affordable housing to that segment of the population with lower family income. Many of these investments provide tax credits which are normally recognized over seven to 15 years and play an important part in the anticipated yield from these investments. Under the terms of the various investment agreements, we have commitments totaling approximately $243 million at December 31, 2021, of which approximately $121 million have been funded and are included in "other assets" on our consolidated balance sheet. The portion of the commitments that are unfunded totaled approximately $122 million at December 31, 2021 and are expected to be funded over the terms of the agreements ranging from 2022 to 2038.

In addition, we pay cash dividends on our Preferred Stock when, as, and if declared by our Board, which on an annual basis, is expected to result in approximately $16.3 million in cash dividends paid on our Preferred Stock.

Market and Interest Rate Risk Management

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

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

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

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

The following table presents the earnings simulation model's projected impact of a change in interest rates on the projected baseline net interest income for the 12-month period commencing January 1, 2022. This change in interest rates is assumed to occur ratably over that 12-month period. This change in interest rates also assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve.

Earnings Simulation Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline Net Interest Income
+300	8.5%
+200	4.6
+100	1.6
-100	(2.5)
-200	Not meaningful
-300	Not meaningful

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

The consolidated financial statements and related notes presented in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K have been prepared in accordance with GAAP. This requires the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. Unlike industrial companies, the vast majority of our assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

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

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

EVE Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline EVE
+200	8.7%
+100	4.4
-100	(9.7)
-200	Not meaningful

Variable Rate Loans and Loan Repricing. At December 31, 2021, approximately 78% of our total loans had variable rates. Additionally, approximately 99% of our variable rate loans had floor rates. The following table reflects a summary, at December 31, 2021, of the percentage of our variable rate loans currently at a floor and changes in such percentage of variable rate loans at a floor given changes in interest rates.

Variable Rate Loan Analysis

Changes in Interest Rate	Percentage of Variable Rate Loans at Floor
Up 200 bps	15.4%
Up 150 bps	37.9
Up 100 bps	51.7
Up 75 bps	58.3
Up 50 bps	63.4
Up 25 bps	77.4
Currently at floor	92.2
Down 25 bps	97.2
Down 50 bps	97.6
Down 75 bps	97.9
Down 100 bps	98.2

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

Loan Cash Flows or Repricing

	1 Year or Less	Over 1 Through 2 Years	Over 2 Through 3 Years	Over 3 Through 5 Years	Over 5 Years	Total
			(Dollars in thousands)			
Fixed rate	$ 1,359,835	$ 949,689	$657,077	$ 828,254	$287,763	$ 4,082,618
Floating rate (not at a floor or ceiling rate) (1)	470,401	81,067	48,751	52,488	3,279	655,986
Floating rate (at floor rate) (1)	13,037,324	210,232	153,304	160,529	7,821	13,569,210
Floating rate (at ceiling rate)	11	—	—	—	—	11
Total	$14,867,571	$1,240,988	$859,132	$1,041,271	$298,863	$18,307,825
Percentage of total	81.2%	6.8%	4.7%	5.7%	1.6%	100.0%
Cumulative percentage of total	81.2%	88.0%	92.7%	98.4%	100.0%	

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

The following table is a summary of our floating rate loan portfolio and contractual interest rate indices at December 31, 2021.

Contractual Indices of Floating Rate Loans

Contractual Interest Rate Index	Floating Rate (at floor rate)	Floating Rate (not at a floor or ceiling rate)	Floating Rate (at ceiling rate)	Total Floating Rate
		(Dollars in thousands)		
1-month LIBOR	$ 11,300,548	$ 155,515	$ —	$ 11,456,063
1-month SOFR	364,860	51,216	—	416,076
Wall Street Journal Prime	1,719,193	420,316	11	2,139,520
Other contractual interest rate indices	184,609	28,939	—	213,548
Total	$ 13,569,210	$ 655,986	$ 11	$ 14,225,207

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

LIBOR Transition. Our subordinated debentures and related trust preferred securities and significant portions of our loan portfolio are tied to LIBOR benchmark interest rates. Most LIBOR index tenors are expected to be phased-out by June 2023. The FRB formed the Alternative Reference Rates Committee (“ARRC”) to guide the transition process in the United States. ARRC has issued a number of recommendations including the adoption of SOFR as a replacement for LIBOR. We have created an internal working group that is managing our transition away from LIBOR. This working group is a cross-functional team composed of representatives from credit, lending, deposits, retail, investment securities, loan administration, operations, finance, compliance, legal and other support functions to address issues related to the LIBOR transition and phase-out. The majority of our loans that are tied to LIBOR benchmark interest rates include fallback language for when LIBOR ceases to exist. For our loans that are tied to LIBOR benchmark interest rates that do not include fallback language, we identified loans that will mature prior to June 2023 and we expect to be able to change the reference rate if those loans are renewed, and for the loans that mature after June 2023, we are currently developing plans for modifying these loans prior to that time. As of December 31, 2021, we are no longer originating loans that are tied to LIBOR benchmark interest rates and began to originate alternative benchmark based loans in the fourth quarter of 2021. We will continue to evaluate the financial impact regarding pricing, valuation and operations of the transition. See “Item 1A. - Risk Factors” for a more extensive discussion of this topic.

Market Risk Management Actions. We are exposed to market risk primarily through changes in fair value of our fixed income investment securities portfolio. Investment portfolio strategies are set by senior management and are subject to the oversight and direction of ALCO. At December 31, 2021, with the exception of a small balance of investment securities designated as “trading,” we classified all of our investment securities portfolio as AFS. At December 31, 2020, all of our investment securities were classified as AFS. Our investment securities AFS are reported at estimated fair value with the unrealized gains and losses, net of related income tax, reported as a separate component of stockholders’ equity and included in other comprehensive income. At December 31, 2021, we had $31.5 million of net unrealized gains in our investment securities AFS portfolio that was reported, net of applicable income taxes, in AOCI. Our investment securities designated as trading are reported at estimated fair value with unrealized gains and losses included in earnings.

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

Investment Securities – AFS

	December 31,			
	2021		2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Obligations of states and political subdivisions	$ 794,704	$ 813,213	$ 1,703,967	$ 1,731,885
U.S. Government agency mortgage-backed securities	2,203,398	2,217,281	1,548,101	1,597,598
Other U.S. Government agency securities	556,290	555,261	75,872	75,868
Corporate obligations	305,966	306,071	—	—
U.S. Treasuries	24,910	24,907	—	—
Total	$ 3,885,268	$ 3,916,733	$ 3,327,940	$ 3,405,351

Our investment securities AFS are reported at estimated fair value, which included gross unrealized gains of $47.0 million and gross unrealized losses of $15.5 million at December 31, 2021 and gross unrealized gains of $78.4 million and gross unrealized losses of $1.0 million at December 31, 2020. We believe that all of the unrealized losses on individual investment securities at December 31, 2021 and 2020 are the result of fluctuations in interest rates and do not reflect deterioration in the credit quality of these investments.

The CECL standard replaced the previous other-than-temporary valuation methodology with a methodology that requires us to evaluate the intent or likelihood of disposing of securities that are in an unrealized loss position. Under the current methodology, if we intend to sell an investment security AFS in an unrealized loss position, or if it is more likely than not that we will be required to sell an investment security AFS in an unrealized loss position before recovery of its amortized cost basis, the investment security’s amortized cost basis is written down to fair value through current period expense. If we do not intend to sell an investment security AFS in an unrealized loss position, or if it is more likely than not that we will not sell an investment security AFS in an unrealized loss position, we are required to assess whether the decline in fair value has resulted from credit losses or non-credit factors. Factors considered during such review include the credit quality, financial condition and near term prospects of the issue, the nature and causes of the unrealized loss and various other factors. If our assessment determines a credit loss exists, the present value of cash flows expected to be collected from the investment security AFS is compared to the amortized cost basis of the security and if the present value cash flows expected to be collected is less than amortized cost, an allowance for credit losses and a provision for credit loss expense is recorded. If our assessment determines that a credit loss does not exist, we record the decline in fair value through other comprehensive income, net of related tax effects, with such decline included in accumulated other comprehensive income.

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

Unaccreted Discount and Unamortized Premium

	Amortized Cost	Unaccreted Discount	Unamortized Premium	Par Value
		(Dollars in thousands)		
December 31, 2021:				
Obligations of states and political subdivisions	$ 794,704	$ 1,562	$ (18,703)	$ 777,563
U.S. Government agency mortgage-backed securities	2,203,398	94	(63,612)	2,139,880
Other U.S. Government agency securities	556,290	71	—	556,361
Corporate obligations	305,966	42	(3,659)	302,349
U.S. Treasuries	24,910	90	—	25,000
Total	$ 3,885,268	$ 1,859	$ (85,974)	$ 3,801,153
December 31, 2020:				
Obligations of states and political subdivisions	$ 1,703,967	$ 1,141	$ (30,702)	$ 1,674,406
U.S. Government agency mortgage-backed securities	1,548,101	161	(36,359)	1,511,903
Other U.S. Government agency securities	75,872	—	—	75,872
Total	$ 3,327,940	$ 1,302	$ (67,061)	$ 3,262,181

We recognized premium amortization, net of discount accretion, of $59.4 million during 2021, $30.7 million during 2020 and $17.8 million during 2019. Any premium amortization or discount accretion is considered an adjustment to the yield of our investment securities.

We had no net gains or losses from the sale of approximately $592 million of investment securities AFS in 2021, consisting entirely of variable rate demand notes which were purchased at, carried at and called at their par value, compared to net gains of $4.5 million from the sale of approximately $269 million of investment securities AFS in 2020 and net gains of $0.7 million from the sale of approximately $96 million of investment securities AFS in 2019. Investment securities AFS totaling $2.52 billion in 2021, $1.11 billion in 2020 and $0.55 billion in 2019 matured, were called or were otherwise paid down by the issuer. We purchased approximately $3.73 billion of investment securities AFS in 2021, compared to $2.50 billion in 2020 and none in 2019.

We invest in securities we believe offer good relative value at the time of purchase, and we will, from time to time, reposition our investment securities portfolio. In making decisions to sell or purchase securities, we consider credit quality, call features, maturity dates, relative yields, corporate tax rates, current market factors, interest rate risk and interest rate environment, current and projected liquidity needs and other relevant factors. During 2021 our investment securities AFS portfolio increased $0.51 billion primarily from purchases of high quality investment securities.

During 2021, we began classifying certain securities as trading. Our trading securities are carried at estimated fair value with unrealized and realized gains and losses recorded in earnings. As of December 31, 2021, our trading securities equaled $15.0 million and during 2021, we had realized net gains of $0.5 million from the sale of approximately $129 million of trading securities.

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

Capital Management

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

Capital Management Actions. We primarily rely on our stockholders' equity, comprised of preferred and common stock, additional paid-in capital, our retained earnings and our accumulated other comprehensive income (loss) to support our operations and act as a cushion to absorb unanticipated losses. Our common stockholders' equity totaled $4.50 billion at December 31, 2021, compared to $4.27 billion at December 31, 2020. Included below in this Capital Management section of our MD&A is the calculation and reconciliation of our common stockholders' equity to the most directly comparable GAAP measure. Our common stockholders' equity is augmented by our preferred stock, our subordinated notes, our subordinated debentures, and our ALL.

Common Stock Repurchase Program. During 2021, our Board adopted a stock repurchase program authorizing the purchase of up to $650 million of the Bank's outstanding shares of common stock. During 2021, we repurchased approximately 4.3 million shares at a weighted average cost of $45.21, for a total of $193.4 million. The timing and amount of future repurchases will be determined by management based on a variety of factors such as the Bank's capital position, liquidity, financial performance and alternative uses of capital, stock price, regulatory requirements and general market and economic conditions. This stock repurchase program is set to expire on November 4, 2022, and it may be suspended by us at any time.

Preferred Stock. During November 2021, we completed a public offering of 14,000,000 shares of 4.625% Series A Non-Cumulative Perpetual Preferred Stock, par value $0.01 per share, with a liquidation preference of $25 per share (the "Preferred Stock"). Our Preferred Stock offering generated total net proceeds of $339.0 million after deducting the initial purchaser discount and estimated offering expenses. We pay cash dividends on our Preferred Stock, when, as, and if declared by our Board. Subject to declaration by our Board, cash dividends accrue and are payable from the original date of issuance at a rate of 4.625% per annum, payable quarterly, in arrears, on February 15, May 15, August 15, and November 15 of each year, beginning on February 15, 2022. Dividends on our Preferred Stock are not cumulative or mandatory. On February 15, 2022, the Bank paid the initial cash dividend totaling $4.5 million on our Preferred Stock for the period covering November 4, 2021 through, but excluding, February 15, 2022.

Subordinated Notes. During July 2021, we redeemed all of our 5.50% Notes at a redemption price equal to 100% of the principal amount of the 5.50% notes, plus accrued and unpaid interest. As a result of such redemption, we recognized approximately $0.8 million of unamortized debt issue cost as non-interest expense.

During September 2021, we completed a public offering of $350 million in aggregate principal amount of our 2.75% Notes due 2031, which bear interest at a fixed rate of 2.75% per annum until September 30, 2026. On October 1, 2026, the 2.75% Notes will bear interest at a floating rate equal to a benchmark (which is expected to be three-month SOFR) plus 209 basis points. The 2.75% Notes are unsecured, subordinated debt obligations and mature on October 1, 2031. At December 31, 2021, the 2.75% Notes had a carrying value of $346.1 million and remaining unamortized debt issuance costs of $3.9 million.

We may, beginning with the interest payment date of October 1, 2026, and on any interest payment date thereafter, redeem the 2.75% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2.75% Notes to be redeemed plus accrued and unpaid interest to, but excluding the date of redemption. We may also redeem the 2.75% Notes at any time, including prior to October 1, 2026, 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 2.75% Notes for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the 2.75% 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 2.75% Notes plus any accrued and unpaid interest to but excluding the redemption date. The 2.75% Notes provide us with additional Tier 2 regulatory capital to support our expected future growth.

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

	Subordinated Debentures Owed to Trust	Unamortized Discount	Carrying Value of Subordinated Debentures	Trust Preferred Securities of the Trusts	Contractual Interest Rate (1)	Final Maturity Date
			(Dollars in thousands)			
Ozark II	$ 14,433	$ —	$ 14,433	$ 14,000	3.12%	September 29, 2033
Ozark III	14,434	—	14,434	14,000	3.07	September 25, 2033
Ozark IV	15,464	—	15,464	15,000	2.38	September 28, 2034
Ozark V	20,619	—	20,619	20,000	1.80	December 15, 2036
Intervest II	15,464	(99)	15,365	15,000	3.17	September 17, 2033
Intervest III	15,464	(114)	15,350	15,000	3.01	March 17, 2034
Intervest IV	15,464	(208)	15,256	15,000	2.61	September 20, 2034
Intervest V	10,310	(198)	10,112	10,000	1.85	December 15, 2036
Total	$ 121,652	$ (619)	$ 121,033	$ 118,000		

(1) The contractual rate for each of these trust preferred securities and related subordinated debentures is tied to a spread over LIBOR. As previously discussed, most LIBOR tenors are expected to be phased out after June 2023. Currently, we are unable to determine the effect, if any, that the phase out of LIBOR might have on our financial instruments tied to LIBOR, including our trust preferred securities and related subordinated debentures.

Our subordinated debentures and trust preferred securities are tied to a spread over the 90-day LIBOR. As previously discussed, most LIBOR tenors are expected to be phased out after June 2023. See Risk Elements – Market and Interest Rate Risk Management – LIBOR Transition for additional information about the phase out of LIBOR.

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

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

Common Stockholders' Equity and Reconciliation of Non-GAAP Financial Measures. We use non-GAAP financial measures, specifically, total common stockholders' equity, tangible common stockholders' equity, tangible book value per common share, return on average common stockholders' equity 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 as of and for the years indicated.

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

	December 31,		
	2021	2020	2019
	(In thousands, except per share amounts)		
Total stockholders' equity before noncontrolling interest	$ 4,836,243	$ 4,272,271	$ 4,150,351
Less preferred stock	(338,980)	—	—
Total common stockholders' equity	4,497,263	4,272,271	4,150,351
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangibles, net of accumulated amortization	(8,274)	(14,669)	(23,753)
Total intangibles	(669,063)	(675,458)	(684,542)
Total tangible common stockholders' equity	$ 3,828,200	$ 3,596,813	$ 3,465,809
Shares of common stock outstanding	125,444	129,350	128,951
Book value per common share	$ 35.85	$ 33.03	$ 32.19
Tangible book value per common share	$ 30.52	$ 27.81	$ 26.88

Calculation of Average Common Stockholders' Equity, Average Tangible Common Stockholders' Equity and Returns on Average Common Stockholders' Equity and Average Tangible Common Stockholders' Equity

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Net income available to common stockholders	$ 579,001	$ 291,898	$ 425,906
Average stockholders' equity before noncontrolling interest	$ 4,505,544	$ 4,149,123	$ 3,971,952
Less average preferred stock	(53,862)	—	—
Total average common stockholders' equity	4,451,682	4,149,123	3,971,952
Less average intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangibles, net of accumulated amortization	(11,398)	(18,741)	(29,784)
Total average intangibles	(672,187)	(679,530)	(690,573)
Average tangible common stockholders' equity	$ 3,779,495	$ 3,469,593	$ 3,281,379
Return on average common stockholders' equity	13.01%	7.04%	10.72%
Return on average tangible common stockholders' equity	15.32%	8.41%	12.98%

Goodwill. Between 2010 and 2016, we made fifteen acquisitions, including seven FDIC-assisted transactions and eight traditional merger and acquisition ("M&A") transactions. In conjunction with several of the traditional M&A transactions, our purchase price exceeded the fair value of the net assets acquired, resulting in the recording of goodwill. At December 31, 2021 and 2020, we had goodwill totaling $661 million. This resultant goodwill is the most significant intangible asset we have and is the largest item in adjusting our total stockholders' equity before noncontrolling interest to our tangible common stockholders' equity. We review goodwill annually, or more frequently if events or changes in circumstances indicate the carrying value might be impaired. This impairment analysis compares the estimated fair value of our operations (the reporting unit) with net book value. We performed our annual impairment test of goodwill as of September 30, 2021 which indicated no potential impairment of our goodwill.

