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

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2019

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

For the transition period from _________ to _________.

FDIC Certificate No. 110

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

ARKANSAS	**71-0130170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
17901 CHENAL PARKWAY, LITTLE ROCK, ARKANSAS	**72223**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

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

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

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

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

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

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

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

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

Class	Outstanding at July 31, 2019
Common Stock, $0.01 par value per share	128,948,122

BANK OZK
FORM 10-Q
June 30, 2019

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BANK OZK
CONSOLIDATED BALANCE SHEETS
Unaudited

	June 30, 2019	December 31, 2018
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 738,566	$ 290,672
Investment securities - available for sale (“AFS”)	2,548,489	2,862,340
Federal Home Loan Bank of Dallas ("FHLB") and other banker's bank stocks	11,607	25,941
Non-purchased loans	15,786,809	15,073,791
Purchased loans	1,698,396	2,044,032
Allowance for loan losses	(106,642)	(102,264)
Net loans	17,378,563	17,015,559
Premises and equipment, net	662,082	567,189
Foreclosed assets	33,467	16,171
Accrued interest receivable	81,003	81,968
Bank owned life insurance (“BOLI”)	730,871	721,238
Goodwill and other intangible assets, net	690,304	696,461
Other, net	85,779	110,491
Total assets	$ 22,960,731	$ 22,388,030
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	$ 2,777,066	$ 2,748,273
Savings and interest bearing transaction	9,226,197	9,682,713
Time	6,182,952	5,507,429
Total deposits	18,186,215	17,938,415
Repurchase agreements with customers	10,909	20,564
Other borrowings	201,455	96,692
Subordinated notes	223,471	223,281
Subordinated debentures	119,635	119,358
Accrued interest payable and other liabilities	222,668	216,355
Total liabilities	18,964,353	18,614,665
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock; $0.01 par value; 100,000,000 shares authorized; no shares issued or outstanding at June 30, 2019 or December 31, 2018	—	—
Common stock; $0.01 par value; 300,000,000 shares authorized; 128,946,716 and 128,611,049 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	1,289	1,286
Additional paid-in capital	2,243,779	2,237,948
Retained earnings	1,728,486	1,565,201
Accumulated other comprehensive income (loss)	19,693	(34,105)
Total stockholders’ equity before noncontrolling interest	3,993,247	3,770,330
Noncontrolling interest	3,131	3,035
Total stockholders’ equity	3,996,378	3,773,365
Total liabilities and stockholders’ equity	$ 22,960,731	$ 22,388,030

See accompanying notes to consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands, except per share amounts)			
Interest income:				
Non-purchased loans	$ 250,081	$ 210,385	$ 495,946	$ 400,812
Purchased loans	28,519	46,862	58,714	97,839
Investment securities:				
Taxable	13,585	11,476	28,481	22,907
Tax-exempt	3,693	4,102	7,567	8,262
Deposits with banks and federal funds sold	941	839	1,354	1,336
Total interest income	296,819	273,664	592,062	531,156
Interest expense:				
Deposits	67,392	43,832	130,479	78,224
Repurchase agreements with customers	11	385	33	544
Other borrowings	19	46	1,408	679
Subordinated notes	3,181	3,180	6,326	6,326
Subordinated debentures	1,680	1,560	3,392	2,946
Total interest expense	72,283	49,003	141,638	88,719
Net interest income	224,536	224,661	450,424	442,437
Provision for loan losses	6,769	9,610	13,450	15,177
Net interest income after provision for loan losses	217,767	215,051	436,974	427,260
Non-interest income:				
Service charges on deposit accounts	10,291	9,704	20,014	19,229
Trust income	1,839	1,591	3,569	3,384
BOLI income	5,178	5,259	10,340	12,839
Other income from purchased loans, net	1,455	2,744	2,251	3,995
Loan service, maintenance and other fees	4,565	5,641	9,438	10,384
Net gains on investment securities	713	—	713	17
Gains on sales of other assets	402	844	686	2,270
Other	2,160	1,603	3,664	3,976
Total non-interest income	26,603	27,386	50,675	56,094
Non-interest expense:				
Salaries and employee benefits	47,558	41,665	92,425	87,164
Net occupancy and equipment	14,587	13,827	29,338	27,977
Other operating expenses	36,986	33,615	74,046	67,776
Total non-interest expense	99,131	89,107	195,809	182,917
Income before taxes	145,239	153,330	291,840	300,437
Provision for income taxes	34,726	38,589	70,615	72,563
Net income	110,513	114,741	221,225	227,874
Earnings attributable to noncontrolling interest	(10)	10	(16)	21
Net income available to common stockholders	$ 110,503	$ 114,751	$ 221,209	$ 227,895
Basic earnings per common share	$ 0.86	$ 0.89	$ 1.72	$ 1.77
Diluted earnings per common share	$ 0.86	$ 0.89	$ 1.71	$ 1.77

See accompanying notes to consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Net income	$ 110,513	$ 114,741	$ 221,225	$ 227,874
Other comprehensive income (loss):				
Unrealized gains and losses on investment securities AFS	34,187	(8,037)	71,607	(45,026)
Tax effect of unrealized gains and losses on investment securities AFS	(8,278)	2,032	(17,269)	10,825
Reclassification of gains and losses on investment securities AFS included in net income	(713)	—	(713)	—
Tax effect of reclassification of gains and losses on investment securities AFS included in net income	173	—	173	—
Total other comprehensive income (loss)	25,369	(6,005)	53,798	(34,201)
Total comprehensive income	$ 135,882	$ 108,736	$ 275,023	$ 193,673