Common Stock Dividend Policy. During 2021, we paid cash dividends of $1.1325 per common share compared to cash dividends of $1.0775 per common share in 2020 and $0.94 per common share in 2019. On January 3, 2022, our Board approved a cash dividend of $0.30 per common share that was paid on January 21, 2022. The determination of future dividends on our common stock will depend on conditions existing at that time and approval of our Board. In addition, our ability to pay common stock dividends to our shareholders is subject to the restrictions set forth in Arkansas law, by our federal regulator, the relative powers, preferences and other rights of the holders of our Series A Preferred Stock and by certain covenants contained in the indentures governing the trust preferred securities, the subordinated debentures and the 2.75% Notes. See Note 19 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a discussion of dividend restrictions.

Preferred Stock Dividend Policy. As previously disclosed in the Market and Interest Rate Risk Management section of the MD&A, on November 4, 2021, we completed a public offering of 14,000,000 shares of 4.625% non-cumulative preferred stock generating $339.0 million of net proceeds, after deducting the initial purchaser discount and estimated offering expenses. We will pay cash dividends on the Preferred Stock, when, as, and if declared by our Board. On January 3, 2022, our Board approved a cash dividend of $4.5 million that was paid on February 15, 2022 for the period covering November 4, 2021 through, but excluding, February 15, 2022. Future quarterly dividends on shares of the Preferred Stock, if declared, are expected to be approximately $4.0 million per quarter. The determination of future dividends on the Preferred Stock will depend on conditions at that time and approval by our Board. In addition, our ability to pay dividends on our preferred shares is subject to the restrictions set forth in Arkansas law and by our federal regulator.

Regulatory Capital. We are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments and adjustments by the regulators about component risk weightings and other factors.

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

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

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

Total capital includes tier 1 capital and tier 2 capital. Tier 2 capital includes, among other things, the allowable portion of the ACL, the trust preferred securities and the 2.75% Notes.

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

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

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

The Basel III Rules limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" in addition to the amount necessary to meet minimum risk-based capital requirements for common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets. At December 31, 2021 and 2020, the Basel III

Rules required us to maintain (i) a minimum ratio of common equity tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 7.0%, (ii) a minimum ratio of tier 1 capital to risk-weighted assets of at least 6.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 8.5%, (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 10.5%, and (iv) a minimum leverage ratio of 4.0%. Additionally, in order to be considered well-capitalized under the Basel III Rules, we must maintain (i) a ratio of common equity tier 1 capital to risk-weighted assets of at least 6.5%, (ii) a ratio of tier 1 capital to risk-weighted assets of at least 8.0%, (iii) a ratio of total capital to risk-weighted assets of at least 10.0% and (iv) a leverage ratio of at least 5.0%.

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

	Actual		Minimum Capital Required – Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
			(Dollars in thousands)			
December 31, 2021:						
Common equity tier 1 to risk-weighted assets	$3,826,895	14.07%	$1,904,582	7.00%	$1,768,541	6.50%
Tier 1 capital to risk-weighted assets	4,165,875	15.31	2,312,707	8.50	2,176,665	8.00
Total capital to risk-weighted assets	4,885,192	17.95	2,856,873	10.50	2,720,832	10.00
Tier 1 leverage to average assets	4,165,875	16.17	1,030,239	4.00	1,287,799	5.00
December 31, 2020:						
Common equity tier 1 to risk-weighted assets	$3,573,471	13.36%	$1,872,748	7.00%	$1,738,980	6.50%
Tier 1 capital to risk-weighted assets	3,573,471	13.36	2,274,051	8.50	2,140,283	8.00
Total capital to risk-weighted assets	4,237,268	15.84	2,809,122	10.50	2,675,354	10.00
Tier 1 leverage to average assets	3,573,471	13.70	1,043,413	4.00	1,304,266	5.00

Capital Stress Testing. We completed our capital stress tests utilizing multiple economic scenarios, including one or more adverse idiosyncratic scenarios unique to our Bank. The results of the most recent stress test completed in the third quarter of 2021 reflected that we would maintain well-capitalized status for all capital ratios for all scenarios over the stress test time horizon.

Growth. In 2021, we (i) relocated our leased facility in Raleigh, North Carolina, (ii) replaced a leased facility with a bank-owned facility in Brookhaven, Georgia, (iii) sold our two branches in South Carolina, (iv) opened a retail banking office in Decatur, Georgia, (v) closed eight offices, including two in Little Rock, Arkansas and one each in Russellville, Arkansas; Cabot, Arkansas; Bradenton, Florida; Cape Coral, Florida; Greensboro, Georgia and Texarkana, Texas, and (vi) converted our New York, New York and Atlanta, Georgia Riverwood offices from retail banking to loan production offices. Additionally, we entered into a purchase and assumption agreement in 2021 to sell our branch located in Magnolia, Arkansas. The sale of this branch is expected to close during the first or second quarter of 2022.

In 2022, among other things, we expect to (i) close our loan production offices in Greenville, North Carolina and Tyler, Texas; (ii) open a loan production office in Decatur, Georgia for our asset-based lending group; (iii) convert our loan production offices in Aventura and Jacksonville Beach, Florida into retail banking facilities; (iv) open retail banking offices in Atlanta, Georgia and Jacksonville, Florida; and (v) close our Benton, Arkansas operations office.

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

Our historically strong earnings and earnings retention rate, among other factors, have contributed to our building capital ratios well above the minimum to be considered “well capitalized.” We are focused on strategies to grow our business and utilize our excess capital that are in the best long-term interest of our shareholders. These strategies may include, among others, organic loan growth, adding new business lines, continuing to increase our cash dividend, financially attractive acquisitions for cash or some combination of cash and stock, and continued stock repurchases.

Capital Expenditures. During 2021, we spent $33.9 million on capital expenditures for premises and equipment. Our capital expenditures for 2022 are expected to be in the range of $20 million to $35 million, including progress payments on construction projects expected to be completed in 2022 or 2023, furniture and equipment costs, network equipment and other information technology costs and acquisition of sites for future development. Actual expenditures may vary significantly from those expected, depending on the number and cost of additional branch offices acquired or constructed and sites acquired for future development, progress or delays encountered on ongoing and new construction projects, delays in obtaining or inability to obtain required approvals, potential premises and equipment expenditures associated with acquisitions, if any, and other factors.

Operational Risk Management

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

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

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

Reputational Risk Management

Reputational risk is the risk that adverse perceptions regarding our business practices or financial health, or adverse developments, customer sentiment or other external perceptions regarding the practices of our competitors, or the financial services industry, may adversely impact our reputation and business prospects. We have a team of bankers and risk professionals that monitor our reputational risk exposure by, among others, (i) tracking and measuring a variety of social media posts, (ii) enforcing detailed policies and procedures that are intended to govern our employees regarding the use of social media, websites and other external communications made by employees and (iii) coordinating with our organizational learning and development team enterprise-wide training focused on reputational risk and how to reduce our exposure to such risk. Additionally, we also monitor our reputational risk exposure by frequently monitoring other financial and non-financial reputational risk-related metrics.

Strategic Risk Management

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

Compliance Risk Management

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

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

Recently Issued Accounting Standards

See Note 1 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K for a discussion of certain recently issued accounting pronouncements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this Item is included in Market and Interest Rate Risk Management in MD&A beginning on page 78 and is hereby incorporated by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Bank OZK

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Bank OZK and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of income, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on the Bank's Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses

As described in Notes 1 and 4 to the consolidated financial statements, management assesses the adequacy of the allowance for credit losses ("ACL") based on evaluations of the loan portfolio utilizing objective and subjective criteria. The Company had a total ACL of $289 million on a total loan balance of $18.3 billion as of December 31, 2021. The objective criteria primarily includes estimated losses that are modeled from the respective score cards and the outputs from the Company's Current Expected Credit Loss ("CECL") platform. The score cards and the Company's CECL platform incorporate varying future economic forecasts in estimating the Company's ACL. Management selects and weights several economic forecasts provided by an external vendor for purposes of determining the Company's ACL. For purposes of the forecasts used in the Company's CECL methodology, management utilizes a reasonable and supportable forecast period of two years, followed by a reversion of estimated losses on a systematic basis back to the Company's historical mean. These forecasts include a number of economic variables, including gross domestic product and unemployment rates, among others. In addition to these objective criteria, management subjectively assesses the adequacy of the Company's ACL and the need for qualitative adjustments in order to capture items that management believes were not fully reflected in the Company's modeled results.

The principal considerations for our determination that performing procedures relating to the allowance for credit losses is a critical audit matter are (i) the significant judgment by management in determining the allowance for credit losses, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the selection and weightings of economic forecast scenarios and qualitative adjustments; and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's process for determining the allowance for credit losses, including controls over the selection and weightings of economic forecast scenarios and qualitative adjustments. These procedures also included, among others, testing management's process for determining the allowance for credit losses by (i) evaluating the appropriateness of management's methodology; (ii) testing the data used in the estimate; and (iii) evaluating the reasonableness of the selection and weightings of the economic forecast scenarios and qualitative adjustments, which also involved the use of professionals with specialized skill and knowledge to assist in performing these procedures to test management's process.

/s/ PricewaterhouseCoopers LLP
Little Rock, Arkansas
February 28, 2022

We have served as the Company's auditor since 2016.

BANK OZK
CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 2,053,829	$ 2,393,662
Investment securities – available for sale (“AFS”)	3,916,733	3,405,351
Investment securities – trading	14,957	—
Federal Home Loan Bank of Dallas ("FHLB") and other bankers’ bank stocks	40,788	38,486
Non-purchased loans	17,791,610	18,401,495
Purchased loans	516,215	807,673
Allowance for loan losses	(217,380)	(295,824)
Net loans	18,090,445	18,913,344
Premises and equipment, net	695,857	738,842
Foreclosed assets	5,744	11,085
Accrued interest receivable	83,025	88,077
Bank owned life insurance (“BOLI”)	774,822	758,071
Goodwill and other intangible assets, net	669,063	675,458
Other, net	185,167	140,220
Total assets	$ 26,530,430	$ 27,162,596
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	$ 4,983,788	$ 3,996,546
Savings and interest bearing transaction	9,245,727	8,160,982
Time	5,979,619	9,292,828
Total deposits	20,209,134	21,450,356
Repurchase agreements with customers	6,115	8,013
Other borrowings	750,206	750,928
Subordinated notes	346,133	224,047
Subordinated debentures	121,033	120,475
Reserve for losses on unfunded loan commitments	71,609	81,481
Accrued interest payable and other liabilities	186,840	251,940
Total liabilities	21,691,070	22,887,240
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock; $0.01 par value; 100,000,000 shares authorized; 14,000,000 and no shares issued and outstanding at December 31, 2021 and 2020, respectively	338,980	—
Common stock; $0.01 par value; 300,000,000 shares authorized; 125,443,748 and 129,350,448 shares issued and outstanding at December 31, 2021 and 2020, respectively	1,254	1,294
Additional paid-in capital	2,093,702	2,265,850
Retained earnings	2,378,466	1,946,875
Accumulated other comprehensive income	23,841	58,252
Total stockholders’ equity before noncontrolling interest	4,836,243	4,272,271
Noncontrolling interest	3,117	3,085
Total stockholders’ equity	4,839,360	4,275,356
Total liabilities and stockholders’ equity	$ 26,530,430	$ 27,162,596

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands, except per share amounts)		
Interest income:			
Non-purchased loans	$ 972,660	$ 944,354	$ 981,811
Purchased loans	46,174	70,812	106,908
Investment securities:			
Taxable	36,234	40,547	52,812
Tax-exempt	13,729	19,403	14,252
Deposits with banks and federal funds sold	2,510	5,665	6,758
Total interest income	1,071,307	1,080,781	1,162,541
Interest expense:			
Deposits	64,422	171,813	258,358
Repurchase agreements with customers	17	23	50
Other borrowings	4,012	3,179	1,531
Subordinated notes	9,386	12,758	12,757
Subordinated debentures	3,750	4,384	5,664
Total interest expense	81,587	192,157	278,360
Net interest income	989,720	888,624	884,181
Provision for credit losses	(77,938)	203,639	26,241
Net interest income after provision for credit losses	1,067,658	684,985	857,940
Non-interest income:			
Service charges on deposit accounts:			
NSF/overdraft fees	14,962	14,782	19,956
All other service charges	27,656	22,917	21,818
Trust income	8,506	7,544	7,554
BOLI income:			
Increase in cash surrender value	19,640	20,239	20,715
Death benefits	2,028	608	3,194
Loan service, maintenance and other fees	13,959	14,257	17,917
Gains on sales of other assets	9,962	6,863	2,233
Net gains on investment securities	504	4,467	713
Other	18,321	12,931	13,427
Total non-interest income	115,538	104,608	107,527
Non-interest expense:			
Salaries and employee benefits	214,567	206,834	192,851
Net occupancy and equipment	66,801	63,379	59,018
Other operating expenses	148,907	143,200	149,261
Total non-interest expense	430,275	413,413	401,130
Income before taxes	752,921	376,180	564,337
Provision for income taxes	173,888	84,314	138,429
Net income	579,033	291,866	425,908
Earnings attributable to noncontrolling interest	(32)	32	(2)
Net income available to common stockholders	$ 579,001	$ 291,898	$ 425,906
Basic earnings per common share	$ 4.49	$ 2.26	$ 3.30
Diluted earnings per common share	$ 4.47	$ 2.26	$ 3.30

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Net income	$ 579,033	$ 291,866	$ 425,908
Other comprehensive income (loss):			
Unrealized gains and losses on investment securities AFS	(45,946)	45,788	81,691
Tax effect of unrealized gains and losses on investment securities AFS	11,535	(11,397)	(19,793)
Reclassification of gains on investment securities AFS included in net income	—	(4,467)	(713)
Tax effect of reclassification of gains on investment securities AFS included in net income	—	1,073	175
Total other comprehensive income (loss)	(34,411)	30,997	61,360
Total comprehensive income	$ 544,622	$ 322,863	$ 487,268

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
			(Dollars in thousands, except per share amounts)			
Balances – December 31, 2018	$ 1,286	$ 2,237,948	$ 1,565,201	$ (34,105)	$ 3,035	$ 3,773,365
Net income	—	—	425,908	—	—	425,908
Earnings attributable to noncontrolling interest	—	—	(2)	—	2	—
Total other comprehensive income	—	—	—	61,360	—	61,360
Common stock dividends, $0.94 per share	—	—	(121,124)	—	—	(121,124)
Noncontrolling interest cash contribution	—	—	—	—	80	80
Issuance of 83,500 shares of common stock for exercise of stock options	1	1,384	—	—	—	1,385
Issuance of 406,074 shares of unvested restricted common stock	4	(4)	—	—	—	—
Repurchase and cancellation of 63,716 shares of common stock withheld for taxes pursuant to restricted stock vesting	(1)	(1,674)	—	—	—	(1,675)
Stock-based compensation expense	—	14,169	—	—	—	14,169
Forfeitures of 85,883 shares of unvested restricted common stock	(1)	1	—	—	—	—
Balances – December 31, 2019	$ 1,289	$ 2,251,824	$ 1,869,983	$ 27,255	$ 3,117	$ 4,153,468

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
	(Dollars in thousands, except per share amounts)					
Balances – December 31, 2019	$ 1,289	$ 2,251,824	$ 1,869,983	$ 27,255	$ 3,117	$ 4,153,468
Cumulative effect of change in accounting principle	—	—	(75,344)	—	—	(75,344)
Balances – January 1, 2020	1,289	2,251,824	1,794,639	27,255	3,117	4,078,124
Net income	—	—	291,866	—	—	291,866
Earnings attributable to noncontrolling interest	—	—	32	—	(32)	—
Total other comprehensive income	—	—	—	30,997	—	30,997
Common stock dividends, $1.0775 per share	—	—	(139,662)	—	—	(139,662)
Issuance of 44,200 shares of common stock for exercise of stock options	—	1,036	—	—	—	1,036
Issuance of 493,761 shares of unvested restricted common stock	5	(5)	—	—	—	—
Repurchase and cancellation of 61,873 shares of common stock withheld for taxes pursuant to restricted stock vesting	—	(1,853)	—	—	—	(1,853)
Stock-based compensation expense	—	14,848	—	—	—	14,848
Forfeitures of 76,664 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – December 31, 2020	$ 1,294	$ 2,265,850	$ 1,946,875	$ 58,252	$ 3,085	$ 4,275,356

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
	(Dollars in thousands, except per share amounts)						
Balances – December 31, 2020	$ —	$ 1,294	$ 2,265,850	$ 1,946,875	$ 58,252	$ 3,085	$4,275,356
Net income	—	—	—	579,033	—	—	579,033
Earnings attributable to noncontrolling interest	—	—	—	(32)	—	32	—
Total other comprehensive loss	—	—	—	—	(34,411)	—	(34,411)
Common stock dividends, $1.1325 per share	—	—	—	(147,410)	—	—	(147,410)
Issuance of 14,000,000 shares of preferred stock, net of offering costs	338,980	—	—	—	—	—	338,980
Issuance of 207,650 shares of common stock for exercise of stock options	—	2	7,224	—	—	—	7,226
Issuance of 332,831 shares of unvested restricted common stock	—	3	(3)	—	—	—	—
Repurchase and cancellation of 4,275,988 shares of common stock under share repurchase program	—	(43)	(193,401)	—	—	—	(193,444)
Repurchase and cancellation of 55,893 shares of common stock withheld for taxes pursuant to restricted stock vesting	—	(1)	(1,976)	—	—	—	(1,977)
Stock-based compensation expense	—	—	16,007	—	—	—	16,007
Forfeitures of 115,300 shares of unvested restricted common stock	—	(1)	1	—	—	—	—
Balances – December 31, 2021	$ 338,980	$ 1,254	$ 2,093,702	$ 2,378,466	$ 23,841	$ 3,117	$4,839,360