See accompanying notes to consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)					
Three months ended June 30, 2019:						
Balances – March 31, 2019	$ 1,289	$2,239,404	$1,647,626	$ (5,676)	$ 3,121	$3,885,764
Net income	—	—	110,513	—	—	110,513
Earnings attributable to noncontrolling interest	—	—	(10)	—	10	—
Total other comprehensive income	—	—	—	25,369	—	25,369
Common stock dividends paid, $0.23 per share	—	—	(29,643)	—	—	(29,643)
Issuance of 27,250 shares of common stock for exercise of stock options	1	489	—	—	—	490
Issuance of 22,200 shares of unvested restricted common stock	—	—	—	—	—	—
Stock-based compensation expense	—	3,885	—	—	—	3,885
Forfeiture of 50,262 shares of unvested restricted common stock	(1)	1	—	—	—	—
Balances – June 30, 2019	$ 1,289	$2,243,779	$1,728,486	$ 19,693	$ 3,131	$3,996,378
Six months ended June 30, 2019:						
Balances – December 31, 2018	$ 1,286	$2,237,948	$1,565,201	$ (34,105)	$ 3,035	3,773,365
Net income	—	—	221,225	—	—	221,225
Earnings attributable to noncontrolling interest	—	—	(16)	—	16	—
Total other comprehensive income	—	—	—	53,798	—	53,798
Common stock dividends paid, $0.45 per share	—	—	(57,924)	—	—	(57,924)
Noncontrolling interest cash contribution	—	—	—	—	80	80
Issuance of 56,550 shares of common stock for exercise of stock options	1	876	—	—	—	877
Issuance of 406,074 shares of unvested restricted common stock	4	(4)	—	—	—	—
Repurchase and cancellation of 62,742 shares of common stock	(1)	(1,646)	—	—	—	(1,647)
Stock-based compensation expense	—	6,604	—	—	—	6,604
Forfeiture of 64,215 shares of unvested restricted common stock	(1)	1	—	—	—	—
Balances – June 30, 2019	$ 1,289	$2,243,779	$1,728,486	$ 19,693	$ 3,131	$3,996,378

See accompanying notes to consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
Unaudited

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)					
Three months ended June 30, 2018:						
Balances – March 31, 2018	$ 1,286	$2,227,178	$1,339,049	$ (40,908)	$ 3,049	3,529,654
Net income	—	—	114,741	—	—	114,741
Earnings attributable to noncontrolling interest	—	—	10	—	(10)	—
Total other comprehensive loss	—	—	—	(6,005)	—	(6,005)
Common stock dividends paid, $0.195 per share	—	—	(25,079)	—	—	(25,079)
Issuance of 10,865 shares of common stock for exercise of stock options	—	262	—	—	—	262
Issuance of 16,323 shares of unvested restricted common stock	—	—	—	—	—	—
Repurchase and cancellation of 819 shares of common stock	—	(40)	—	—	—	(40)
Stock-based compensation expense	—	3,409	—	—	—	3,409
Forfeiture of 21,563 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – June 30, 2018	$ 1,286	$2,230,809	$1,428,721	$ (46,913)	$ 3,039	$3,616,942
Six months ended June 30, 2018:						
Balances – December 31, 2017	$ 1,283	$2,221,844	$1,250,313	$ (12,712)	$ 3,060	3,463,788
Net income	—	—	227,874	—	—	227,874
Earnings attributable to noncontrolling interest	—	—	21	—	(21)	—
Total other comprehensive loss	—	—	—	(34,201)	—	(34,201)
Common stock dividends paid, $0.385 per share	—	—	(49,487)	—	—	(49,487)
Issuance of 210,890 shares of common stock for exercise of stock options	2	5,585	—	—	—	5,587
Issuance of 214,591 shares of unvested restricted common stock	2	(2)	—	—	—	—
Repurchase and cancellation of 71,750 shares of common stock	(1)	(3,769)	—	—	—	(3,770)
Stock-based compensation expense	—	7,151	—	—	—	7,151
Forfeiture of 24,864 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – June 30, 2018	$ 1,286	$2,230,809	$1,428,721	$ (46,913)	$ 3,039	$3,616,942