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Cash flows from operating activities:			
Net income	$ 579,033	$ 291,866	$ 425,908
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	28,545	26,032	22,258
Amortization	7,380	10,028	12,859
Earnings attributable to noncontrolling interest	(32)	32	(2)
Provision for credit losses	(77,938)	203,639	26,241
Provision for losses on foreclosed and other assets	3,461	3,669	2,419
Write-off of unamortized subordinated debt issuance costs	764	—	—
Net amortization of investment securities	59,371	30,712	17,800
Net gains on investment securities AFS	—	(4,467)	(713)
Net gains on trading securities	(504)	—	—
Amortization of operating lease right-of-use assets	7,206	7,731	7,392
Accretion of purchased loans	(14,208)	(21,781)	(25,248)
Gains on sales of other assets	(9,962)	(6,863)	(2,233)
Deferred income tax (benefit) expense	(61,208)	53,757	(100,903)
Increase in cash surrender value of BOLI	(19,640)	(20,239)	(20,715)
BOLI death benefits in excess of cash surrender value	(2,028)	(608)	(3,194)
Stock-based compensation expense	16,007	14,848	14,169
Changes in assets and liabilities:			
Accrued interest receivable	3,952	(13,641)	6,710
Other assets, net	13,185	14,581	33,003
Accrued interest payable and other liabilities	9,278	(37,350)	8,893
Net cash provided by operating activities	542,662	551,946	424,644

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Cash flows from investing activities:			
Proceeds from sales of FHLB and other bankers' bank stock	$ —	$ 12,505	$ 30,979
Purchases of FHLB and other bankers' bank stock	(2,301)	(29,136)	(26,893)
Proceeds from sales of trading securities	129,399	—	—
Purchases of trading securities	(143,859)	—	—
Proceeds from maturities/calls/paydowns of investment securities AFS	2,522,743	1,112,738	551,633
Proceeds from sales of investment securities AFS	591,570	273,963	97,210
Purchases of investment securities AFS	(3,731,007)	(2,499,587)	—
Proceeds from sale of loans	218,211	282,727	17,467
Net decrease (increase) of non-purchased loans	390,250	(2,345,168)	(1,095,383)
Net payments received on purchased loans	286,863	344,560	638,276
Purchases of premises and equipment	(33,918)	(49,606)	(98,691)
Proceeds from BOLI death benefits	4,917	1,636	4,774
Proceeds from sales of other assets	49,097	29,346	29,303
Net cash invested in unconsolidated investments	(54,153)	(46,499)	(28,044)
Net cash paid in branch divestiture transactions	(102,063)	(59,718)	—
Net cash provided (used) by investing activities	125,749	(2,972,239)	120,631
Cash flows from financing activities:			
Net (decrease) increase in deposits	(1,130,793)	3,061,965	535,844
Proceeds from fixed-rate FHLB advances	—	750,000	—
Net (repayments of) proceeds from other borrowings	(722)	(350,459)	254,695
Net proceeds from issuance of subordinated debt	345,895	—	—
Repayment of subordinated debt	(225,000)	—	—
Net proceeds from issuance of preferred stock	338,980	—	—
Net decrease in repurchase agreements with customers	(1,898)	(3,236)	(9,315)
Proceeds from exercise of stock options	7,226	1,036	1,385
Repurchase and cancellation of shares of common stock – share repurchase program	(193,444)	—	—
Repurchase and cancellation of shares of common stock – withheld for taxes	(1,977)	(1,853)	(1,675)
Cash dividends paid on common stock	(146,511)	(139,255)	(121,124)
Net cash (used) provided by financing activities	(1,008,244)	3,318,198	659,810
Net (decrease) increase in cash and cash equivalents	(339,833)	897,905	1,205,085
Cash and cash equivalents – beginning of year	2,393,662	1,495,757	290,672
Cash and cash equivalents – end of year	$ 2,053,829	$ 2,393,662	$ 1,495,757

See accompanying notes to the consolidated financial statements.

1. Organization, Regulation and Summary of Significant Accounting Policies

Bank OZK (the "Bank") is headquartered in Little Rock, Arkansas and provides a wide range of retail and commercial banking services. At December 31, 2021 the Bank conducted operations through more than 240 offices in eight states, including offices in Arkansas, Georgia, Florida, North Carolina, Texas, California, New York and Mississippi. The Bank owns eight 100%-owned finance subsidiary business trusts - Ozark Capital Statutory Trust II ("Ozark II"), Ozark Capital Statutory Trust III ("Ozark III"), Ozark Capital Statutory Trust IV ("Ozark IV"), Ozark Capital Statutory Trust V ("Ozark V"), Intervest Statutory Trust II ("Intervest II"), Intervest Statutory Trust III ("Intervest III"), Intervest Statutory Trust IV ("Intervest IV") and Intervest Statutory Trust V ("Intervest V") (collectively, the "Trusts"). In addition, the Bank owns a subsidiary that holds its investment securities, a subsidiary engaged in the development of real estate, a subsidiary that holds an ownership interest in a private aircraft, a subsidiary that invests in renewable energy and various other entities that hold loans, foreclosed assets or tax credits or engage in other activities.

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

Basis of presentation, use of estimates and principles of consolidation – The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates, assumptions and judgments that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

These consolidated financial statements include the accounts of the Bank, the investment subsidiary, the real estate subsidiary, the aircraft subsidiary, the renewable energy subsidiary and various other entities in accordance with GAAP. In addition, subsidiaries in which the Bank has majority voting interest (principally defined as owning a voting or economic interest greater than 50%) or where the Bank exercises control over the operating and financial policies of the subsidiary through an operating agreement or other means are consolidated. Investments in companies in which the Bank has significant influence over voting and financing decisions (principally defined as owning a voting or economic interest of 20% to 50%) and investments in limited partnerships and limited liability companies where the Bank does not exercise control over the operating and financial policies are generally accounted for by the equity method of accounting. Investments in companies in which the Bank has limited or no influence over voting and financing decisions (principally defined as owning a voting or economic interest less than 20%) and investments in limited partnerships and limited liability companies in which the Bank's interest is so minor such that it has virtually no influence over operating and financial policies are generally accounted for by the cost method of accounting. Significant intercompany transactions and amounts have been eliminated in consolidation.

The voting interest approach is not applicable for entities that are not controlled through voting interests or in which the equity investors do not bear the residual economic risk. In such instances, management makes a determination, based on its review of applicable GAAP, on when the assets, liabilities and activities of a variable interest entity ("VIE") should be included in the Bank's consolidated financial statements. GAAP requires a VIE to be consolidated by a company if that company has a controlling financial interest with both (1) the power to direct the activities of the entity that most significantly affects the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the entity or the right to receive benefits from the entity that could potentially be significant to the entity. A company that has a controlling financial interest is considered the primary beneficiary and consolidates the VIE. The Bank has determined that the 100%-owned finance subsidiary Trusts are VIEs, but that the Bank is not the primary beneficiary of the Trusts. Accordingly, the Bank does not consolidate the activities of the Trusts into its financial statements, but instead reports its ownership interests in the Trusts as other assets and reports the subordinated debentures issued to the Trusts as a liability in its consolidated balance sheets. The distributions on the subordinated debentures are reported as interest expense in the Bank's consolidated statements of income.

Cash and cash equivalents – For cash flow purposes, cash and cash equivalents include cash on hand, amounts due from banks, interest earning deposits with banks, and amounts on deposit with the FRB.

Investment securities – Management determines the appropriate classification of investment securities at the time of purchase and reevaluates such designation as of each balance sheet date. At December 31, 2021, the Bank held investment securities classified as both available for sale ("AFS") and trading (collectively, "investment securities"). At December 31, 2020, all of the Bank's investment securities were classified as AFS.

Investment securities AFS are reported at estimated fair value, with the unrealized gains and losses determined on a specific identification basis. Realized gains or losses on the sale of investment securities AFS are recognized on the specific identification method at the time of sale and are included in non-interest income. The Bank 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 Bank receives estimates of fair value from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities 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 or 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. Additionally, the valuation of investment securities acquired in an acquisition may include certain unobservable inputs. All fair value estimates of the Bank's investment securities are reviewed on a quarterly basis.

Investment securities AFS with unrealized gains are reported as a separate component of stockholders' equity, included in other comprehensive income (loss), are adjusted for changes in unrealized gains, net of related income tax, and are included in accumulated other comprehensive income (loss), on a specific identification basis. Investment securities AFS with unrealized losses require the Bank to evaluate its intent or likelihood of disposing of such investment securities. If the Bank intends to sell an investment security AFS in an unrealized loss position, or if it is more likely than not that it will be required to sell an investment security AFS in an unrealized loss position before recovery of its amortized cost basis, the investment security's amortized cost basis is written down to fair value through current period expense. If the Bank does not intend to sell an investment security AFS in an unrealized loss position, or if it is more likely than not that the Bank will not sell an investment security AFS that is in an unrealized loss position, the Bank is required to assess whether the decline in fair value has resulted from credit losses or non-credit factors. Factors considered during such review include the credit quality, finance condition and near term prospects of the issuer, the nature and cause of the unrealized loss and various other factors. If the Bank's assessment determines a credit loss exists, the present value of cash flows expected to be collected from the investment security AFS is compared to the amortized cost basis of the investment security and if the present value of cash flows expected to be collected is less than amortized cost, an allowance for credit losses and a provision for credit loss expense is recorded. If the Bank's assessment determines that a credit loss does not exist, the Bank records the decline in fair value through other comprehensive income (loss), net of related income tax effects with such decline included in accumulated other comprehensive income (loss).

Trading investment securities are carried at fair value with gains and losses reported in the Bank's consolidated statement of income.

The fair values of the Bank's investment securities traded in both active and inactive markets can be volatile and may be influenced by a number of factors including market interest rates, prepayment speeds, discount rates, credit quality of the issuer, general market conditions including market liquidity conditions and other factors. Factors and conditions are constantly changing, and fair values could be subject to material variations that may significantly affect the Bank's financial condition, results of operations and liquidity.

At December 31, 2021 and 2020, the Bank owned shares in the Federal Home Loan Bank of Dallas ("FHLB"), First National Banker's Bankshares, Inc. and certain other bankers' bank stock, which do not have readily determinable fair values and are carried at cost.

Interest and dividends on investment securities, including the amortization of premiums and accretion of discounts are included in interest income. Any discount or premium on investment securities is accreted or amortized through maturity, through the earliest call date for investment securities that are callable, or in the case of mortgage-backed securities, over the estimated life of the security. Purchases and sales of investment securities are recorded on a trade-date basis.

Non-purchased loans – Non-purchased loans include all loans except loans acquired in previous acquisitions. Non-purchased loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balance adjusted for any charge-offs and accretion or amortization of deferred fees or costs. Interest on non-purchased loans is recognized on an accrual basis and is calculated using the simple interest method on daily balances of the principal amount outstanding. Loan origination fees and costs are generally deferred and recognized over the life of the loan as an adjustment to yield on the related loan. Minimum interest, yield maintenance income and prepayment penalties are recorded as adjustments to yield on the related loan when such items are earned. Loan service, maintenance and various other fees that are not considered yield adjustments are recorded as non-interest income when such items are earned and collection appears likely.

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the financial statements when they are funded. Related fees are generally recognized when collected.

Purchased loans – Purchased loans consist of all loans acquired in previous acquisitions. Prior to the adoption of ASU 2016-13, purchased loans with deteriorated credit quality were referred to as PCI loans. With the adoption of ASU 2016-13, loans acquired with deteriorated credit quality are referred to as PCD loans. ASU 2016-13 defines PCD loans as acquired individual financial assets that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination as determined by an acquirer's assessment. While ASU 2016-13 does not define "a more-than-insignificant deterioration in credit quality since origination," it does provide indicators that there has been a more-than-insignificant deterioration in credit since origination. Those indicators include (1) the delinquency status as of the date of acquisition, (2) downgrades in classification since origination, (3) the accrual status, or (4) credit spreads that, subsequent to origination, have widened beyond the threshold specified by the Bank's lending policy. With the exception of PCD loans for which the Bank has suspended the recognition of interest income, a PCD loan's non-credit discount is accreted into interest income utilizing the interest method over the remaining life of the loan.

All other purchased loans not classified as PCD (non-PCD) are recorded at their initial fair value, adjusted for amortized costs which includes any remaining fair value adjustments recorded at acquisition. With the exception of non-PCD loans for which the Bank has suspended the recognition of interest income, any remaining fair value adjustment recorded at acquisition on non-PCD loans is accreted into income utilizing the interest method over the remaining life of the loan.

Allowance for credit losses ("ACL") – Effective January 1, 2020, the Bank adopted the provisions of ASU 2016-13. This guidance replaced the incurred loss method that was utilized in estimating the Bank's allowance for loan losses as of and for periods prior to December 31, 2019 with the current expected credit loss ("CECL") methodology.

The Bank's ACL under the CECL methodology is established through a provision for credit losses charged against income. All, or portions of, loans deemed to be uncollectible are charged against the ACL when the Bank believes that collectability of all, or some portion of, outstanding amortized cost is unlikely. Subsequent recoveries, if any, of loans previously charged off are credited to the ACL. For credit risk related to a contractual obligation to extend credit, the Bank estimates expected credit losses over the contractual period considering the likelihood that funding will occur. The portion of the ACL for the outstanding balance of the Bank's loan portfolio is reported as ALL on its consolidated balance sheet and the reserve for losses on unfunded loan commitments is reported as a liability on its consolidated balance sheet.

The Bank utilizes a dual risk rating system that incorporates score cards, which assess quantitative models and qualitative factors, in determining the risk rating for its commercial loans. This dual risk rating methodology incorporates an obligor risk rating ("ORR") and a facility risk rating ("FRR") which are combined to create a two-dimensional risk rating for commercial loans. The ORR is influenced by a loan's probability of default ("PD") as determined from the score cards, with such score card PDs affected by various financial metrics, such as projected cash flow, loan-to-value ("LTV"), property and/or market characteristics, borrower financial strength and other financial and loan characteristics. Thus, the higher a loan's PD, the more adverse the loan's ORR. The FRR is influenced by a loan's loss given default ("LGD") as determined from the score cards. Score card LGDs are affected by the estimated loss when a borrower cannot or will not repay the loan. Estimated losses take into consideration the Bank's underwriting standards and protections including collateral and collateral margin requirements, lien position, compliance with any loan covenants, support required from guarantors, insurance and other factors. The higher a loan's LGD, the more adverse the loan's FRR. The combined dual risk rating provides an annualized expected loss estimate for each commercial loan, and based on such loss estimates, a regulatory risk rating is assigned. Additionally, the Bank may apply risk rating "overrides" whereby management may further adjust a loan's risk rating to the extent it believes there is additional information about a loan or a borrower that is not fully reflected in the ORR and/or FRR. The Bank utilizes risk ratings from the scorecards in assigning and evaluating the credit quality of its commercial loans. The Bank's consumer loans and business loans to individuals with credit exposure less than or equal to $250,000 are not risk rated in the same manner as its commercial loans. Instead, these loans are risk rated based on performance and past due status with all such loans that are less than 30 days past due typically assigned a "pass rating" and all loans that are 30 days or more past due assigned a more adverse risk rating commensurate with each loan's perceived risk.

Outputs from the scorecards, including PD and LGD outputs, are utilized in determining the necessary ACL for all loans that contain similar risk characteristics. In determining the ACL, the Bank separates loans into similar risk characteristics and utilizes score card estimates of credit loss that categorize loans based on loan type. The loan types segregated by score card are as follows:

- Construction Real Estate – In assessing estimated credit losses on construction real estate loans, the Bank utilizes various project and borrower metrics, including, but not limited to, projected cash flow, LTV, property and/or market characteristics, and borrower financial strength.
- Commercial and Industrial – In assessing estimated credit losses on commercial and industrial loans, the Bank utilizes various borrower and loan metrics, including, but not limited to, borrower's financial position and results from operations, LTV, and borrower and/or guarantor financial strength.
- Consumer Mortgages – In assessing estimated credit losses on consumer mortgage loans, the Bank utilizes borrower information such as borrower's cash flow, credit score and LTV, among others.

- Consumer Recreational Vehicle (“RV”) and Marine – In assessing estimated credit losses on RV and marine loans, the Bank utilizes various borrower information such as payment-to-income, credit score and LTV, among others.
- Other Consumer – In assessing estimated credit losses on other consumer loans, the Bank utilizes various borrower origination information such as vintage, credit score and product, among others.

The score cards utilized in determining the ACL use quantitative data related to the Bank’s loans and unfunded loan commitments. In determining the estimated loss, the quantitative data utilized by the score card models includes, but is not limited to, estimated debt service coverage ratios, LTV ratios, total assets, total revenue and margin, and for consumer loans, individual credit scores. In addition, the score cards and the Bank’s CECL platform incorporate varying future economic forecasts in estimating the Bank’s ACL. While the Bank’s score cards and CECL platform produce an estimated lifetime loss for all loans not individually evaluated, the score cards and CECL platform may have certain limitations. To address potential limitations, the Bank’s methodology considers additional qualitative adjustments that are applied to its CECL calculations. In determining the ACL, the Bank utilizes a reasonable and supportable forecast period which, as of December 31, 2021 and 2020, was two years followed by a reversion of estimated losses on a systematic basis back to its historical mean. Expected credit losses are estimated over the contractual term of the loan, adjusted for anticipated or expected prepayments. The contractual term of the loan excludes expected extensions or modifications unless the Bank has a reasonable expectation that a troubled debt restructuring will be executed with the expected extension or modification.

The ACL is maintained at a level that the Bank believes will be adequate to absorb expected credit losses in future periods associated with its loan portfolio and unfunded loan commitments. Provisions to and the adequacy of the ACL are based on evaluations of the loan portfolio utilizing objective and subjective criteria. The objective criteria primarily includes estimated losses that are modeled from the respective score cards and the outputs from the Bank’s CECL platform. In addition to these objective criteria, the Bank subjectively assesses the adequacy of the ACL and the need for changes thereto, with consideration given to the nature and mix of the portfolio, national, regional and local business and economic conditions that may affect borrowers’ ability to pay, concentrations of credit, changes in the experience, ability and depth of lending management and other relevant staff, changes in the nature and volume of the portfolio and in the terms of the loans, overall portfolio quality, historical loss experience and other relevant factors. Changes in these criteria or the availability of new information could require adjustment of the ACL in future periods. In addition, for loans that do not share risk characteristics similar to those contained within their respective loan segments, the Bank may perform an individual assessment of the ACL utilizing expected cash flows, collateral values or a combination thereof. On an ongoing basis, the Bank evaluates the underlying collateral on collateral dependent nonperforming loans and, if needed, due to changes in market or property conditions, the underlying collateral is reassessed and the estimated collateral value is revised. The determination of collateral value includes any adjustments considered necessary related to estimated holding periods and estimated selling costs. While an individual assessment and related ACL has been calculated for certain nonperforming loans, no portion of the Bank’s ACL is restricted to any individual loan or group of loans, and the entire ACL is available to absorb losses from any and all loans, including unfunded loan commitments.