See accompanying notes to consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Six Months Ended June 30,	
	2019	**2018**
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 221,225	$ 227,874
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,922	11,103
Amortization	6,624	6,756
Earnings attributable to noncontrolling interest	(16)	21
Provision for loan losses	13,450	15,177
Provision for losses on foreclosed assets	1,155	611
Net amortization of investment securities AFS	9,397	11,610
Proceeds from sales of mortgage loans held for sale	—	8,313
Accretion of purchased loans	(13,524)	(25,284)
Net gains on investment securities AFS	(713)	(17)
Amortization of operating lease right-of-use assets	3,681	—
Gains on sales of other assets	(686)	(2,270)
Deferred income tax (benefit) expense	(68,716)	14,817
Increase in cash surrender value of BOLI	(10,340)	(10,111)
BOLI death benefits in excess of cash surrender value	—	(2,728)
Stock-based compensation expense	6,604	7,151
Changes in assets and liabilities:		
Accrued interest receivable	965	(7,220)
Other assets, net	28,936	(18,944)
Accrued interest payable and other liabilities	(1,928)	(12,606)
Net cash provided by operating activities	207,036	224,253
Cash flows from investing activities:		
Proceeds from sales of investment securities AFS	97,210	—
Proceeds from maturities/calls/paydowns of investment securities AFS	278,864	263,040
Purchases of investment securities AFS	(11)	(313,164)
Proceeds from sales of FHLB and other banker's bank stock	23,230	5,202
Purchases of FHLB and other banker's bank stock	(8,897)	(6,760)
Net increase of non-purchased loans	(692,586)	(1,321,187)
Net payments received on purchased loans	305,514	611,598
Purchases of premises and equipment	(50,845)	(32,323)
Purchases of BOLI	—	(45,000)
Proceeds from BOLI death benefits	705	4,659
Proceeds from sales of other assets	7,089	12,443
Cash paid for unconsolidated investments and noncontrolling interest	(3,629)	(4,833)
Net cash used by investing activities	(43,356)	(826,325)
Cash flows from financing activities:		
Net increase in deposits	247,800	704,740
Net proceeds from (repayments of) other borrowings	104,763	(554)
Repayment of fixed-rate callable FHLB advances	—	(20,000)
Net (decrease) increase in repurchase agreements with customers	(9,655)	110,520
Proceeds from exercise of stock options	877	5,587
Repurchase and cancellation of shares of common stock	(1,647)	(3,770)
Cash dividends paid on common stock	(57,924)	(49,487)
Net cash provided by financing activities	284,214	747,036
Net increase in cash and cash equivalents	447,894	144,964
Cash and cash equivalents – beginning of period	290,672	440,388
Cash and cash equivalents – end of period	$ 738,566	$ 585,352

See accompanying notes to consolidated financial statements.

1. Organization and Principles of Consolidation

Bank OZK ("the Bank") is headquartered in Little Rock, Arkansas and provides a wide range of retail and commercial banking services. At June 30, 2019 the Bank conducted operations through 254 offices, including offices in Arkansas, Georgia, Florida, North Carolina, Texas, Alabama, South Carolina, California, New York and Mississippi. The Bank owns eight 100%-owned finance subsidiary business trusts - Ozark Capital Statutory Trust II, Ozark Capital Statutory Trust III, Ozark Capital Statutory Trust IV, Ozark Capital Statutory Trust V, Intervest Statutory Trust II, Intervest Statutory Trust III, Intervest Statutory Trust IV and Intervest Statutory Trust V. In addition, the Bank owns a subsidiary that holds its investment securities, a subsidiary engaged in the development of real estate, a subsidiary that holds an ownership interest in a private aircraft and various other entities that hold loans, foreclosed assets or tax credits or engage in other activities. The consolidated financial statements include the accounts of the Bank, the investment subsidiary, the real estate subsidiary, the aircraft subsidiary and certain of those various other entities in accordance with accounting principles generally accepted in the United States ("GAAP"). Significant intercompany transactions and amounts have been eliminated in consolidation.

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

2. Basis of Presentation

The accompanying interim consolidated financial statements have been prepared by the Bank, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") in Article 10 of Regulation S-X and in accordance with the instructions to Form 10-Q and GAAP for interim financial information. Certain information, accounting policies and footnote disclosures normally included in complete financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Bank's Annual Report on Form 10-K filed with the FDIC for the year ended December 31, 2018.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. In the opinion of management, all adjustments considered necessary, consisting of normal recurring items, have been included for a fair statement of the accompanying consolidated financial statements. Operating results for the three months and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the full year or future periods.

3. Earnings Per Common Share ("EPS")

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding after consideration of the dilutive effect, if any, of outstanding common stock options and restricted stock units using the treasury stock method. Options to purchase 1,849,221 shares and 1,548,047 shares, respectively, of the Bank's common stock for the three months ended June 30, 2019 and 2018, and options to purchase 1,856,556 shares and 1,504,809 shares, respectively, of the Bank's common stock for the six months ended June 30, 2019 and 2018 were excluded from the diluted EPS calculations as inclusion of such options would have been anti-dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands, except per share amounts)			
Numerator:				
Distributed earnings allocated to common stockholders	$ 29,643	$ 25,079	$ 57,924	$ 49,487
Undistributed earnings allocated to common stockholders	80,860	89,672	163,285	178,408
Net income available to common stockholders	$ 110,503	$ 114,751	$ 221,209	$ 227,895
Denominator:				
Denominator for basic EPS – weighted-average common shares	128,954	128,623	128,901	128,579
Effect of dilutive securities – stock options and restricted stock units	125	181	121	204
Denominator for diluted EPS – weighted-average common shares and assumed conversions	129,079	128,804	129,022	128,783
Basic EPS	$ 0.86	$ 0.89	$ 1.72	$ 1.77
Diluted EPS	$ 0.86	$ 0.89	$ 1.71	$ 1.77

4. Investment Securities AFS

At both June 30, 2019 and December 31, 2018, the Bank classified its investment securities portfolio as AFS. Accordingly, investment securities are stated at estimated fair value in the consolidated financial statements with unrealized gains and losses, net of related income tax, reported as a separate component of stockholders' equity and included in accumulated other comprehensive income (loss).

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
June 30, 2019:				
Obligations of state and political subdivisions	$ 520,740	$ 12,673	$ (163)	$ 533,250
Mortgage-backed securities [(1)]	1,996,535	18,757	(5,419)	2,009,873
Corporate obligations	5,208	158	—	5,366
Total	$ 2,522,483	$ 31,588	$ (5,582)	$ 2,548,489
December 31, 2018:				
Obligations of state and political subdivisions	$ 615,328	$ 3,435	$ (12,147)	$ 606,616
Mortgage-backed securities [(1)]	2,248,065	3,656	(39,175)	2,212,546
U.S. Government agency securities	27,538	—	(602)	26,936
Corporate obligations	15,188	22	(27)	15,183
CRA qualified investment fund	1,109	—	(50)	1,059
Total	$ 2,907,228	$ 7,113	$ (52,001)	$ 2,862,340

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

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

	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	**Unrealized Losses**	**Estimated Fair Value**	**Unrealized Losses**	**Estimated Fair Value**	**Unrealized Losses**
	(Dollars in thousands)					
June 30, 2019:						
Obligations of state and political subdivisions	$ 304	$ 2	$ 32,735	$ 161	$ 33,039	$ 163
Mortgage-backed securities [(1)]	1,873	4	896,529	5,415	898,402	5,419
Total temporarily impaired securities	$ 2,177	$ 6	$ 929,264	$ 5,576	$ 931,441	$ 5,582
December 31, 2018:						
Obligations of state and political subdivisions	$ 198,351	$ 3,255	$ 249,761	$ 8,892	$ 448,112	$ 12,147
Mortgage-backed securities [(1)]	242,951	2,004	1,440,618	37,171	1,683,569	39,175
U.S. Government agency securities	1,084	15	25,852	587	26,936	602
Corporate obligations	9,973	27	—	—	9,973	27
CRA qualified investment fund	—	—	1,059	50	1,059	50
Total temporarily impaired securities	$ 452,359	$ 5,301	$1,717,290	$ 46,700	$2,169,649	$ 52,001

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

In evaluating the Bank's unrealized loss positions for other-than-temporary impairment of its investment securities portfolio, management considers the credit quality, financial condition and near term prospects of the issuer, the nature and cause of the unrealized loss, the severity and duration of the impairments and other factors. At both June 30, 2019 and December 31, 2018, management determined the unrealized losses were the result of fluctuations in interest rates and did not reflect deteriorations of the credit quality of the investments. Accordingly, management considers these unrealized losses to be temporary in nature. While the Bank periodically evaluates its investment strategy relative to current economic and business conditions, at the present time, the Bank does not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not be required to sell these investment securities before fair value recovers to amortized cost.

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

	June 30, 2019	
Maturity or Estimated Repayment	**Amortized Cost**	**Estimated Fair Value**
	(Dollars in thousands)	
One year or less	$ 450,822	$ 454,018
After one year to five years	1,203,201	1,211,751
After five years to ten years	458,241	464,566
After ten years	410,219	418,154
Total	$ 2,522,483	$ 2,548,489

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Sales proceeds	$ 97,210	$ —	$ 97,210	$ —
Gross realized gains	$ 1,071	$ —	$ 1,071	$ 17
Gross realized losses	(358)	—	(358)	—
Net gains on investment securities	$ 713	$ —	$ 713	$ 17

The Bank sold approximately $3.1 million and approximately $5.2 million of FHLB and other banker's bank stocks during the three months ended June 30, 2019 and 2018, respectively. The Bank sold approximately $23.2 million and approximately $5.2 million of FHLB and other banker's bank stocks during the six months ended June 30, 2019 and 2018, respectively. The Bank purchased approximately $2.7 million and approximately $5.3 million of FHLB and other banker's bank stocks during the three months ended June 30, 2019 and 2018, respectively. The Bank purchased approximately $8.9 million and approximately $6.8 million of FHLB and other banker's bank stocks during the six months ended June 30, 2019 and 2018, respectively.

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

Allowance for Loan Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Beginning balance	$ 105,954	$ 98,097	$ 102,264	$ 94,120
Charge-offs of non-purchased loans	(5,443)	(1,998)	(7,688)	(3,683)
Recoveries of non-purchased loans previously charged off	631	339	1,066	851
Net charge-offs – non-purchased loans	(4,812)	(1,659)	(6,622)	(2,832)
Charge-offs of purchased loans	(2,753)	(1,682)	(4,364)	(2,727)
Recoveries of purchased loans previously charged off	1,484	272	1,914	900
Net charge-offs – purchased loans	(1,269)	(1,410)	(2,450)	(1,827)
Net charge-offs – total loans	(6,081)	(3,069)	(9,072)	(4,659)
Provision for loan losses:				
Non-purchased loans	5,500	8,200	11,000	13,350
Purchased loans	1,269	1,410	2,450	1,827
Total provision	6,769	9,610	13,450	15,177
Ending balance	$ 106,642	$ 104,638	$ 106,642	$ 104,638
ALL allocated to non-purchased loans	$ 105,042	$ 103,038	$ 105,042	$ 103,038
ALL allocated to purchased loans	1,600	1,600	1,600	1,600
Total ALL	$ 106,642	$ 104,638	$ 106,642	$ 104,638