Changes in the criteria used in this evaluation or the availability of new information could cause the ACL to be increased or decreased in future periods. In addition, bank regulatory agencies, as part of their examination process, may require adjustments to the ACL based on their judgment and estimates.

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

Premises and equipment – Premises and equipment are reported at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets. Depreciable lives for the major classes of assets are generally 20 to 45 years for buildings and 3 to 25 years for furniture, fixtures, equipment and certain building improvements. Leasehold improvements are amortized over the shorter of the asset's estimated useful life or the term of the lease. Accelerated depreciation methods are used for income tax purposes. Maintenance and repair charges are expensed as incurred.

Income taxes – The Bank utilizes the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statements and their related tax basis using enacted tax rates in effect for the year or years in which the differences are expected to be recovered or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

As a result of recording, at fair value, acquired assets and assumed liabilities pursuant to business combinations, differences in amounts reported for financial statement purposes and their related basis for federal and state income tax purposes are created. Such differences are recorded as deferred tax assets and liabilities using enacted tax rates in effect for the year or years in which the differences are expected to be recovered or settled. To the extent that information becomes available that results in a change in management's estimates and assumptions, an increase or decrease of the deferred tax asset or liability is recorded as an adjustment to deferred income tax expense (benefit).

The Bank recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Bank files consolidated tax returns. The Bank and the other consolidated entities provide for income taxes on a separate return basis and remit to the Bank amounts determined to be currently payable. The Bank recognizes interest related to income tax matters as interest income or expense, and penalties related to income tax matters are recognized as non-interest expense. The Bank is no longer subject to income tax examinations by U.S. federal, state and local tax authorities for years prior to 2018.

Service charges on deposit accounts – Service charges on deposit accounts typically represent fees for monthly account maintenance and transaction activity, including NSF and overdraft fees. This revenue is generally recognized when the performance obligation has been achieved, the transaction is completed and/or the fee is incurred and payment is generally received when the performance obligation has been satisfied or the fee has been incurred.

Bank owned life insurance ("BOLI") – BOLI consists of life insurance purchased by the Bank on (i) a qualifying group of officers with the Bank designated as owner and beneficiary of the policies and (ii) one of the Bank's executive officers with the Bank designated as owner and both the Bank and the executive officer designated as beneficiaries of the policies. The increases in the cash surrender values on BOLI policies help to offset a portion of employee benefit costs or to offset a portion of the costs of a supplemental executive retirement plan for one of the Bank's executive officers. BOLI is carried at the policies' realizable cash surrender values with changes in cash surrender values and death benefits received in excess of cash surrender values reported in non-interest income.

Goodwill and Intangible assets – Goodwill and intangible assets consist primarily of goodwill and core deposit intangibles. Goodwill represents the excess purchase price over the fair value of net assets acquired in business acquisitions. The Bank had goodwill of $660.8 million at both December 31, 2021 and 2020. The Bank reviews goodwill annually, or more frequently if events or changes in circumstances indicate the carrying value might be impaired. The Bank performed its annual impairment test of goodwill as of September 30, 2021, which included comparing the estimated fair value of the Bank's operations (the reporting unit) with net book value. The September 30, 2021 impairment test did not indicate any impairment of goodwill.

Core deposit intangibles represent premiums paid for deposits acquired via acquisition and are being amortized over three to seven years. Core deposit intangibles totaled $41.3 million and $75.0 million at December 31, 2021 and 2020, respectively, less accumulated amortization of $33.0 million and $60.3 million at December 31, 2021 and 2020, respectively.

The aggregate amount of amortization expense for the Bank's core deposit intangibles is expected to be $5.5 million in 2022 and $2.8 million in 2023.

Stock-based compensation – The Bank has an equity incentive plan for officers and employees and non-employee directors, which plan is described more fully in Note 16. The Bank measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and, in the case of certain long-term incentive agreements, based on the expected performance achievement levels over the term of the agreements. Such cost is recognized over the vesting period of the award.

Earnings per common share – Earnings per common share ("EPS") are computed using the two-class method. Basic EPS are computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS are 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 the Bank's common stock options using the treasury stock method and the Bank's non-vested performance stock units under its long-term incentive agreements. The Bank has determined that its outstanding non-vested restricted stock awards that were granted to its employees and non-employee directors are participating securities. The calculations of basic and diluted EPS are included in Note 24.

Segment disclosures – The Bank operates in only one segment. Accordingly, there is no requirement to report segment information in the Bank's consolidated financial statements. No single external customer comprises more than 10% of the Bank's revenues. Interest income on loans where the underlying collateral is located outside the United States was not material during 2021, 2020 or 2019.

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

In May 2020, FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." Reference rate reform relates to the effects undertaken to eliminate certain reference rates such as the London Interbank Offered Rate ("LIBOR") and introduce new reference rates that may be based on larger or more liquid observations and transactions. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other contracts. Generally, ASU 2020-04 would allow entities to consider contract modifications due to reference rate reform to be a continuation of an existing contract; thus, the Bank would not have to determine if the modification is considered insignificant. As a result of ASU 2020-04, the Bank created an internal working group that is managing its transition away from LIBOR. This working group is a cross-functional team composed of representatives from credit, lending, deposits, retail, investment securities, loan administration, operations, compliance, legal and other support functions to address issues related to the LIBOR transition and phase-out. The majority of the Bank's loans that are tied to LIBOR benchmark interest rates include fallback language for when LIBOR ceases to exist. For the Bank's loans that are tied to LIBOR benchmark interest rates that do not include fallback language, the Bank identified loans that will mature prior to June 2023, and it expects to be able to change the reference rate if those loans are renewed, and for the loans that mature after June 2023, the Bank is currently developing plans for modifying these loans prior to that time. As of December 31, 2021, the Bank is no longer originating loans that are tied to LIBOR benchmark interest rates and the Bank began originating such alternative benchmark based loans in the fourth quarter of 2021. The Bank will continue to evaluate the financial impact regarding pricing, valuation and operations of the transition. While the Bank has yet to adopt the provision of ASU 2020-04, the standard was effective upon issuance and terminates December 31, 2022 such that changes made to instruments or contracts beginning on or after January 1, 2023 would not apply. The Bank is currently evaluating the impact of ASU 2020-04 and has not determined if reference rate reform or ASU 2020-04 will have a material effect on the Bank's financial position or results of operations.

Reclassifications – Certain reclassifications of prior years' amounts have been made to conform with the 2021 financial statements presentation. These reclassifications had no impact on prior years' net income, as previously reported.

2. Investment Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
December 31, 2021:				
Obligations of state and political subdivisions	$ 794,704	$ 20,225	$ (1,716)	$ 813,213
U.S. Government agency mortgage-backed securities	2,203,398	26,473	(12,590)	2,217,281
Other U.S. Government agency securities	556,290	35	(1,064)	555,261
Corporate obligations	305,966	236	(131)	306,071
U.S. Treasuries	24,910	—	(3)	24,907
Total investment securities AFS	$ 3,885,268	$ 46,969	$ (15,504)	$ 3,916,733
December 31, 2020:				
Obligations of state and political subdivisions	$ 1,703,967	$ 28,286	$ (368)	$ 1,731,885
U.S. Government agency mortgage-backed securities	1,548,101	50,109	(612)	1,597,598
Other U.S. Government agency securities	75,872	—	(4)	75,868
Total investment securities AFS	$ 3,327,940	$ 78,395	$ (984)	$ 3,405,351

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

	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)					
December 31, 2021:						
Obligations of state and political subdivisions	$ 212,249	$ 1,703	$ 167	$ 13	$ 212,416	$ 1,716
U.S. Government agency mortgage-backed securities	1,361,532	12,568	1,293	22	1,362,825	12,590
Other U.S. Government agency securities	390,226	1,064	—	—	390,226	1,064
Corporate obligations	274,829	131	—	—	274,829	131
U.S. Treasuries	24,907	3	—	—	24,907	3
Total	$2,263,743	$ 15,469	$ 1,460	$ 35	$2,265,203	$ 15,504
December 31, 2020:						
Obligations of state and political subdivisions	$ 169,284	$ 355	$ 167	$ 13	$ 169,451	$ 368
U.S. Government agency mortgage-backed securities	177,610	610	2,622	2	180,232	612
Other U.S. Government agency securities	27,496	4	—	—	27,496	4
Total	$ 374,390	$ 969	$ 2,789	$ 15	$ 377,179	$ 984

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

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

Maturity or Estimated Repayment	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	
One year or less	$ 1,082,611	$ 1,089,419
After one year to five years	2,101,541	2,110,456
After five years to ten years	464,775	469,917
After ten years	236,341	246,941
Total	$ 3,885,268	$ 3,916,733

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

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

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Sales proceeds [(1)]	$ 591,570	$ 273,963	$ 97,210
Gross realized gains	$ —	$ 4,467	$ 1,071
Gross realized losses	—	—	(358)
Net gains on investment securities	$ —	$ 4,467	$ 713

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

During 2021, the Bank began classifying certain securities as trading. At December 31, 2021, the balance of its trading securities totaled $15.0 million. During 2021, the Bank had net gains of $0.5 million from the sale of approximately $129 million of trading securities.

Investment securities with carrying values of $1.52 billion and $0.87 billion at December 31, 2021 and 2020, respectively, were pledged to secure public funds and trust deposits and for other purposes required or permitted by law.

At December 31, 2021 and 2020, the Bank had no holdings of investment securities of any one issuer, other than mortgage-backed securities issued by the Federal National Mortgage Association and callable debentures issued by the Federal Home Loan Bank, in an amount greater than 10% of total stockholders' equity.

3. Total Loans

The following table is a summary of the total loan portfolio by principal category as of the dates indicated.

	December 31, 2021		December 31, 2020	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	$ 887,024	4.8%	$ 911,115	4.7%
Non-farm/non-residential	3,782,892	20.7	4,267,147	22.2
Construction/land development	8,246,674	45.0	7,993,467	41.6
Agricultural	247,727	1.4	204,868	1.1
Multifamily residential	934,845	5.1	856,297	4.5
Total real estate	14,099,162	77.0	14,232,894	74.1
Commercial and industrial	510,784	2.8	842,206	4.4
Consumer	2,185,429	11.9	2,393,964	12.5
Other	1,512,450	8.3	1,740,104	9.0
Total loans	$ 18,307,825	100.0%	$ 19,209,168	100.0%

At December 31, 2021, the Bank's total loan portfolio consisted of 77.0% real estate loans, 2.8% commercial and industrial loans, 11.9% consumer loans and 8.3% other loans. Real estate loans, its largest category of loans, include all loans made to finance the development of real property construction projects, provided such loans are secured by real estate, and all other loans secured by real estate as evidenced by mortgages or other liens.

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

Allowance for Credit Losses

The following table is a summary of activity within the ACL during the years indicated.

	Allowance for Loan Losses	Reserve for Losses on Unfunded Loan Commitments	Total Allowance for Credit Losses
		(Dollars in thousands)	
Year ended December 31, 2021:			
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Net charge-offs	(10,378)	—	(10,378)
Provision for credit losses	(68,066)	(9,872)	(77,938)
Balances – December 31, 2021	$ 217,380	$ 71,609	$ 288,989
Year ended December 31, 2020:			
Balances – December 31, 2019	$ 108,525	$ —	$ 108,525
Adoption of CECL methodology	39,588	54,924	94,512
Balances – January 1, 2020	148,113	54,924	203,037
Net charge-offs	(29,371)	—	(29,371)
Provision for credit losses	177,082	26,557	203,639
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Year ended December 31, 2019:			
Balances – December 31, 2018	$ 102,264	$ —	$ 102,264
Net charge-offs	(19,980)	—	(19,980)
Provision for credit losses	26,241	—	26,241
Balances – December 31, 2019	$ 108,525	$ —	$ 108,525

The calculations of the Bank's provision for credit losses and its total ACL were based on a number of key estimates, assumptions and economic forecasts. Management utilized several economic forecasts provided by Moody's, including their baseline forecast and certain of their other alternative economic scenarios. In selecting the weightings for the various economic scenarios for purposes of determining its ACL at December 31, 2021, the Bank assigned the largest weighting to the Moody's S3 (Moderate Recession) and Moody's S4 (Protracted Slump) scenarios and assigned lesser weighting to the Moody's baseline scenario. The Bank's selection and weightings of these scenarios reflect its assessment of conditions in the U.S. economy, including uncertainty about the COVID-19 pandemic, Omicron and other potential COVID-19 variants, the rate and long-term effectiveness of vaccination programs in the U.S. and globally, the timing and magnitude of U.S. fiscal policy actions, accelerated tapering of the FRB's asset purchases, potential increases in the fed funds rate, prospects for a shrinking of the FRB balance sheet, heightened inflationary pressures, global trade and geopolitical matters, the impact of supply chain disruptions and various other factors. These forecasts included a number of economic variables, including gross domestic product ("GDP"), unemployment rates, and commercial and residential real estate prices, among others. For purposes of the forecasts used in the Bank's CECL methodology, management utilized a reasonable and supportable forecast period of two years, followed by a reversion, on a systematic basis, of estimated losses back to the Bank's historical mean. Management also utilized certain qualitative adjustments to increase the Bank's ACL estimates to capture items that management believed were not fully reflected in the Bank's modeled results.

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

	Beginning Balance	Impact of Adopting CECL	Charge-offs	Recoveries	Provision	Ending Balance
			(Dollars in thousands)			
Year ended December 31, 2021:						
Real estate:						
Residential 1-4 family	$ 26,655	$ —	$ (287)	$ 763	$ (8,456)	$ 18,675
Non-farm/non-residential	93,436	—	(3,942)	828	(10,798)	79,524
Construction/land development	72,237	—	(176)	461	(18,486)	54,036
Agricultural	3,064	—	(18)	6	18	3,070
Multifamily residential	12,352	—	(377)	—	(5,551)	6,424
Commercial and industrial	13,758	—	(628)	433	(5,546)	8,017
Consumer	45,657	—	(6,585)	1,534	(3,176)	37,430
Other	28,665	—	(3,282)	892	(16,071)	10,204
Total ALL for funded loans	295,824	—	(15,295)	4,917	(68,066)	217,380
Reserve for losses on unfunded loan commitments	81,481	—	—	—	(9,872)	71,609
Total ACL	$ 377,305	$ —	$ (15,295)	$ 4,917	$ (77,938)	$ 288,989
Year ended December 31, 2020:						
Real estate:						
Residential 1-4 family	$ 14,008	$ 4,004	$ (411)	$ 939	$ 8,115	$ 26,655
Non-farm/non-residential	17,289	12,587	(12,353)	330	75,583	93,436
Construction/land development	26,295	21,427	(25)	468	24,072	72,237
Agricultural	1,719	978	(39)	69	337	3,064
Multifamily residential	5,477	(2,277)	—	146	9,006	12,352
Commercial and industrial	5,961	6,376	(6,002)	535	6,888	13,758
Consumer	32,466	(5,870)	(11,518)	798	29,781	45,657
Other	5,310	2,363	(3,044)	736	23,300	28,665
Total ALL for funded loans	108,525	39,588	(33,392)	4,021	177,082	295,824
Reserve for losses on unfunded loan commitments	—	54,924	—	—	26,557	81,481
Total ACL	$ 108,525	$ 94,512	$ (33,392)	$ 4,021	$ 203,639	$ 377,305
Year ended December 31, 2019:						
Real estate:						
Residential 1-4 family	$ 13,754	$ —	$ (514)	$ 174	$ 594	$ 14,008
Non-farm/non-residential	18,456	—	(4,590)	38	3,385	17,289
Construction/land development	27,103	—	(528)	117	(397)	26,295
Agricultural	1,343	—	(46)	7	415	1,719
Multifamily residential	6,208	—	—	—	(731)	5,477
Commercial and industrial	9,256	—	(2,194)	301	(1,402)	5,961
Consumer	21,982	—	(12,836)	2,983	20,337	32,466
Other	4,162	—	(3,635)	743	4,040	5,310
Total ALL for funded loans	102,264	—	(24,343)	4,363	26,241	108,525
Reserve for losses on unfunded loan commitments	—	—	—	—	—	—
Total ACL	$ 102,264	$ —	$ (24,343)	$ 4,363	$ 26,241	$ 108,525

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

	Nonaccrual Loans with ALL	Nonaccrual Loans with No ALL	Total Nonaccrual
		(Dollars in thousands)	
December 31, 2021:			
Real estate:			
Residential 1-4 family	$ 20,429	$ 1,418	$ 21,847
Non-farm/non-residential	14,895	721	15,616
Construction/land development	452	622	1,074
Agricultural	920	—	920
Multifamily residential	260	—	260
Commercial and industrial	2,127	2	2,129
Consumer	2,418	—	2,418
Other	1	—	1
Total	$ 41,502	$ 2,763	$ 44,265
December 31, 2020:			
Real estate:			
Residential 1-4 family	$ 20,503	$ 1,333	$ 21,836
Non-farm/non-residential	9,814	29,924	39,738
Construction/land development	1,551	906	2,457
Agricultural	873	—	873
Commercial and industrial	2,027	—	2,027
Consumer	2,431	—	2,431
Other	375	—	375
Total	$ 37,574	$ 32,163	$ 69,737

Interest income on nonperforming loans as of December 31, 2021 and 2020, respectively, and on impaired loans as of December 31, 2019 is recognized on a cash basis when and if actually collected. Total interest income recognized on nonperforming loans during 2021 and 2020 and impaired loans during 2019 was not material.