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

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
			(Dollars in thousands)		
Three months ended June 30, 2019:					
Non-purchased loans:					
Real estate:					
Residential 1-4 family	$ 13,961	$ (182)	$ 95	$ 279	$ 14,153
Non-farm/non-residential	18,140	(3,286)	31	1,978	16,863
Construction/land development	28,517	(26)	97	(1,009)	27,579
Agricultural	1,479	(12)	—	96	1,563
Multifamily residential	7,326	—	—	137	7,463
Commercial and industrial	8,251	(258)	94	(279)	7,808
Consumer	23,214	(903)	126	3,107	25,544
Other	3,466	(776)	188	1,191	4,069
Total non-purchased loans	104,354	(5,443)	631	5,500	105,042
Purchased loans	1,600	(2,753)	1,484	1,269	1,600
Total loans	$ 105,954	$ (8,196)	$ 2,115	$ 6,769	$ 106,642
Six months ended June 30, 2019:					
Non-purchased loans:					
Real estate:					
Residential 1-4 family	$ 13,754	$ (275)	$ 177	$ 497	$ 14,153
Non-farm/non-residential	18,456	(3,320)	39	1,688	16,863
Construction/land development	27,103	(26)	99	403	27,579
Agricultural	1,343	(12)	—	232	1,563
Multifamily residential	6,208	—	—	1,255	7,463
Commercial and industrial	9,256	(999)	203	(652)	7,808
Consumer	20,382	(1,538)	157	6,543	25,544
Other	4,162	(1,518)	391	1,034	4,069
Total non-purchased loans	100,664	(7,688)	1,066	11,000	105,042
Purchased loans	1,600	(4,364)	1,914	2,450	1,600
Total loans	$ 102,264	$ (12,052)	$ 2,980	$ 13,450	$ 106,642

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
			(Dollars in thousands)		
Three months ended June 30, 2018:					
Non-purchased loans:					
Real estate:					
Residential 1-4 family	$ 12,867	$ (103)	$ 81	$ 483	$ 13,328
Non-farm/non-residential	27,892	(25)	13	1,312	29,192
Construction/land development	29,222	(82)	2	576	29,718
Agricultural	1,152	(7)	—	104	1,249
Multifamily residential	2,649	—	—	(647)	2,002
Commercial and industrial	10,094	(738)	8	159	9,523
Consumer	10,444	(380)	37	5,477	15,578
Other	2,177	(663)	198	736	2,448
Total non-purchased loans	96,497	(1,998)	339	8,200	103,038
Purchased loans	1,600	(1,682)	272	1,410	1,600
Total loans	$ 98,097	$ (3,680)	$ 611	$ 9,610	$ 104,638
Six months ended June 30, 2018:					
Non-purchased loans:					
Real estate:					
Residential 1-4 family	$ 12,829	$ (168)	$ 96	$ 571	$ 13,328
Non-farm/non-residential	26,855	(160)	147	2,350	29,192
Construction/land development	27,422	(210)	25	2,481	29,718
Agricultural	1,093	(7)	30	133	1,249
Multifamily residential	2,395	—	—	(393)	2,002
Commercial and industrial	10,448	(1,135)	34	176	9,523
Consumer	8,858	(513)	77	7,156	15,578
Other	2,620	(1,490)	442	876	2,448
Total non-purchased loans	92,520	(3,683)	851	13,350	103,038
Purchased loans	1,600	(2,727)	900	1,827	1,600
Total loans	$ 94,120	$ (6,410)	$ 1,751	$ 15,177	$ 104,638

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

	ALL for Non-Purchased Loans			Non-Purchased Loans		
	ALL for Individually Evaluated Impaired Loans	ALL for All Other Loans	Total ALL[1]	Individually Evaluated Impaired Loans	All Other Loans	Total Loans
	(Dollars in thousands)					
June 30, 2019:						
Real estate:						
Residential 1-4 family	$ 1,114	$ 13,039	$ 14,153	$ 7,920	$ 718,298	$ 726,218
Non-farm/non-residential	147	16,716	16,863	10,334	3,092,884	3,103,218
Construction/land development	25	27,554	27,579	609	6,541,885	6,542,494
Agricultural	—	1,563	1,563	1,381	186,822	188,203
Multifamily residential	118	7,345	7,463	2,364	1,361,684	1,364,048
Commercial and industrial	139	7,669	7,808	637	709,546	710,183
Consumer	63	25,481	25,544	589	2,395,099	2,395,688
Other	3	4,066	4,069	425	756,332	756,757
Total	$ 1,609	$ 103,433	$ 105,042	$ 24,259	$15,762,550	$15,786,809
December 31, 2018:						
Real estate:						
Residential 1-4 family	$ 716	$ 13,038	$ 13,754	$ 6,006	$ 697,191	$ 703,197
Non-farm/non-residential	24	18,432	18,456	13,648	3,293,346	3,306,994
Construction/land development	60	27,043	27,103	11,409	6,400,222	6,411,631
Agricultural	—	1,343	1,343	848	160,932	161,780
Multifamily residential	81	6,127	6,208	637	1,050,350	1,050,987
Commercial and industrial	263	8,993	9,256	2,453	770,017	772,470
Consumer	57	20,325	20,382	354	1,935,238	1,935,592
Other	—	4,162	4,162	34	731,106	731,140
Total	$ 1,201	$ 99,463	$ 100,664	$ 35,389	$15,038,402	$15,073,791

(1) Excludes $1.6 million of ALL allocated to the Bank's purchased loans at both June 30, 2019 and December 31, 2018.

The following table is a summary of impaired non-purchased loans as of June 30, 2019.