Credit Quality Indicators

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

	Period of Origination							
	Year Ended December 31,					Prior to January 1, 2017	Revolving Loans Amortized Cost Basis	Total
	2021	2020	2019	2018	2017			
	(Dollars in thousands)							
December 31, 2021:								
Residential 1-4 family [(1)]:								
Pass	$ 198,803	$ 139,911	$ 89,146	$ 57,260	$ 54,595	$ 195,183	$ 122,619	$ 857,517
Special Mention	330	1,335	1,483	818	1,036	2,134	98	7,234
Substandard	174	507	5,780	2,148	2,408	11,039	217	22,273
Total residential 1-4 family	199,307	141,753	96,409	60,226	58,039	208,356	122,934	887,024
Non-farm/non-residential:								
Pass	563,222	791,242	506,856	479,076	607,432	723,308	29,066	3,700,202
Special Mention	501	5,455	1,505	664	5,197	43,045	—	56,367
Substandard	—	—	—	571	9,301	16,451	—	26,323
Total non-farm/ non-residential	563,723	796,697	508,361	480,311	621,930	782,804	29,066	3,782,892
Construction/land development:								
Pass	1,316,232	2,139,650	2,910,398	1,070,903	579,809	76,188	107,186	8,200,366
Special Mention	—	—	1,335	199	63	283	301	2,181
Substandard	—	77	40	—	—	1,214	42,796	44,127
Total construction/ land development	1,316,232	2,139,727	2,911,773	1,071,102	579,872	77,685	150,283	8,246,674
Agricultural:								
Pass	68,424	46,000	54,558	39,076	22,791	12,789	2,674	246,312
Special Mention	—	—	—	—	—	165	—	165
Substandard	—	—	—	326	—	924	—	1,250
Total agricultural	68,424	46,000	54,558	39,402	22,791	13,878	2,674	247,727
Multifamily residential:								
Pass	51,535	35,551	257,123	219,045	207,311	153,036	1,564	925,165
Special Mention	—	—	—	—	—	9,327	—	9,327
Substandard	—	—	—	—	—	353	—	353
Total multifamily residential	51,535	35,551	257,123	219,045	207,311	162,716	1,564	934,845
Commercial and industrial [(1)]:								
Pass	207,734	58,644	33,660	73,020	29,257	18,311	84,174	504,800
Special Mention	146	79	495	109	2,337	439	55	3,660
Substandard	—	18	355	1,202	268	481	—	2,324
Total commercial and industrial	207,880	58,741	34,510	74,331	31,862	19,231	84,229	510,784
Consumer [(1)]:								
Pass	521,064	190,439	557,403	492,511	243,191	173,336	3,230	2,181,174
Special Mention	5	43	256	732	679	122	—	1,837
Substandard	35	88	449	745	379	722	—	2,418
Total consumer	521,104	190,570	558,108	493,988	244,249	174,180	3,230	2,185,429
Other [(1)]:								
Pass	145,341	303,558	664,475	169,383	101,372	10,030	118,232	1,512,391
Special Mention	—	—	8	50	—	—	—	58
Substandard	—	—	—	1	—	—	—	1
Total other	145,341	303,558	664,483	169,434	101,372	10,030	118,232	1,512,450
Total	$ 3,073,546	$ 3,712,597	$ 5,085,325	$ 2,607,839	$ 1,867,426	$ 1,448,880	$ 512,212	$ 18,307,825

(1) The Bank does not risk rate its residential 1-4 family loans (including consumer construction loans and 1-4 family properties), consumer loans, and certain "other" loans and, as of December 31, 2021, certain of its small business loans. However, for purposes of the above table, the Bank generally considers such loans to be (i) pass – if they are performing and less than 30 days past due, (ii) special mention – if they are performing and 30 to 89 days past due or (iii) substandard – if they are nonperforming or 90 days or more past due.

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

	Pass	Special Mention	Substandard	Total
	(Dollars in thousands)			
December 31, 2021:				
Real estate:				
Residential 1-4 family [(1)]	$ 857,517	$ 7,234	$ 22,273	$ 887,024
Non-farm/non-residential	3,700,202	56,367	26,323	3,782,892
Construction/land development	8,200,366	2,181	44,127	8,246,674
Agricultural	246,312	165	1,250	247,727
Multifamily residential	925,165	9,327	353	934,845
Commercial and industrial [(1)]	504,800	3,660	2,324	510,784
Consumer [(1)]	2,181,174	1,837	2,418	2,185,429
Other [(1)]	1,512,391	58	1	1,512,450
Total	$ 18,127,927	$ 80,829	$ 99,069	$ 18,307,825
December 31, 2020:				
Real estate:				
Residential 1-4 family [(1)]	$ 877,795	$ 8,980	$ 24,340	$ 911,115
Non-farm/non-residential	4,147,307	58,544	61,296	4,267,147
Construction/land development	7,944,342	11,795	37,330	7,993,467
Agricultural	203,065	261	1,542	204,868
Multifamily residential	845,909	9,605	783	856,297
Commercial and industrial	833,472	6,154	2,580	842,206
Consumer [(1)]	2,388,331	3,195	2,438	2,393,964
Other [(1)]	1,739,662	66	376	1,740,104
Total	$ 18,979,883	$ 98,600	$ 130,685	$ 19,209,168

(1) The Bank does not risk rate its residential 1-4 family loans (including consumer construction loans and 1-4 family properties), consumer loans, and certain "other" loans and, as of December 31, 2021, certain of its small business loans. However, for purposes of the above table, the Bank generally considers such loans to be (i) pass – if they are performing and less than 30 days past due, (ii) special mention – if they are performing and 30 to 89 days past due or (iii) substandard – if they are nonperforming or 90 days or more past due.

At December 31, 2021, for business purpose loans to an individual with total credit exposure less than or equal to $250,000, the Bank utilized a homogeneous risk rating pool methodology in place of credit scorecards to generate risk ratings on such loans. The change during 2021 to a homogeneous risk ratings pool methodology was made to streamline and improve efficiencies in the risk rating procedures of these loans. As of December 31, 2021, the Bank generally considered such loans to be (i) pass - if they are performing and less than 30 days past due, (ii) special mention - if they are performing and 30 to 89 days past due or (iii) substandard - if they are nonperforming or 90 days or more past due. At December 31, 2020, the Bank utilized scorecards to generate risk ratings for business purpose loans to an individual with total credit exposure less than or equal to $250,000. This change in risk rating methodology for such loans did not materially change the amounts, by category, reported in the above tables as of December 31, 2021.

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

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

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

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

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

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

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

	30-59 Days Past Due (1)	60-89 Days Past Due (2)	90 Days or More (3)	Total Past Due	Current (4)	Total
	(Dollars in thousands)					
December 31, 2021:						
Real estate:						
Residential 1-4 family	$ 6,395	$ 3,497	$ 5,703	$ 15,595	$ 871,429	$ 887,024
Non-farm/non-residential	2,816	5,123	2,130	10,069	3,772,823	3,782,892
Construction/land development	986	—	—	986	8,245,688	8,246,674
Agricultural	23	—	475	498	247,229	247,727
Multifamily residential	—	—	260	260	934,585	934,845
Commercial and industrial	4	21	1,793	1,818	508,966	510,784
Consumer	1,485	675	14	2,174	2,183,255	2,185,429
Other	58	—	—	58	1,512,392	1,512,450
Total	$ 11,767	$ 9,316	$ 10,375	$ 31,458	$18,276,367	$18,307,825
December 31, 2020:						
Real estate:						
Residential 1-4 family	$ 10,057	$ 3,218	$ 5,338	$ 18,613	$ 892,502	$ 911,115
Non-farm/non-residential	2,547	18	12,155	14,720	4,252,427	4,267,147
Construction/land development	1,000	—	1,102	2,102	7,991,365	7,993,467
Agricultural	52	—	358	410	204,458	204,868
Multifamily residential	—	—	—	—	856,297	856,297
Commercial and industrial	155	394	1,559	2,108	840,098	842,206
Consumer	3,177	356	547	4,080	2,389,884	2,393,964
Other	49	1	357	407	1,739,697	1,740,104
Total	$ 17,037	$ 3,987	$ 21,416	$ 42,440	$19,166,728	$19,209,168

(1) Includes $3.4 million and $5.9 million of loans on nonaccrual status at December 31, 2021 and 2020, respectively.
(2) Includes $2.2 million and $2.4 million of loans on nonaccrual status at December 31, 2021 and 2020, respectively.
(3) All loans greater than 90 days past due were on nonaccrual status at December 31, 2021 and 2020, respectively.
(4) Includes $28.3 million and $40.0 million of loans on nonaccrual status at December 31, 2021 and 2020, respectively.

5. Foreclosed Assets

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

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	$ —	$ 253
Non-farm/non-residential	2,786	5,244
Construction/land development	1,990	4,683
Agricultural	701	497
Total real estate	5,477	10,677
Consumer	267	408
Total foreclosed assets	$ 5,744	$ 11,085

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

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Balance – beginning of year	$ 11,085	$ 19,096	$ 16,171
Loans and other assets transferred into foreclosed assets	15,435	21,703	31,709
Sales of foreclosed assets	(17,315)	(26,045)	(26,365)
Writedowns of foreclosed assets	(3,461)	(3,669)	(2,419)
Balance – end of year	$ 5,744	$ 11,085	$ 19,096

6. Premises and Equipment

The following table is a summary of premises and equipment as of the dates indicated.

	December 31,	
	2021	2020
	(Dollars in thousands)	
Land	$ 145,387	$ 147,353
Construction in process	7,454	3,389
Buildings and improvements	474,078	495,606
Leasehold improvements	18,617	19,071
Equipment	141,907	144,237
Lease right-of-use assets	83,751	86,530
Gross premises and equipment	871,194	896,186
Accumulated depreciation	(175,337)	(157,344)
Premises and equipment, net	$ 695,857	$ 738,842

Interest capitalized by the Bank on construction projects totaled $0.1 million, $0.9 million and $1.8 million during 2021, 2020 and 2019, respectively.

7. Leases

The Bank's right-of-use asset (net of accumulated depreciation), which totaled $61.4 million and $71.4 million at December 31, 2021 and 2020, respectively, is included in premises and equipment, and the Bank's lease liability, which totaled $64.1 million and $72.7 million at December 31, 2021 and 2020, respectively, is included in accrued interest payable and other liabilities on the Bank's consolidated balance sheet. At both December 31, 2021 and 2020, the Bank's leases were comprised primarily of building and ground leases associated with certain branch locations or loan production offices. A portion of the Bank's leases are tied to the consumer price index and rent escalations associated with these leases are measured on a periodic basis. The majority of the Bank's lease agreements do not contain residual value guarantees or restricted covenants. In addition, many of the Bank's ground leases contain renewal options. If the Bank is reasonably certain that such options will be exercised, the Bank has included the effects of extending these ground leases in the determination of the lease term.

The Bank incurred $10.4 million, $10.8 million and $10.9 million during 2021, 2020 and 2019, respectively, in operating cost that is included in net occupancy and equipment expense in the Bank's consolidated statements of income. The Bank's variable lease costs were not material for the year ended December 31, 2021, 2020 or 2019. The Bank's weighted average remaining life for its right-of-use lease assets were 16.1 years, 15.9 years and 16.5 years at December 31, 2021, 2020 and 2019, respectively. The Bank's weighted average interest rate for its lease liability were 3.0%, 3.1% and 3.4% at December 31, 2021, 2020 and 2019, respectively.

The following table is a summary, as of the date indicated, of future amounts due under these non-cancelable leases.

	December 31, 2021 (Dollars in thousands)
2022	$ 8,604
2023	8,516
2024	6,744
2025	5,838
2026	5,605
Thereafter	52,791
Total minimum lease payments	88,098
Less imputed interest	(24,041)
Total operating lease liabilities	$ 64,057

8. Deposits

The following table is a summary of the scheduled maturities of time deposits as of the dates indicated.

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Up to one year	$ 4,973,587	$ 8,138,913
Over one to two years	742,367	1,081,470
Over two to three years	176,802	33,323
Over three to four years	47,495	15,919
Over four to five years	39,268	23,167
Thereafter	100	36
Total time deposits	$ 5,979,619	$ 9,292,828

The aggregate amount of time deposits that meet or exceed $250,000 was $1.65 billion and $2.74 billion at December 31, 2021 and 2020, respectively.

9. Repurchase Agreements With Customers

At December 31, 2021 and 2020, securities sold under agreements to repurchase ("repurchase agreements") totaled $6.1 million and $8.0 million, respectively. Securities utilized as collateral for repurchase agreements are primarily U.S. Government agency mortgage-backed securities and are maintained by the Bank's safekeeping agents. These securities are reviewed by the Bank on a daily basis, and the Bank may be required to provide additional collateral due to changes in the fair market value of these securities. The terms of the Bank's repurchase agreements are continuous but may be cancelled at any time by the Bank or the customer.

10. Borrowings

Borrowings with original maturities less than one year include FHLB advances and federal funds purchased. The following table is a summary of information relating to these borrowings as of the dates indicated.

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Average annual balance	$ 5	$ 89,086
December 31 balance	—	—
Maximum month-end balance during year	—	300,000
Interest rate:		
Weighted-average – year	0.43%	0.29%
Weighted-average – December 31	—	—

During 2021, the Bank utilized FHLB advances to support its funding sources and provide additional on-balance sheet liquidity to the Bank. Details of those FHLB advances, at December 31, 2021, are shown in the following table.

Borrowing Type		Balance	Interest Rate	Maturity Date	Expiration of Lockout Term
			(Dollars in thousands)		
Fixed-rate FOTO advance [(1)]	$	500,000	0.48%	February 28, 2035	Currently callable
Fixed-rate FOTO advance [(1)]		250,000	0.65	February 28, 2035	February 28, 2022
Other FHLB advances [(2)]		206	Various	Various	N/A
Total	$	750,206	0.54%		

(1) These borrowings are FHLB advances where the FHLB owns the option ("FOTO"), at its sole discretion, to terminate the advance on a quarterly basis after expiration of the lockout term.
(2) These other FHLB advances have rates ranging from 2.01% to 2.37% and a weighted-average rate of 2.08%. Final maturity dates on these advances range from June 2022 to March 2023.

These fixed rate advances are collateralized by a blanket lien on a substantial portion of the Bank's real estate loans and are subject to prepayment penalties if repaid prior to maturity date. At December 31, 2021, the Bank had $5.17 billion of unused FHLB borrowing availability.

11. Subordinated Notes

On July 1, 2021, the Bank redeemed all of its $225 million of 5.50% Fixed-to-Floating rate Subordinated Notes (the "5.50% Notes) at a redemption price equal to 100% of the principal amount of the 5.50% Notes plus accrued and unpaid interest. As a result of such redemption, the Bank recognized approximately $0.8 million in unamortized debt issue cost as non-interest expense during 2021.

On September 16, 2021, the Bank completed its public offering of $350 million in aggregate principal amount of its 2.75% Fixed-to-Floating rate Subordinated Notes (the "2.75% Notes") due 2031, which bear interest at a fixed rate of 2.75% per annum until September 30, 2026. On October 1, 2026, the 2.75% Notes will bear interest at a floating rate equal to a benchmark (which is expected to be three-month SOFR) plus 209 basis points. The 2.75% Notes are unsecured, subordinated debt obligations and mature on October 1, 2031. The underwriting discounts and offering expenses for these notes totaled $4.1 million and are being amortized over the estimated holding period of five years as an increase in the interest expense on the 2.75% Notes. As of December 31, 2021, the 2.75% Notes had a carrying value of $346.1 million and remaining unamortized debt issuance cost of $3.9 million.

The Bank may, beginning with the interest payment date of October 1, 2026, and on any interest payment date thereafter, redeem the 2.75% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2.75% Notes to be redeemed plus accrued and unpaid interest to, but excluding the date of redemption. The Bank may also redeem the 2.75% Notes at any time, including prior to October 1, 2026, at its option, in whole but not in part, if: (i) a change or prospective change in law occurs that could prevent it from deducting interest payable on the 2.75% Notes for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the 2.75% Notes from being recognized as Tier 2 capital for regulatory capital purposes; or (iii) the Bank is 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 2.75% Notes plus any accrued and unpaid interest to but excluding the redemption date.

12. Subordinated Debentures

At December 31, 2021, the Bank had the following issues of trust preferred securities outstanding and subordinated debentures owed to the Trusts.

	Subordinated Debentures Owed to Trust	Unamortized Discount	Carrying Value of Subordinated Debentures	Trust Preferred Securities of the Trusts	Contractual Interest Rate (1)	Final Maturity Date
			(Dollars in thousands)			
Ozark II	$ 14,433	$ —	$ 14,433	$ 14,000	3.12%	September 29, 2033
Ozark III	14,434	—	14,434	14,000	3.07	September 25, 2033
Ozark IV	15,464	—	15,464	15,000	2.38	September 28, 2034
Ozark V	20,619	—	20,619	20,000	1.80	December 15, 2036
Intervest II	15,464	(99)	15,365	15,000	3.17	September 17, 2033
Intervest III	15,464	(114)	15,350	15,000	3.01	March 17, 2034
Intervest IV	15,464	(208)	15,256	15,000	2.61	September 20, 2034
Intervest V	10,310	(198)	10,112	10,000	1.85	December 15, 2036
Total	$ 121,652	$ (619)	$ 121,033	$ 118,000		

(1) The contractual rate for each of these trust preferred securities and related subordinated debentures is tied to a spread over LIBOR. As previously discussed, most LIBOR tenors are expected to be phased out after June 2023. Currently, we are unable to determine the effect, if any, that the phase out of LIBOR might have on our financial instruments tied to LIBOR, including our trust preferred securities and related subordinated debentures.

On September 25, 2003, Ozark III sold to investors in a private placement offering $14 million of adjustable rate trust preferred securities, and on September 29, 2003, Ozark II sold to investors in a private placement offering $14 million of adjustable rate trust preferred securities (collectively, “2003 Securities”). The 2003 Securities bear interest, adjustable quarterly, at 90-day LIBOR plus 2.95% for Ozark III and 90-day LIBOR plus 2.90% for Ozark II. The aggregate proceeds of $28 million from the 2003 Securities were used to purchase an equal principal amount of adjustable rate subordinated debentures of the Bank that bear interest, adjustable quarterly, at 90-day LIBOR plus 2.95% for Ozark III and 90-day LIBOR plus 2.90% for Ozark II (collectively,“2003 Debentures”).

On September 28, 2004, Ozark IV sold to investors in a private placement offering $15 million of adjustable rate trust preferred securities (“2004 Securities”). The 2004 Securities bear interest, adjustable quarterly, at 90-day LIBOR plus 2.22%. The $15 million proceeds from the 2004 Securities were used to purchase an equal principal amount of adjustable rate subordinated debentures of the Bank that bear interest, adjustable quarterly, at 90-day LIBOR plus 2.22% (“2004 Debentures”).

On September 29, 2006, Ozark V sold to investors in a private placement offering $20 million of adjustable rate trust preferred securities (“2006 Securities”). The 2006 Securities bear interest, adjustable quarterly, at 90-day LIBOR plus 1.60%. The $20 million proceeds from the 2006 Securities were used to purchase an equal principal amount of adjustable rate subordinated debentures of the Bank that bear interest, adjustable quarterly, at 90-day LIBOR plus 1.60% (“2006 Debentures”).

In addition to the issuance of these adjustable rate securities, Ozark II and Ozark III collectively sold $0.9 million, Ozark IV sold $0.4 million and Ozark V sold $0.6 million of trust common equity to the Bank. The proceeds from the sales of the trust common equity were used, respectively, to purchase $0.9 million of 2003 Debentures, $0.4 million of 2004 Debentures and $0.6 million of 2006 Debentures issued by the Bank.

On February 10, 2015, in conjunction with the acquisition of Intervest Bancshares Corporation (“Intervest”), the Bank acquired Intervest II, Intervest III, Intervest IV and Intervest V with outstanding subordinated debentures totaling $56.7 million and related trust preferred securities totaling $55.0 million. On the date of such acquisition, the Bank recorded the assumed subordinated debentures at estimated fair value of $52.2 million, based on an independent third party valuation, to reflect a current market interest rate for comparable obligations. The fair value adjustment of $4.5 million is being amortized over the estimated holding period of approximately eight years as an increase in interest expense of the subordinated debentures. In addition to subordinated debentures, the Bank also acquired $1.7 million of trust common equity.

The trust preferred securities issued by Intervest II and the related subordinated debentures bear interest, adjustable quarterly, at 90-day LIBOR plus 2.95%. The trust preferred securities issued by Intervest III and the related subordinated debentures bear interest, adjustable quarterly, at 90-day LIBOR plus 2.79%. The trust preferred securities issued by Intervest IV and the related subordinated debentures bear interest, adjustable quarterly, at 90-day LIBOR plus 2.40%. The trust preferred securities issued by Intervest V and the related subordinated debentures bear interest, adjustable quarterly, at 90-day LIBOR plus 1.65%.

At December 31, 2021, the Bank had an aggregate of $121.7 million of subordinated debentures outstanding (with an aggregate carrying value of $121.0 million) and had an asset of $3.7 million representing its investment in the common equity issued by the Trusts. The sole assets of the Trusts are the adjustable rate debentures and the liabilities of the Trusts are the trust preferred securities.

At both December 31, 2021 and 2020, the Trusts had aggregate common equity of $3.7 million and did not have any restricted net assets. The Bank has, through various contractual arrangements or by operation of law, fully and unconditionally guaranteed all obligations of the Trusts with respect to the trust preferred securities. Additionally, there are no restrictions on the ability of the Trusts to transfer funds to the Bank in the form of cash dividends, loans or advances. The Bank has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. These trust preferred securities generally mature at or near the 30th anniversary date of each issuance. However, the trust preferred securities and related subordinated debentures may be prepaid at par, subject to regulatory approval.

13. Preferred Stock

On November 4, 2021 the Bank completed its public offering of 14,000,000 shares of 4.625% Series A Non-Cumulative Perpetual Preferred Stock (the “Preferred Stock”), par value $0.01 per share, with a liquidation preference of $25 per share, which represents $350 million in aggregate liquidation preference. The Preferred Stock offering generated net proceeds, after deducting the initial purchaser discount and offering expenses, of $339.0 million. The Bank will pay cash dividends on the Preferred Stock, when, as, and if declared by the Bank’s Board of Directors. Subject to declaration by the Bank’s Board of Directors, dividends will accrue and be payable from the original date of issuance at a rate of 4.625% per annum, payable quarterly, in arrears, on February 15, May 15, August 15, and November 15 of each year, beginning on February 15, 2022. Dividends on the Preferred Stock will not be cumulative or mandatory. On February 15, 2022, the Bank paid the initial dividend totaling $4.5 million on the Preferred Stock for the period covering November 4, 2021 through, but not excluding, February 15, 2022.

The Bank may redeem the Preferred Stock at its option, subject to regulatory approval, at a redemption price equal to $25 per share, plus any declared and unpaid dividends (without regard to any undeclared dividends), to, but excluding, the redemption date, (i) in whole or in part, from time to time, on any Dividend Payment Date on or after November 15, 2026, or (ii) in whole, but not in part, at any time within 90 calendar days following a regulatory capital treatment event (as defined in the Bank’s articles of amendment regarding the Preferred Stock).

With respect to payment of dividends and rights upon the Bank’s liquidation, dissolution or winding up, the Preferred Stock ranks (i) senior to the Bank’s common stock and any other class or series of preferred stock that, by its terms, ranks junior to the Preferred Stock, (ii) equally with any future class or series of preferred stock that does not by its terms rank junior or senior to the Preferred Stock, and (iii) junior to existing and future indebtedness and other liabilities and any class or series of preferred stock that expressly provides in the articles of amendment creating such class or series of preferred stock that it ranks senior to the Preferred Stock (subject to any requisite consents or approvals prior to issuance). The Preferred Stock will not have voting rights, except in certain limited circumstances and as otherwise required by applicable law. As a result of the Bank’s Preferred Stock offering, the Preferred Stock is included in tier 1 capital, but not common equity tier 1 capital.

The Preferred Stock shares are listed on the NASDAQ Global Select Market under the symbol “OZKAP.” The Bank intends to use the net proceeds from the Preferred Stock offering for repurchases of shares of its common stock under its increased stock repurchase program and other general corporate purposes, which may include, among other things, financing organic growth or strategic acquisitions, supporting our regulatory capital levels, and ongoing working capital needs. See Note 24 for additional information regarding the Bank’s stock repurchase program.

14. Income Taxes

The following table is a summary of the components of the provision (benefit) for income taxes for the years indicated.

	Year Ended December 31, 2021	2020	2019
	(Dollars in thousands)		
Current:			
Federal	$ 179,930	$ 21,123	$ 172,851
State	55,166	9,434	66,481
Total current	235,096	30,557	239,332
Deferred:			
Federal	(48,034)	39,662	(72,388)
State	(13,174)	14,095	(28,515)
Total deferred	(61,208)	53,757	(100,903)
Provision for income taxes	$ 173,888	$ 84,314	$ 138,429

The following table is a summary of the reconciliation between the statutory federal income tax rate and effective income tax rate for the years indicated.

	Year Ended December 31, 2021	2020	2019
Statutory federal income tax rate	21.0%	21.0%	21.0%
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal benefit	4.3	4.9	5.1
Effect of tax-exempt interest income	(0.5)	(1.2)	(0.6)
Effect of BOLI and other tax-exempt income	(0.6)	(1.2)	(0.9)
Federal income tax credits	(1.5)	(2.0)	(0.5)
Other, net	0.4	0.9	0.4
Effective income tax rate	23.1%	22.4%	24.5%

In accordance with ASU 2016-09, income tax expense from the exercise of stock options and vesting of common stock under the Bank's restricted stock and incentive plan in the amount of $0.8 million, $1.1 million and $0.7 million were recorded as income tax expense in 2021, 2020 and 2019, respectively.

At December 31, 2021 and 2020, current income taxes payable of $11.2 million and $3.2 million, respectively, were included in other liabilities.

The following table is a summary, as of the dates indicated, of the types of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts that give rise to deferred income tax assets and liabilities and their approximate tax effects.

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Deferred tax assets:		
Differences in amounts reflected in the financial statements and income tax basis for loans	$ 35,223	$ —
Operating lease liability	16,710	19,701
Stock-based compensation	11,973	11,211
Deferred compensation	2,745	2,665
Foreclosed assets	882	690
Net operating loss and tax credit carryforwards	9,042	12,189
Total gross deferred tax assets	76,575	46,456
Less valuation allowance	(536)	(536)
Deferred tax asset, net of valuation allowance	76,039	45,920
Deferred tax liabilities:		
Differences in amounts reflected in the financial statements and income tax basis for loans	—	9,357
Accelerated depreciation on premises and equipment	32,997	48,090
Deferred loan costs	37,815	44,038
Acquired intangible assets	1,469	1,921
Investment securities AFS	8,105	20,101
Operating lease right-of-use asset	16,022	19,352
Other, net	4,058	231
Total gross deferred tax liabilities	100,466	143,090
Net deferred tax liabilities	$ (24,427)	$ (97,170)

Federal net operating loss carryforwards were acquired in certain of the Bank's acquisitions. Such federal net operating loss carryforwards acquired totaled $80.9 million, of which $39.5 million remained to be utilized as of December 31, 2021 and will expire at various dates beginning in 2029 to 2034.

State net operating loss carryforwards were acquired in previous acquisitions. Such state net operating loss carryforwards acquired totaled $116.2 million, of which $31.0 million remained to be utilized as of December 31, 2021 and will expire at various dates beginning in 2025 to 2031.

At both December 31, 2021 and 2020, the Bank had a deferred tax valuation allowance of $0.5 million to reflect its assessment that the realization of the benefits from the recovery of certain acquired net operating loss carryforwards are expected to be subject to the limitations pursuant to section 382 of the Internal Revenue Code ("IRC"), or the equivalent state statute.

15. Employee Benefit Plans

The Bank maintains a qualified retirement plan (the "401(k) Plan") with a salary deferral feature designed to qualify under Section 401 of the IRC. The 401(k) Plan permits employees of the Bank to defer a portion of their compensation in accordance with the provisions of Section 401(k) of the IRC. The Bank's 401(k) Plan qualifies as a Safe-Harbor Cost or Deferred Arrangement ("Safe-Harbor CODA"). As a result, (i) certain key employees are eligible to make salary deferrals into the 401(k) Plan, (ii) the 401(k) Plan is not subject to any provisions of the average deferral percentage test described in IRC section 401(k)(3) or the average contribution percentage test described in IRC section 401(m)(2), (iii) the basic matching contribution is (a) 100% of the amount of the employee's deferrals that do not exceed 3% of the employee's compensation for the year plus (b) 50% of the amount of the employee's elective deferrals that exceed 3% but do not exceed 5% of the employee's compensation for the year, and (iv) all employer matching contributions made under the provisions of the Safe-Harbor CODA are non-forfeitable. Certain other statutory limitations with respect to the Bank's contribution under the 401(k) Plan also apply.

Contributions to the 401(k) Plan are invested in accordance with participant elections among certain investment options. Distributions from participant accounts are not permitted before age 65, except in the event of death, permanent disability, or termination of employment. The Bank made matching cash contributions to the 401(k) Plan during 2021, 2020 and 2019 of $5.9

million, $6.0 million and $5.6 million, respectively. The 401(k) Plan also provides for participant loans, subject to certain provision and limitations.

The Bank also maintains the Bank OZK Deferred Compensation Plan (the "Plan"), which is an unfunded deferred compensation arrangement for the group of employees designated as key employees, including certain of the Bank's executive officers and is considered a general obligation of the Bank. Under the terms of the Plan, eligible participants may elect to defer a portion of their compensation. Such deferred compensation is distributable in lump sum or specified installments upon separation from service with the Bank or upon other specified events as defined in the Plan. The Bank does not make any contribution to the Plan for the benefit of each participant or otherwise. Amounts deferred under the Plan are invested in certain approved investments (excluding securities of the Bank or its affiliates). At December 31, 2021 and 2020, respectively, the Bank had Plan assets, along with an equal amount of liabilities, totaling $7.5 million and $7.2 million, recorded on the accompanying consolidated balance sheet.

The Bank has a Supplemental Executive Retirement Plan ("SERP") and certain other benefit arrangements for its Chairman and Chief Executive Officer. Pursuant to the SERP, this officer is entitled to receive 180 equal monthly payments of $32,197, or $386,360 annually, commencing at the later of obtaining age 70 or separation from service. If employment continues past age 70, such benefit will commence at an increased amount upon separation from service, and if separation from service occurs prior to age 70, such benefit will be at a reduced amount. The costs of such benefits, assuming a retirement date at age 70, will be fully accrued by the Bank at such retirement date. The Bank accrued $0.4 million during 2021, $0.4 million during 2020 and $0.3 million during the year ended December 31, 2019 for the future benefits payable under the SERP. The SERP is an unfunded plan and is considered a general contractual obligation of the Bank.

16. Stock-Based Compensation

On May 6, 2019 (the "Effective Date"), the Bank's shareholders approved the Bank OZK 2019 Omnibus Equity Incentive Plan (the "Omnibus Plan"). The Omnibus Plan replaced the Nonqualified Stock Option Plan for officers and employees ("Option Plan"), the Restricted Stock and Incentive Plan for officers and employees ("2009 Plan") and the Non-Employee Director Stock Plan ("Director Plan" and together with the Option Plan and the 2009 Plan, the "Prior Plans"). After the Effective Date of the Omnibus Plan, no new awards may be granted under the Prior Plans, it being understood that (i) outstanding awards will continue to be governed by the terms and conditions of the Prior Plan under which they were granted, and (ii) to the extent that any outstanding award under the Prior Plans is forfeited, terminates, expires or lapses without shares being issued, the shares subject to such award not delivered as a result thereof will be available for awards under the Omnibus Plan. Directors, executive officers and employees are eligible to participate in the Omnibus Plan, and the total number of shares available for grant is 3,400,000, subject to adjustment as described in the Omnibus Plan. Awards granted under the Omnibus Plan may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, or other stock-based awards and must contain a minimum vesting period of at least one year from the date of grant (provided that awards for up to 5% of the shares of common stock authorized for issuance under the Omnibus Plan may provide for a shorter vesting period at the time of grant). The Omnibus Plan provides that a non-employee director may not receive stock awards with a grant date fair market value in excess of $100,000 worth of shares during any calendar year. The benefits received by or allocated to directors, executive officers or employees under the Omnibus Plan are determined within the discretion of the Human Capital and Compensation Committee ("Compensation Committee") of the Board of Directors.

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

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

The following table summarizes stock option activity for the year indicated.

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding – January 1, 2021	1,623,569	$ 46.32		
Granted	—	—		
Exercised	(207,650)	34.80		
Forfeited	(162,315)	47.06		
Outstanding – December 31, 2021	1,253,604	48.14	2.5	$ 3,581 (1)
Fully vested and exercisable at December 31, 2021	1,064,463	$ 51.07	2.2	$ 768 (1)

(1) Based on closing price of $46.53 per share on December 31, 2021.

Intrinsic value for stock options is defined as the amount by which the current market price of the underlying stock exceeds the exercise price. For those stock options where the exercise price exceeds the current market price of the underlying stock, the intrinsic value is zero. The total intrinsic value of options exercised during 2021 was $1.6 million. The total intrinsic value of options exercised during 2020 was not material and was $1.1 million during 2019.

No options to purchase shares were granted in 2021 or 2020. Options to purchase 280,558 shares were granted during 2019 with a weighted-average grant date fair value of $7.72. The fair value for each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

The following table is a summary of the weighted-average assumptions used in the Black-Scholes option pricing model for the years indicated.

	Year Ended December 31,		
	2021	2020	2019
Risk-free interest rate	—	—	2.58%
Expected dividend yield	—	—	3.10%
Expected stock volatility	—	—	33.7%
Expected life (years)	N/A	N/A	5.0

The Bank used 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 was estimated using the current annual dividend level and recent stock price of the Bank's common stock at the date of grant. Expected stock volatility was based on historical volatilities of the Bank's common stock. The expected life of the options is calculated based on the "simplified" method as provided for under Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 110.

The total fair value of options to purchase shares of the Bank's common stock that vested during 2021, 2020 and 2019 was $5.1 million, $6.4 million and $0.2 million, respectively. Stock-based compensation expense for stock options included in non-interest expense was $0.4 million, $1.9 million and $3.9 million for 2021, 2020 and 2019, respectively. Total unrecognized compensation cost related to non-vested stock option grants was not material at December 31, 2021.

During 2021, the Bank issued 312,503 shares of restricted common stock to employees under the Omnibus Plan. These grants of restricted stock cliff vest 100% three years after issuance, assuming continuous employment by the participant during this period. During 2021, the Bank also issued 20,328, or $70,000 worth of shares per recipient rounded down to the nearest whole share, of restricted common stock to directors under the Omnibus Plan, which cliff vest 100% one year after issuance.

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

Year Ended December 31, 2021:	2009 and Director Plans	Omnibus Plan	Total of All Plans
Outstanding – January 1, 2021	460,068	451,984	912,052
Granted	—	332,831	332,831
Forfeited	(24,851)	(90,449)	(115,300)
Vested	(144,263)	(46,871)	(191,134)
Outstanding – December 31, 2021	290,954	647,495	938,449
Weighted-average grant date fair value	$ 31.66	$ 33.60	$ 33.00

Restricted stock awards totaling 332,831 shares with a weighted-average grant date fair value of $40.18 were granted pursuant to the Omnibus Plan during 2021. The fair value of the restricted stock awards is amortized to compensation expense over the vesting period and is based on the market price of the Bank's common stock at the date of grant multiplied by the number of shares granted. Stock-based compensation expense for restricted stock included in non-interest expense was $9.6 million, $10.0 million and $8.6 million for 2021, 2020 and 2019, respectively. Unrecognized compensation expense for non-vested restricted stock awards was $11.8 million at December 31, 2021 and is expected to be recognized over a weighted-average period of 1.7 years.

In January 2019, pursuant to the Omnibus Plan, the Bank's Compensation Committee awarded its executive officers an aggregate of 170,003 performance-based restricted stock units ("PSUs"); in January 2020, the Compensation Committee awarded to its executive officers an aggregate of 175,065 PSUs, and in January 2021, the Bank's Compensation Committee awarded its executive officers an aggregate of 133,041 PSUs. All three PSU grants are based on target performance, with each PSU representing the right to receive one share of common stock at a future date. The PSUs granted contain both performance and market conditions. The PSUs will be earned and vest depending on the Bank's relative performance with respect to total shareholder return ("TSR"), return on average common equity ("ROAE") and return on average assets ("ROAA"), over a three-year period, compared to the companies that comprise the KBW Regional Banking Index ("KRX") at January 1 of the respective award year (for the TSR component) and compared to the Bank's executive compensation peer group in the fiscal year prior to the award (for the ROAE and ROAA component) over a three-year period. Measurement is determined on a percentile basis relative to the KRX or the Bank's peer group. For each metric, if the Bank's performance over the performance period is: (i) at or below the 25th percentile compared to the applicable peer group, no PSUs for that metric would be earned; (ii) at threshold performance (26th percentile), 4% of the target would be earned; (iii) at target performance (50th percentile), 100% of the target would be earned; (iv) at the 75th percentile, 150% of the target would be earned; and (v) at maximum performance (95th percentile), 200% of the target would be earned. Achievement of results between levels previously described will result in award payouts determined based on a linear interpolation between payout levels. In the event the Bank's TSR over the performance period is negative, no more than 100% of the target PSUs for the relative TSR component will be earned, and the value of a PSU earned at the end of the performance period for the relative TSR component cannot exceed six times (6x) the grant date stock price. The PSUs contain a three-year vesting period followed by a one-year post-vest hold period and are eligible to accrue dividend equivalents that are subject to the same vesting criteria as the underlying PSUs.