	Principal Balance	Net Charge-offs to Date	Principal Balance, Net of Charge-offs	Specific ALL
	(Dollars in thousands)			
Impaired loans for which there is a related ALL:				
Real estate:				
Residential 1-4 family	$ 7,282	$ —	$ 7,282	$ 1,114
Non-farm/non-residential	2,933	—	2,933	147
Construction/land development	464	—	464	25
Multifamily residential	2,363	—	2,363	118
Commercial and industrial	323	—	323	139
Consumer	588	—	588	63
Other	55	—	55	3
Total impaired loans with a related ALL	14,008	—	14,008	1,609
Impaired loans for which there is not a related ALL:				
Real estate:				
Residential 1-4 family	872	(234)	638	—
Non-farm/non-residential	11,128	(3,727)	7,401	—
Construction/land development	316	(171)	145	—
Agricultural	1,424	(43)	1,381	—
Multifamily residential	134	(133)	1	—
Commercial and industrial	466	(152)	314	—
Consumer	1	—	1	—
Other	389	(19)	370	—
Total impaired loans without a related ALL	14,730	(4,479)	10,251	—
Total impaired non-purchased loans	$ 28,738	$ (4,479)	$ 24,259	$ 1,609

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	$ 6,647	$ 4,444	$ 6,433	$ 4,457
Non-farm/non-residential	12,382	3,789	12,804	3,526
Construction/land development	6,149	1,558	7,902	1,757
Agricultural	1,391	1,211	1,210	1,200
Multifamily residential	1,231	—	1,033	—
Commercial and industrial	569	1,637	1,197	1,574
Consumer	483	337	440	401
Other	214	30	155	89
Average carrying value of impaired non-purchased loans	$ 29,066	$ 13,006	$ 31,174	$ 13,004

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

	Principal Balance	Net Charge-offs to Date	Principal Balance, Net of Charge-offs	Specific ALL	Average Carrying Value – Year Ended December 31, 2018
			(Dollars in thousands)		
Impaired loans for which there is a related ALL:					
Real estate:					
Residential 1-4 family	$ 5,138	$ —	$ 5,138	$ 716	$ 3,972
Non-farm/non-residential	970	—	970	24	757
Construction/land development	401	—	401	60	576
Agricultural	—	—	—	—	14
Multifamily residential	538	—	538	81	134
Commercial and industrial	1,345	—	1,345	263	985
Consumer	353	—	353	57	309
Other	—	—	—	—	35
Total impaired loans with a related ALL	8,745	—	8,745	1,201	6,782
Impaired loans for which there is not a related ALL:					
Real estate:					
Residential 1-4 family	1,192	(324)	868	—	930
Non-farm/non-residential	33,425	(20,747)	12,678	—	6,878
Construction/land development	36,559	(25,551)	11,008	—	5,015
Agricultural	883	(35)	848	—	1,058
Multifamily residential	232	(133)	99	—	40
Commercial and industrial	1,208	(100)	1,108	—	695
Consumer	7	(6)	1	—	60
Other	40	(6)	34	—	34
Total impaired loans without a related ALL	73,546	(46,902)	26,644	—	14,710
Total impaired loans	$ 82,291	$ (46,902)	$ 35,389	$ 1,201	$ 21,492

Management has determined that certain of the Bank’s impaired non-purchased loans do not require any specific allowance at June 30, 2019 or at December 31, 2018 because (i) management’s analysis of such individual loans resulted in no impairment or (ii) all identified impairment on such loans had previously been charged off.

Interest income on impaired non-purchased loans is recognized on a cash basis when and if actually collected. Total interest income recognized on impaired non-purchased loans for the three months and six months ended June 30, 2019 and 2018 was not material.

Credit Quality Indicators

Non-Purchased Loans

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

	Satisfactory	Moderate	Watch	Substandard	Total
			(Dollars in thousands)		
June 30, 2019:					
Real estate:					
Residential 1-4 family [(1)]	$ 714,679	$ —	$ 3,200	$ 8,339	$ 726,218
Non-farm/non-residential	2,180,566	862,411	46,923	13,318	3,103,218
Construction/land development	5,953,351	530,580	57,760	803	6,542,494
Agricultural	26,099	154,400	5,374	2,330	188,203
Multifamily residential	1,264,717	93,884	2,113	3,334	1,364,048
Commercial and industrial	153,837	549,055	4,014	3,277	710,183
Consumer [(1)]	2,393,735	—	1,391	562	2,395,688
Other [(1)]	713,280	42,959	43	475	756,757
Total	$13,400,264	$ 2,233,289	$ 120,818	$ 32,438	$15,786,809
December 31, 2018:					
Real estate:					
Residential 1-4 family [(1)]	$ 691,019	$ —	$ 6,831	$ 5,347	$ 703,197
Non-farm/non-residential	2,422,985	805,483	61,480	17,046	3,306,994
Construction/land development	5,888,359	456,265	54,980	12,027	6,411,631
Agricultural	31,883	121,903	6,116	1,878	161,780
Multifamily residential	951,082	96,465	1,811	1,629	1,050,987
Commercial and industrial	326,951	436,832	3,823	4,864	772,470
Consumer [(1)]	1,934,567	—	873	152	1,935,592
Other [(1)]	692,828	38,198	26	88	731,140
Total	$12,939,674	$ 1,955,146	$ 135,940	$ 43,031	$15,073,791

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

The following categories of credit quality indicators are used by the Bank.