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

	Year Ended December 31,		
	2021	2020	2019
Risk-free interest rate	0.09%	1.52%	2.57%
Expected dividend yield	2.86%	3.70%	2.79%
Expected stock volatility	67.45%	30.86%	45.06%
Post-vest hold period	1 year	1 year	1 year

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

	PSUs
Outstanding – January 1, 2021	301,468
Granted	133,041
Forfeited	—
Outstanding – December 31, 2021	434,509

The following table is a summary of the valuation date stock price index and the weighted average grant date fair values for TSR, ROAE and ROAA for the PSUs granted in the years indicated.

	Year Ended December 31,		
	2021	2020	2019
TSR	$ 38.41	$ 25.03	$ 32.47
ROAE	33.20	24.88	26.69
ROAA	33.20	24.88	26.69
Valuation stock price index - TSR	116%	101%	122%
Valuation stock price index - ROAE & ROAA	100%	100%	100%
Estimated discount for illiquidity (1)	14.5%	11.5%	15.5%

(1) Because of the expected stock price volatility on shares of OZK and the one-year post-vest holding period associated with the PSUs, the Bank has estimated an illiquidity discount using widely accepted option pricing models.

Compensation expense for PSU awards included in non-interest expense was $6.0 million for 2021, $2.9 million for 2020 and $1.7 million for 2019. Unrecognized compensation expense for non-vested PSU awards was $6.3 million at December 31, 2021 and is expected to be recognized over a weighted-average period of 1.7 years.

On January 26, 2022, the Bank's Compensation Committee awarded its executive officers an aggregate of 135,625 PSUs that contain both performance and market conditions. The PSUs will be earned and vest depending on the Bank's relative performance with respect to TSR, ROAE and ROAA, over a three-year period, compared to the companies that comprise the KRX at January 1, 2022 (for the TSR component) and compared to the Bank's 2021 executive compensation peer group (for the ROAE and ROAA component) over the same three-year period. Measurement is determined on a percentile basis relative to the KRX or the Bank's peer group. For each metric, if the Bank's performance over the performance period is: (i) at or below the 25th percentile compared to the applicable peer group, no PSUs for that metric would be earned; (ii) at threshold performance (26th percentile), 4% of the target would be earned; (iii) at target performance (50th percentile), 100% of the target would be earned; (iv) at the 75th percentile, 150% of the target would be earned; and (v) at maximum performance (95th percentile), 200% of the target would be earned. Achievement of results between levels previously described will result in award payouts determined based on a linear interpolation between payout levels. In the event the Bank's TSR over the performance period is negative, no more than 100% of the target PSUs for the relative TSR component will be earned, and the value of a PSU earned at the end of the performance period for the relative TSR component cannot exceed six times (6x) the grant date stock price. The PSUs contain a three-year vesting period followed by a one-year post-vest hold period and are eligible to accrue dividend equivalents that are subject to the same vesting criteria as the underlying PSUs. The total compensation expense for the PSUs granted is expected to be approximately $5.7 million and is expected to be recognized over the three year vesting period.

On February 18, 2022, the Compensation Committee approved the issuance on February 18, 2022 of restricted stock awards for 199,407 shares of restricted stock that vest on February 18, 2025. Total compensation expense for the restricted stock awards is expected to be approximately $9.4 million and is expected to be recognized ratably over the three year vesting period.

17. Commitments and Contingencies

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments primarily include standby letters of credit and commitments to extend credit.

Outstanding standby letters of credit are contingent commitments issued by the Bank generally to guarantee the performance of a customer in third party borrowing arrangements. The maximum amount of future payments the Bank could be required to make under these guarantees at December 31, 2021 and 2020 is $16.8 million and $9.2 million, respectively. The Bank holds collateral to support guarantees when deemed necessary. Collateralized commitments at December 31, 2021 and 2020 totaled $16.1 million and $8.5 million, respectively.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank has the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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

At December 31, 2021, the Bank had outstanding commitments totaling $13.62 billion to extend credit, consisting primarily of loans closed but not yet funded. These commitments may or may not fund in whole or part prior to maturity; however, such funding is subject to a number of factors, including, among others, economic conditions, real estate market conditions and competitive factors.

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

Contractual Maturities at December 31, 2021	
Maturity	**Amount**
(Dollars in thousands)	
2022	$ 1,535,662
2023	2,508,486
2024	5,579,761
2025	3,772,663
2026	42,341
Thereafter	180,665
Total	$ 13,619,578

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

18. Related Party Transactions

The Bank has, in the ordinary course of business, lending transactions with certain of its officers, directors and their related and affiliated parties ("related parties"). The following table is a summary of activity of loans to related parties for the years indicated.

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Balance – beginning of year	$ 1	$ 221	$ 922
New loans and advances	—	—	180
Repayments	—	(220)	(761)
Effect of change in composition of related parties	—	—	(120)
Balance – end of year	$ 1	$ 1	$ 221

The Bank had outstanding commitments to extend credit to related parties totaling $0.5 million at December 31, 2021 and 2020.

19. Regulatory Capital and Other Matters

The Bank is 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 the Bank's financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments and adjustments by the regulators about component weightings and other factors.

In recent years, the FDIC and other federal banking regulators revised the risk-based capital requirements applicable to insured depository institutions, including 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 require the maintenance of minimum amounts and ratios of common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets, and of tier 1 capital to adjusted quarterly average assets.

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

Tier 1 capital includes common equity tier 1 capital and certain additional tier 1 items as provided under the Basel III Rules. At December 31, 2021, the Bank's Preferred Stock was counted as tier 1 capital, but not as common equity tier 1 capital. At December 31, 2020, the Bank had no additional tier 1 items that were not also included in common equity tier 1 capital.

Total capital includes tier 1 capital and tier 2 capital. Tier 2 capital includes, among other things, the allowable portion of the ACL, the trust preferred securities and the 2.75% Notes.

The common equity tier 1 capital, tier 1 capital and total risk-based 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.

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

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

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

	Actual		Minimum Capital Required – Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
	(Dollars in thousands)					
December 31, 2021:						
Common equity tier 1 to risk-weighted assets	$3,826,895	14.07%	$1,904,582	7.00%	$1,768,541	6.50%
Tier 1 capital to risk-weighted assets	4,165,875	15.31	2,312,707	8.50	2,176,665	8.00
Total capital to risk-weighted assets	4,885,192	17.95	2,856,873	10.50	2,720,832	10.00
Tier 1 leverage to average assets	4,165,875	16.17	1,030,239	4.00	1,287,799	5.00
December 31, 2020:						
Common equity tier 1 to risk-weighted assets	$3,573,471	13.36%	$1,872,748	7.00%	$1,738,980	6.50%
Tier 1 capital to risk-weighted assets	3,573,471	13.36	2,274,051	8.50	2,140,283	8.00
Total capital to risk-weighted assets	4,237,268	15.84	2,809,122	10.50	2,675,354	10.00
Tier 1 leverage to average assets	3,573,471	13.70	1,043,413	4.00	1,304,266	5.00

As of December 31, 2021 and 2020, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Regulations of the ASBD and the FDIC limit the Bank's ability to pay dividends without the prior approval of such agencies. The ASBD currently limits the amount of dividends the Bank can pay shareholders to 75% of net profits after taxes for the current year plus 75% of retained net profits after taxes for the immediately preceding year. FDIC regulations prevent insured state banks from paying any dividends from capital and allow the payment of dividends only from net profits then on hand after deduction for losses and bad debts. The FDIC also has the authority to prohibit the Bank from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the Bank's financial condition, could include the payment of dividends. At December 31, 2021 and 2020, respectively, approximately $346 million and $308 million were available for payment of dividends by the Bank without the approval of regulatory authorities. Additionally, the Bank's ability to pay dividends may be restricted by certain covenants in the indentures governing its trust preferred securities, its subordinated debentures and its subordinated notes.

Under federal banking regulation, the Bank is also limited as to the amount it may loan to its affiliates, and such loans must be collateralized by specific types of collateral. The maximum amount available for loans from the Bank to its affiliates is limited to 10% of the Bank's capital and surplus or approximately $481 million and $421 million at December 31, 2021 and 2020, respectively.

20. Fair Value Measurements

The Bank measures certain of its assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset or liability. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, fair value is used either on a periodic basis, typically at least quarterly, or on a non-recurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes. At December 31, 2021 and 2020, the Bank had no material liabilities that were accounted for at fair value.

The Bank applies the following fair value hierarchy.

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

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

Level 3 – Instruments whose inputs are unobservable.

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

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
December 31, 2021:				
Investment securities:				
U.S. Government agency mortgage-backed securities	$ —	$ 2,217,281	$ —	$ 2,217,281
Obligations of state and political subdivisions (1)	—	819,293	8,877	828,170
Other U.S. Government agency securities	—	555,261	—	555,261
Corporate Obligations	—	306,071	—	306,071
U.S. Treasuries	—	24,907	—	24,907
Total investment securities	—	3,922,813	8,877	3,931,690
Nonaccrual loans	—	—	34,260	34,260
Total assets at fair value	$ —	$ 3,922,813	$ 43,137	$ 3,965,950
December 31, 2020:				
Investment securities - AFS:				
U.S. Government agency mortgage-backed securities	$ —	$ 1,597,598	$ —	$ 1,597,598
Obligations of state and political subdivisions	—	1,720,288	11,597	1,731,885
Other U.S. Government agency securities	—	75,868	—	75,868
Total investment securities - AFS	—	3,393,754	11,597	3,405,351
Nonaccrual loans	—	—	58,030	58,030
Total assets at fair value	$ —	$ 3,393,754	$ 69,627	$ 3,463,381

(1) Obligations of state and political subdivisions include both AFS and approximately $15.0 million of trading securities.

The following table presents information on Level 3 non-recurring fair value measurements related to the Level 3 non-accrual loans above.

Description	Fair Value at December 31, 2021	Technique	Unobservable Inputs
		(Dollars in thousands)	
Nonaccrual loans	$ 34,260	Third party appraisal (1) or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Life of Loan

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

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

Investment securities – The Bank 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 Bank considers estimates of fair value from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities 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 Bank's investment securities are reviewed on a quarterly basis.

The Bank has determined that certain of its investment securities AFS had a limited to non-existent trading market at December 31, 2021 and 2020. As a result, the Bank considers these investments as Level 3 in the fair value hierarchy. Specifically, the fair values of certain obligations of state and political subdivisions consisting primarily of certain unrated private placement bonds (the "private placement bonds") in the amount of $8.9 million and $11.6 million at December 31, 2021 and 2020, respectively, were calculated using Level 3 hierarchy inputs and assumptions as the trading market for such securities was determined to be "not active." This determination was based on the limited number of trades or, in certain cases, the existence of no reported trades for the private placement bonds. The private placement bonds are generally prepayable at par value at the option of the issuer. As a result, management believes the private placement bonds should be individually valued at the lower of (i) the matrix pricing provided by the Bank's third party pricing sources for comparable unrated municipal securities or (ii) par value. At December 31, 2021 and 2020, the third parties' pricing matrices valued the Bank's portfolio of private placement bonds at approximately $8.9 million and $11.6 million, respectively, which was approximately the same as the aggregate par value of the private placement bonds. Accordingly, at December 31, 2021 and 2020, the Bank reported the private placement bonds at $8.9 million and $11.6 million, respectively.

Nonaccrual loans – Fair values are measured on a non-recurring basis and are based on the underlying collateral value of the nonaccrual loan, reduced for holding and selling costs, or the estimated discounted cash flows for such loan. At December 31, 2021, the Bank had reduced the carrying value of its nonaccrual loans to the estimated fair value of $34.3 million. The adjustment to reduce the carrying value of such nonaccrual loans to the estimated fair value included $10.0 million of ACL allocations.

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

	Investment Securities AFS (Dollars in thousands)
Balances – December 31, 2019	$ 14,103
Total realized gains included in earnings	—
Total unrealized gains/(losses) included in other comprehensive income	—
Paydowns and maturities	(2,506)
Sales	—
Transfers in and/or out of Level 3	—
Balances – December 31, 2020	11,597
Total realized gains included in earnings	—
Total unrealized gains/(losses) included in other comprehensive income	—
Paydowns and maturities	(2,720)
Sales	—
Transfers in and/or out of Level 3	—
Balances – December 31, 2021	$ 8,877

21. Fair Value of Financial Instruments

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

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

Investment securities – The Bank 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 Bank receives estimates of fair value from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities 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 Bank's investment securities are reviewed on a quarterly basis.

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

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

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

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

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

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

The fair values of certain of these instruments were calculated by discounting expected cash flows, which contain numerous uncertainties and involve significant judgments by management. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments, the Bank does not know whether these fair values represent values at which the respective financial instruments could be sold individually or in the aggregate.

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

		December 31,			
		2021		2020	
	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(Dollars in thousands)			
Financial assets:					
Cash and cash equivalents	Level 1	$ 2,053,829	$ 2,053,829	$ 2,393,662	$ 2,393,662
Investment securities [1]	Levels 2 and 3	3,931,690	3,931,690	3,405,351	3,405,351
Loans, net of ALL [2]	Level 3	18,090,445	18,152,024	18,913,344	18,790,517
Financial liabilities:					
Demand, savings and interest bearing transaction deposits	Level 1	$14,229,515	$14,229,515	$12,157,528	$12,157,528
Time deposits	Level 2	5,979,619	5,972,506	9,292,828	9,326,281
Repurchase agreements with customers	Level 1	6,115	6,115	8,013	8,013
Other borrowings	Level 2	750,206	761,646	750,928	779,227
Subordinated notes	Level 2	346,133	326,885	224,047	227,173
Subordinated debentures	Level 2	121,033	115,294	120,475	105,761

(1) Includes both AFS and trading securities.
(2) Excludes reserve for losses on unfunded loan commitments.

22. Supplemental Cash Flow Information

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

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Cash paid during the period for:			
Interest	$ 87,924	$ 197,382	$ 275,351
Income taxes	224,290	39,586	182,215
Supplemental schedule of non-cash investing and financing activities:			
Loans and other assets transferred to foreclosed assets	15,435	21,703	31,709
Net change in unrealized gains and losses on investment securities AFS	(45,946)	41,321	80,978
Lease liabilities recorded for right of use assets	2,779	15,220	71,310

23. Other Operating Expenses

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

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Professional and outside services	$ 29,013	$ 29,605	$ 31,712
Software and data processing	23,860	21,279	19,535
Deposit insurance and assessments	11,185	15,247	13,425
Telecommunication services	8,427	9,159	10,583
Postage and supplies	6,627	7,462	8,684
Amortization of intangibles	6,394	9,085	11,918
ATM expense	6,255	5,256	4,626
Travel and meals	5,694	4,336	11,230
Writedowns of foreclosed and other assets	3,461	3,669	2,419
Advertising and public relations	2,772	6,050	7,242
Loan collection and repossession expense	2,044	3,062	2,818
Amortization of CRA and tax credit investments	15,078	8,279	3,062
Other	28,097	20,711	22,007
Total other operating expenses	$ 148,907	$ 143,200	$ 149,261

24. Earnings Per Common Share ("EPS") and Share Repurchase Program

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands, except per share amounts)		
Numerator:			
Net income available to common stockholders	$ 579,001	$ 291,898	$ 425,906
Denominator:			
Denominator for basic EPS – weighted-average common shares	129,060	129,319	128,926
Effect of dilutive securities – stock options and PSUs	558	116	80
Denominator for diluted EPS – weighted-average common shares and assumed conversions	129,618	129,435	129,006
Basic EPS	$ 4.49	$ 2.26	$ 3.30
Diluted EPS	$ 4.47	$ 2.26	$ 3.30

Options to purchase 1,086,626 shares, 1,748,706 shares and 1,815,500 shares, respectively, of the Bank's common stock at a weighted-average exercise price of $51.98 per share, $46.14 per share and $47.27 per share, respectively, were outstanding during 2021, 2020 and 2019, but were excluded from the diluted EPS calculations as inclusion of such options would have been anti-dilutive. There were no anti-dilutive PSUs for any of the periods presented in the previous table.

In July 2021, the Bank adopted a $300 million stock repurchase program. In November 2021, in conjunction with the Bank's Preferred Stock offering, the Bank's Board of Directors increased the size of its stock repurchase program from $300 million up to $650 million of the Bank's outstanding common stock. During 2021, the Bank repurchased 4,275,988 shares of its common stock at a weighted average cost of $45.21, for a total of $193.4 million. The timing and amount of future repurchases will be determined by management based on a variety of factors such as the Bank's capital position, liquidity, financial performance and alternative uses of capital, stock price, regulatory requirements and general market and economic conditions. The repurchase program expires on November 22, 2022 and may be suspended by the Bank at any time.

25. Changes In and Reclassification From Accumulated Other Comprehensive Income (Loss) ("AOCI")

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

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Beginning balance of AOCI – unrealized gains and losses on investment securities AFS	$ 58,252	$ 27,255	$ (34,105)
Other comprehensive income (loss):			
Unrealized gains and losses on investment securities AFS	(45,946)	45,788	81,691
Tax effect of unrealized gains and losses on investment securities AFS	11,535	(11,397)	(19,793)
Amounts reclassified from AOCI	—	(4,467)	(713)
Tax effect of amounts reclassified from AOCI	—	1,073	175
Total other comprehensive income (loss)	(34,411)	30,997	61,360
Ending balance of AOCI – unrealized gains and losses on investment securities AFS	$ 23,841	$ 58,252	$ 27,255

Amounts reclassified from AOCI are included in net gains on investment securities and the tax effect of amounts reclassified from AOCI are included in provision for income tax in the consolidated statements of income. The amounts reclassified from AOCI relate entirely to unrealized gains/losses on investment securities AFS that were sold during the periods indicated.

Item 9. <u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>

Not applicable.

Item 9A. <u>CONTROLS AND PROCEDURES</u>

(a) Evaluation of Disclosure Controls and Procedures.

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

(b) Changes in Internal Control Over Financial Reporting.

The Bank's management, including the Bank's Chairman and Chief Executive Officer and its Chief Financial Officer, have evaluated any changes in the Bank's internal control over financial reporting that occurred during the Bank's fourth quarter ended December 31, 2021 and have concluded that there was no change during the Bank's fourth quarter ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

(c) Report of Management on the Bank's Internal Control Over Financial Reporting

February 28, 2022

Management of Bank OZK is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management of Bank OZK, including the Chief Executive Officer and the Chief Financial Officer, has assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2021, based on criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that the Bank's internal control over financial reporting was effective as of December 31, 2021, based on the specified criteria.

PricewaterhouseCoopers, LLP, the independent registered public accounting firm that audited the Bank's consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of the Bank's internal control over financial reporting as of December 31, 2021. Their report is included in Item 8 under the heading Report of Independent Registered Public Accounting Firm.

/s/ George Gleason	/s/ Greg McKinney
George Gleason *Chairman and Chief Executive Officer* *(principal executive officer)*	Greg McKinney *Chief Financial Officer* *(principal financial officer)*

Item 9B. OTHER INFORMATION

On February 18, 2022, the Human Capital and Compensation Committee (“Compensation Committee”) of the Board of Directors of the Bank approved the 2022 Executive Management Cash-Based Performance Plan (“2022 Cash Incentive Plan”). The Compensation Committee believes that subjecting a portion of the executive officer’s cash compensation to achievement of pre-established performance targets, as provided under the 2022 Cash Incentive Plan, will ensure the continued alignment of executive compensation, Bank performance and strategic goal attainment.

The Bank’s performance metrics (each a “Performance Metric”) and relative weighting for each metric under the 2022 Cash Incentive Plan is set forth below. Awards under the 2022 Cash Incentive Plan will be calculated based on the Bank’s consolidated financial results for the period beginning on January 1, 2022 and ending on December 31, 2022 (the “Performance Period”).

2022 Cash Incentive Plan Metrics	Weight
Diluted Earnings Per Share (“*EPS*”)	20%
Efficiency Ratio	20%
Net Charge-Off Ratio	20%
Net Interest Margin (fully taxable equivalent)	20%
Ratio of Nonperforming Assets to Total Assets	20%

The Compensation Committee determines incentive opportunities payable to each participant based on the level of performance attained for the particular Performance Metric over the Performance Period. Payouts under each Performance Metric will depend on the level of performance achieved with respect to the particular Performance Metric. If the Bank’s performance is below the threshold performance level set for the particular Performance Metric, the payout related to that metric is zero. Bank performance that is at or above the maximum performance level set for the particular Performance Metric may result in payment up to the maximum amount of the incentive opportunity for that particular Performance Metric. Following the Performance Period, the Compensation Committee shall determine whether and to what extent each Performance Metric has been met and the amounts, if any, payable to each participant for the Performance Period. Awards under the 2022 Cash Incentive Plan will be settled solely in cash. All awards received by any participant pursuant to the 2022 Cash Incentive Plan may be subject to recovery by the Bank under the Bank’s Incentive Compensation Clawback Policy.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 401 of Regulation S-K regarding directors is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

The information required by Item 405, Item 407(c)(3), Item 407 (d)(4) and Item 407 (d)(5) of Regulation S-K is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

In accordance with Item 406 of Regulation S-K, the Bank has adopted a code of ethics that applies to certain Bank executives, including the principal executive officer, principal financial officer and principal accounting officer. The code of ethics is posted on the Bank's Investor Relations website at http://ir.ozk.com under "Corporate Governance Documents." For more information about the Bank's code of ethics, see "Available Information under Part I, Item 1."

Item 11. EXECUTIVE COMPENSATION

The information required by Item 402, Item 407 (e)(4) and Item 407 (e)(5) of Regulation S-K is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by Item 201(d) and Item 403 of Regulation S-K is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 404 and Item 407(a) is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A regarding audit fees, audit committee pre-approval policies, and related information is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) List the following documents filed as a part of this report:

(1) The Consolidated Financial Statements of the Registrant.

Reference is made to Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules.

Financial Statement schedules are omitted either because they are not required or are not applicable, or because the required information is shown in the Financial Statements or notes thereto.

(3) Exhibits.

The exhibits to this Annual Report on Form 10-K are listed in the Exhibit Index which immediately follows Item 16 below.

(b) Exhibits. The exhibits to this Annual Report on Form 10-K are listed in the Exhibit Index which immediately follows Item 16 below.

(c) Financial Statement Schedules. See Item 15(a)(2) above.

Item 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

The following exhibits are filed with this report or are incorporated by reference to previously filed material.

Exhibit No.	
2.1	Agreement and Plan of Merger between Bank of the Ozarks, Inc. and Bank of the Ozarks, dated as of April 10, 2017 (previously filed as Exhibit 2.1 to the Bank's Current Report on Form 10-K filed with the FDIC on June 26, 2017, and incorporated herein by reference)
3.1	Amended and Restated Articles of Incorporation of Bank of the Ozarks, effective as of April 10, 2017 (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on June 26, 2017, and incorporated herein by reference)
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank OZK (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on July 16, 2018, and incorporated herein by reference)
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank OZK (previously filed as Exhibit 3.3 to the Bank's Registration Statement on Form 8-A filed with the FDIC on November 4, 2021, and incorporated herein by reference)
3.4	Second Amended and Restated Bylaws of Bank OZK, effective August 10, 2018 (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on August 10, 2018, and incorporated herein by reference)
4.1	Form of Common Stock Certificate (previously filed as Exhibit 4.2 to the Bank's Current Report on Form 8-K filed with the FDIC on July 16, 2018, and incorporated herein by reference)
4.2	Form of Certificate Representing Series A Preferred Stock (previously filed as Exhibit 4.1 to the Bank's Registration Statement on Form 8-A filed with the FDIC on November 4, 2021, and incorporated herein by reference)
4.3	Instruments defining the rights of security holders, including indentures. The Bank hereby agrees to furnish to the FDIC upon request copies of instruments defining the rights of holders of long-term debt of the Bank and its consolidated subsidiaries; no issuance of debt exceeds ten percent of the assets of the Bank and its subsidiaries on a consolidated basis
4.4	Description of Bank OZK's common stock registered under Section 12 of the Securities Exchange Act of 1934 (previously filed as Exhibit 4.3 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 28, 2020, and incorporated herein by reference)
4.5	Description of Bank OZK's Series A Preferred Stock registered under Section 12 of the Securities Exchange Act of 1934 (previously filed as Exhibit 4.4 to the Bank's Quarterly Report on Form 10-Q filed with the FDIC on November 9, 2021, and incorporated herein by reference)
10.1*	Form of Indemnification Agreement for directors and executive officers (previously filed as Exhibit 10.1 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.2*	Amended and Restated Deferred Compensation Plan, as amended effective June 26, 2017 (previously filed as Exhibit 10.2 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.3*	Split Dollar Insurance Agreement with Bank OZK (previously Bank of the Ozarks) as Trustee of the Linda and George Gleason Insurance Trust, effective as of May 4, 2010 (previously filed as Exhibit 10.3 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.4*	Split Dollar Insurance Agreement with George G. Gleason, II, effective as of May 4, 2010 (previously filed as Exhibit 10.4 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.5*	Split Dollar Designation by Bank OZK (previously Bank of the Ozarks), dated as of May 4, 2010 in respect of George G. Gleason, II as the insured (previously filed as Exhibit 10.5 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.6*	Supplemental Executive Retirement Plan ("SERP") for George G. Gleason, II, effective May 4, 2010 (previously filed as Exhibit 10.6 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.7*	Amendment to SERP effective November 2, 2020, (previously filed as Exhibit 10.7 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference)

Exhibit No.	
10.8*	Bank OZK Non-Qualified Deferred Compensation Plan, as amended and restated effective January 1, 2021 (previously filed as Exhibit 10.8 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference)
10.9*	Third Amended and Restated Non-Employee Director Stock Option Plan as of April 15, 2013 (previously filed as Exhibit 10.9 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.10*	Form of Stock Option Agreement for Non-Employee Directors (previously filed as Exhibit 10.10 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.11*	Bank of the Ozarks, Inc. Amended and Restated Stock Option Plan, effective May 18, 2015 (previously filed as Exhibit 10.11 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.12*	Form of Stock Option Grant Agreement for employees under the Amended and Restated Stock Option Plan, effective May 18, 2015 (previously filed as Exhibit 10.12 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.13*	Second Amended and Restated Bank of the Ozarks, Inc. 2009 Restricted Stock and Incentive Plan, effective May 16, 2016 (previously filed as Exhibit 10.15 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.14*	Third Amended and Restated Non-Employee Director Stock Plan dated May 7, 2018 (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2018, and incorporated herein by reference)
10.15*	Form of Restricted Stock Award Agreement for non-employee directors under the Third Amended and Restated Non-Employee Director Stock Plan dated May 7, 2018 (previously filed as Exhibit 10.2 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2018, and incorporated herein by reference)
10.16*	Bank of the Ozarks, Inc. 2017 Stock-Based Performance Award Plan (previously filed as Exhibit 10.20 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.17*	Bank of the Ozarks 2018 Executive Management Stock-Based Performance Plan (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.18*	Form of 2019 Performance Based Restricted Stock Unit Award Agreement for Executive Officers ("2019 LTIP Award") (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on January 29, 2019, and incorporated herein by reference)
10.19*	Bank OZK 2019 Executive Management Cash-Based Performance Plan (previously filed as Exhibit 10.24 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2019, and incorporated herein by reference)
10.20*	Bank OZK 2019 Omnibus Equity Incentive Plan dated May 6, 2019 (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference)
10.21*	Form of Restricted Stock Award Agreement for Employees under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.2 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference)
10.22*	Form of Restricted Stock Award Agreement for Non-Employee Directors under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.3 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference)
10.23*	Form of Stock Option Award Agreement for Employees under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.4 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference)
10.24*	Form of 2020 Performance Based Restricted Stock Unit Award Agreement for Executive Officers ("2020 LTIP Award") (previously filed as Exhibit 10.25 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 28, 2020, and incorporated herein by reference)
10.25*	Bank OZK 2020 Executive Management Cash-Based Performance Plan (previously filed as Exhibit 10.26 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 28, 2020, and incorporated herein by reference)
10.26*	Form of 2021 Performance Based Restricted Stock Unit Award Agreement for Executive Officers ("2021 LTIP Award") (previously filed as Exhibit 10.27 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference)

Exhibit No.	
10.27*	Bank OZK 2021 Executive Management Cash-Based Performance Plan (previously filed as Exhibit 10.28 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference)
10.28*	Form of 2022 Performance Based Restricted Stock Unit Award Agreement for Executive Officers ("2022 LTIP Award"), filed herewith
10.29*	Bank OZK 2022 Executive Management Cash-Based Incentive Plan, filed herewith
21	List of Subsidiaries of the Registrant, filed herewith
31.1	Certification of Chairman and Chief Executive Officer, filed herewith
31.2	Certification of Chief Financial Officer, filed herewith
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith

* Management contract or a compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bank OZK

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

Date: February 28, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ George Gleason George Gleason	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 28, 2022
/s/ Greg McKinney Greg McKinney	Chief Financial Officer (Principal Financial Officer)	February 28, 2022
/s/ Stan Thomas Stan Thomas	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2022
/s/ Nicholas Brown Nicholas Brown	Director	February 28, 2022
/s/ Paula Cholmondeley Paula Cholmondeley	Director	February 28, 2022
/s/ Beverly Cole Beverly Cole	Director	February 28, 2022
/s/ Robert East Robert East	Director	February 28, 2022
/s/ Kathleen Franklin Kathleen Franklin	Director	February 28, 2022
/s/ Catherine B. Freedberg Catherine B. Freedberg	Director	February 28, 2022
/s/ Jeff Gearhart Jeff Gearhart	Director	February 28, 2022
/s/ Peter Kenny Peter Kenny	Director	February 28, 2022
/s/ William Koefoed William Koefoed	Director	February 28, 2022
/s/ Chris Orndorff Chris Orndorff	Director	February 28, 2022
/s/ Steven Sadoff Steven Sadoff	Director	February 28, 2022
/s/ Ross Whipple Ross Whipple	Director	February 28, 2022

Exhibit 21

Subsidiaries of the Bank

1. Ozark Capital Statutory Trust II, a Connecticut business trust

2. Ozark Capital Statutory Trust III, a Delaware business trust

3. Ozark Capital Statutory Trust IV, a Delaware business trust

4. Ozark Capital Statutory Trust V, a Delaware business trust

5. The Highlands Group, Inc., a 100% owned Arkansas subsidiary of Bank OZK

6. Arlington Park, LLC, a 50% owned Arkansas subsidiary of The Highlands Group, Inc.

7. BOTO, LLC, a 100% owned Arkansas subsidiary of Bank OZK

8. BOTO FL Properties LLC, a 100% owned Florida subsidiary of Bank OZK

9. PAB State Credits LLC, a 100% owned Georgia subsidiary of Bank OZK

10. FCB Properties LLC, a 100% owned Georgia subsidiary of Bank OZK

11. BOTO NC Properties, LLC, a 100% owned North Carolina subsidiary of Bank OZK

12. BOTO GA Properties, LLC, a 100% owned Georgia subsidiary of Bank OZK

13. BOTO-AR Properties, LLC, a 100% owned Arkansas subsidiary of Bank OZK

14. BOTO SC Properties, LLC, a 100% owned South Carolina subsidiary of Bank OZK

15. Omnibank Center Business Condominium Owners Association, Inc., a 75.2% owned Texas subsidiary of Bank OZK

16. Intervest Statutory Trust II, a Connecticut business trust

17. Intervest Statutory Trust III, a Connecticut business trust

18. Intervest Statutory Trust IV, a Delaware business trust

19. Intervest Statutory Trust V, a Delaware business trust

20. BOTO Holdings, Inc., a 100% owned Texas subsidiary of Bank OZK

21. East Atlantic Properties, LLC, a 100% owned North Carolina subsidiary of BOTO NC Properties, LLC

22. Twin Points Road Clubhouse Properties, LLC, a 100% owned Arkansas subsidiary of Bank OZK

23. Highway 7 Properties, LLC, a 100% owned Arkansas subsidiary of Bank OZK

24. Elizabeth Station, LLC, a 33.34% owned Georgia subsidiary of Bank OZK

25. OZK Renewable Energy, LLC, a 100% owned Arkansas subsidiary of Bank OZK

Exhibit 31.1

CERTIFICATION

I, George Gleason, certify that:

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

Date: February 28, 2022

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

Exhibit 31.2

CERTIFICATION

I, Greg McKinney, certify that:

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

Date: February 28, 2022

/s/ Greg McKinney
Greg McKinney
Chief Financial Officer

Exhibit 32.1

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

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

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

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

February 28, 2022

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

In accordance with SEC Release No. 34-47986, this Exhibit 32.1 is furnished to the FDIC as an accompanying document and is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.

Exhibit 32.2

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

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

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

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

February 28, 2022

/s/ Greg McKinney
Greg McKinney
Chief Financial Officer

In accordance with SEC Release No. 34-47986, this Exhibit 32.2 is furnished to the FDIC as an accompanying document and is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.

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A History of Excellence

'21

America's Best Banks, *Forbes,* 2021

World's Best Banks, *Forbes,* 2021

Best-In-State Banks, Georgia, *Forbes,* 2021

Overall Top Performer, *Bank Director* 2021 Performance Powerhouse Study

Best Fintechs to Work For, *American Banker,* 2021

The 50 Most Important Figures of Commercial Real Estate Finance, #9 on *The Commercial Observer*'s Power Finance List 2021

'20

Best Bank in Georgia, *Forbes,* 2020

America's Best Banks, *Forbes,* 2020

Best Places to Work, *Arkansas Business,* 2020

Top Fintechs to Work For, *American Banker,* 2020

World's Best Banks, *Forbes,* 2020

#1 Bank, Performance Powerhouse Study, *Bank Director,* 2020

50 Most Important Leaders in Commercial Real Estate Finance, *The Commercial Observer,* 2020

'19

Best Bank in the South, Money.com 2019–2020

50 Most Important Leaders in Commercial Real Estate Finance, *The Commercial Observer,* 2019

World's Best Banks, *Forbes,* 2019

America's Best Banks, *Forbes,* 2019

Top Fintechs to Work For, *American Banker,* 2019

'18

Top Performing Bank, *Bank Director Magazine,* 2018
Assets: $5 Billion–$50 Billion

Nation's Top Performing Regional Bank, *S&P Global Market Intelligence,* 2018
Assets: $10 Billion–$50 Billion

World's Best Employers, *Forbes,* 2018

Top Fintechs to Work For, *American Banker,* 2018

50 Most Important Leaders in Commercial Real Estate Finance, *The Commercial Observer,* 2018

'17

Nation's Top Performing Regional Bank, *S&P Global Market Intelligence,* 2017
Assets: $10 Billion–$50 Billion

Top Performing Bank, *Bank Director Magazine,* 2017
Assets: $5 Billion–$50 Billion

Best Bank in North Carolina, *Money Magazine,* 2017

2016

Top Performing Bank, *Bank Director Magazine,* 2016
Assets: $5 Billion–$50 Billion

Top Performing Regional Bank, *S&P Global Market Intelligence,* 2016

2015

Top Performing Bank, *Bank Director Magazine,* 2015
Assets: $5 Billion–$50 Billion

Top Performing Regional Bank, *S&P Global Market Intelligence,* 2015

2014

Top Performing Bank, *Bank Director Magazine,* 2014
Assets: $1 Billion–$5 Billion

2013

Top Performing Bank, *Bank Director Magazine,* 2013
Assets: $1 Billion–$5 Billion

2012

Top Performing Regional Bank, *S&P Global Market Intelligence,* 2012

Top Performing Bank, *ABA Banking Journal,* 2012
Assets: $1 Billion–$10 Billion

2011

Top Performing Bank, *ABA Banking Journal,* 2011
Assets: over $3 Billion

Bank OZK

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