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

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

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

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

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

	30-89 Days Past Due [1]	90 Days or More [2]	Total Past Due	Current [3]	Total
			(Dollars in thousands)		
June 30, 2019:					
Real estate:					
Residential 1-4 family	$ 4,946	$ 2,953	$ 7,899	$ 718,319	$ 726,218
Non-farm/non-residential	2,125	6,542	8,667	3,094,551	3,103,218
Construction/land development	483	120	603	6,541,891	6,542,494
Agricultural	134	611	745	187,458	188,203
Multifamily residential	—	—	—	1,364,048	1,364,048
Commercial and industrial	979	242	1,221	708,962	710,183
Consumer	1,444	118	1,562	2,394,126	2,395,688
Other	7	424	431	756,326	756,757
Total	$ 10,118	$ 11,010	$ 21,128	$15,765,681	$15,786,809
December 31, 2018:					
Real estate:					
Residential 1-4 family	$ 7,720	$ 3,209	$ 10,929	$ 692,268	$ 703,197
Non-farm/non-residential	3,127	11,574	14,701	3,292,293	3,306,994
Construction/land development	621	11,409	12,030	6,399,601	6,411,631
Agricultural	122	27	149	161,631	161,780
Multifamily residential	538	99	637	1,050,350	1,050,987
Commercial and industrial	1,453	1,718	3,171	769,299	772,470
Consumer	916	109	1,025	1,934,567	1,935,592
Other	—	35	35	731,105	731,140
Total	$ 14,497	$ 28,180	$ 42,677	$15,031,114	$15,073,791

(1) Includes $2.3 million at June 30, 2019 and $2.2 million at December 31, 2018 of loans on nonaccrual status.
(2) All loans greater than 90 days past due were on nonaccrual status at June 30, 2019 and December 31, 2018.
(3) Includes $9.6 million and $4.4 million of loans on nonaccrual status at June 30, 2019 and December 31, 2018, respectively.

Purchased Loans

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

As of June 30, 2019, the Bank had identified purchased loans where it had determined it was probable that the Bank would be unable to collect all amounts according to the contractual terms thereof (for purchased loans without evidence of credit deterioration at date of acquisition) or the expected performance of such loans had deteriorated from management's performance expectations established in conjunction with the determination of the Day 1 Fair Values or since management's most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). At June 30, 2019, the Bank had $15.4 million of impaired purchased loans (purchased loans graded FV 77 or FV 88) compared to $7.8 million at December 31, 2018.

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

	Purchased Loans Without Evidence of Credit Deterioration at Date of Acquisition					Purchased Loans With Evidence of Credit Deterioration at Date of Acquisition		Total Purchased Loans
	FV 33	FV 44	FV 55	FV 36	FV 77	FV 66	FV 88	
	(Dollars in thousands)							
June 30, 2019:								
Real estate:								
Residential 1-4 family	$ 40,132	$ 157,374	$ 36,493	$25,191	$ 520	$ 30,271	$ 1,499	$ 291,480
Non-farm/non-residential	86,525	540,917	157,314	752	9,790	53,171	2,196	850,665
Construction/land development	32,915	77,154	5,215	412	992	3,639	100	120,427
Agricultural	—	894	25	36	—	1,190	—	2,145
Multifamily residential	13,613	31,298	579	518	—	1,528	—	47,536
Commercial and industrial	3,059	24,694	2,981	113	3	5,957	—	36,807
Consumer	155,454	163,899	24,800	148	340	15	—	344,656
Other	3,620	989	71	—	—	—	—	4,680
Total	$335,318	$ 997,219	$227,478	$27,170	$11,645	$ 95,771	$ 3,795	$1,698,396
December 31, 2018:								
Real estate:								
Residential 1-4 family	$ 49,105	$ 181,169	$ 47,573	$30,511	$ 489	$ 35,525	$ 1,891	$ 346,263
Non-farm/non-residential	117,578	641,182	174,063	1,450	1,759	73,342	3,020	1,012,394
Construction/land development	37,630	101,478	6,373	650	280	4,122	21	150,554
Agricultural	96	1,092	665	48	—	1,407	—	3,308
Multifamily residential	13,898	46,120	2,785	524	—	1,712	—	65,039
Commercial and industrial	8,393	32,542	3,374	220	18	6,353	47	50,947
Consumer	184,635	193,390	31,408	443	276	119	—	410,271
Other	3,893	1,061	211	—	—	91	—	5,256
Total	$415,228	$1,198,034	$266,452	$33,846	$ 2,822	$122,671	$ 4,979	$2,044,032

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

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

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

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

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

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

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

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

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

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

	30-89 Days Past Due	90 Days or More	Total Past Due	Current	Total Purchased Loans
			(Dollars in thousands)		
June 30, 2019:					
Real estate:					
Residential 1-4 family	$ 4,413	$ 3,044	$ 7,457	$ 284,023	$ 291,480
Non-farm/non-residential	13,139	20,285	33,424	817,241	850,665
Construction/land development	205	1,191	1,396	119,031	120,427
Agriculture	—	161	161	1,984	2,145
Multifamily residential	—	—	—	47,536	47,536
Commercial and industrial	560	674	1,234	35,573	36,807
Consumer	1,675	514	2,189	342,467	344,656
Other	—	—	—	4,680	4,680
Total	$ 19,992	$ 25,869	$ 45,861	$ 1,652,535	$ 1,698,396
Purchased loans without evidence of credit deterioration at date of acquisition	$ 14,530	$ 17,927	$ 32,457	$ 1,566,373	$ 1,598,830
Purchased loans with evidence of credit deterioration at date of acquisition	5,462	7,942	13,404	86,162	99,566
Total	$ 19,992	$ 25,869	$ 45,861	$ 1,652,535	$ 1,698,396
December 31, 2018:					
Real estate:					
Residential 1-4 family	$ 8,950	$ 2,818	$ 11,768	$ 334,495	$ 346,263
Non-farm/non-residential	17,243	14,015	31,258	981,136	1,012,394
Construction/land development	346	1,179	1,525	149,029	150,554
Agriculture	—	204	204	3,104	3,308
Multifamily residential	—	—	—	65,039	65,039
Commercial and industrial	527	785	1,312	49,635	50,947
Consumer	2,828	644	3,472	406,799	410,271
Other	—	—	—	5,256	5,256
Total	$ 29,894	$ 19,645	$ 49,539	$ 1,994,493	$ 2,044,032
Purchased loans without evidence of credit deterioration at date of acquisition	$ 25,304	$ 10,165	$ 35,469	$ 1,880,913	$ 1,916,382
Purchased loans with evidence of credit deterioration at date of acquisition	4,590	9,480	14,070	113,580	127,650
Total	$ 29,894	$ 19,645	$ 49,539	$ 1,994,493	$ 2,044,032

6. Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *"Leases (Topic 842)"* which required lessees to recognize on the lessee's balance sheet a right-of-use asset and lease liability related to their leasing agreements. The Bank adopted ASU 2016-02 effective January 1, 2019 and, as a result, recorded an operating lease right-of-use asset and operating lease liability of $59.6 million at adoption. The Bank's right-of-use asset is included in premises and equipment, net and the Bank's lease liability is included in accrued interest payable and other liabilities on the Bank's consolidated balance sheets. At June 30, 2019, the Bank's leases were comprised primarily of building and ground leases associated with certain of its branch locations or loan production offices. A portion of the Bank's leases are tied to the consumer price index and rent escalations associated with these leases are measured on a periodic basis. The majority of the Bank's lease agreements do not contain residual

value guarantees or restricted covenants. In addition, many of the Bank's ground leases contain renewal options. The Bank is reasonably certain that such options will be exercised; thus, the Bank has included the effects of extending these ground leases in the determination of the lease term.

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

For the three months and six months ended June 30, 2019, the Bank incurred $2.3 million and $4.9 million, 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 three months or six months ended June 30, 2019. At June 30, 2019, the Bank's weighted average remaining lease term and weighted average interest rate for its lease liabilities were 16.9 years and 3.6%, respectively.

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

7. Goodwill and Intangible Assets

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

8. Supplemental Data for Cash Flows

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

	Six Months Ended June 30,	
	2019	2018
	(Dollars in thousands)	
Cash paid during the period for:		
Interest	$ 139,785	$ 87,292
Taxes	99,682	74,465
Supplemental schedule of non-cash investing and financing activities:		
Net change in unrealized gains/losses on investment securities AFS	70,894	45,026
Loans transferred to foreclosed assets	24,140	5,180
Unsettled loan purchases	—	5,000

9. Commitments and Contingencies

Outstanding standby letters of credit are contingent commitments issued by the Bank generally to guarantee the performance of a customer in third party arrangements. The maximum amount of future payments the Bank could be required to make under these guarantees at June 30, 2019 was $13.6 million. The Bank holds collateral to support guarantees when deemed necessary. Collateralized commitments at June 30, 2019 totaled $11.7 million.

At June 30, 2019, the Bank had outstanding commitments totaling $11.17 billion to extend credit, consisting primarily of loans closed but not yet funded. These commitments may or may not fund in whole or part prior to maturity; however, such funding is subject to a number of factors, including, among others, economic conditions, real estate market conditions and competitive factors.

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

Contractual Maturities at June 30, 2019		
Maturity		**Amount**
(Dollars in thousands)		
2019	$	480,203
2020		2,584,941
2021		3,908,146
2022		2,605,209
2023		876,229
Thereafter		712,327
Total	$	11,167,055

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

The Bank is a party as both plaintiff and defendant to various claims arising in the ordinary course of business, including administrative and/or legal proceedings that may include employment-related claims as well as claims of lender liability, breach of contract, and other similar lending-related claims encountered on a routine basis. While the ultimate resolution of these ordinary course claims and proceedings cannot be determined at this time, management believes that such claims and proceedings, individually or in the aggregate, will not have a material adverse effect on the Bank's financial condition or results of operations.

10. Stock-Based Compensation

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 replaces 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 Personnel and Compensation Committee of the Board of Directors.

The Bank previously had a nonqualified stock option plan for non-employee directors. No options were granted under this plan during the three months or six months ended June 30, 2019 or 2018. All options previously granted under this plan were exercisable immediately and expire ten years after issuance. All employee options granted under the Option Plan and outstanding at June 30, 2019 were issued with a vesting date three years after issuance and an expiration date seven years after issuance.

The following table summarizes stock option activity under the Bank's equity plans for the period indicated.

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Six Months Ended June 30, 2019:				
Outstanding – January 1, 2019	1,877,123	$ 46.68		
Granted	280,558	31.66		
Exercised	(56,550)	15.52		
Forfeited	(137,653)	48.32		
Outstanding – June 30, 2019	1,963,478	45.31	4.5	1.1 (1)
Fully vested and exercisable – June 30, 2019	770,626	$ 42.58	2.9	1.1 (1)

(1) Based on closing price of $30.09 per share on June 28, 2019.

Intrinsic value for stock options is defined as the amount by which the current market price of the underlying stock exceeds the exercise price. For those stock options where the exercise price exceeds the current market price of the underlying stock, the intrinsic value is zero. The total intrinsic value of options exercised during the three months ended June 30, 2019 and 2018 was $0.4 million and $0.3 million, respectively. The total intrinsic value of options exercised during the six months ended June 30, 2019 and 2018 was $0.9 million and $5.3 million respectively.

Options to purchase 280,558 shares were granted during the six months ended June 30, 2019 with a weighted-average grant date fair value of $7.72. The fair value for each option grant is estimated on the date of the grant using the Black-Scholes option pricing model. The following table is a summary of the weighted-average assumptions used in the Black-Scholes option pricing model for stock options granted during the period indicated.

	Six Months Ended June 30, 2019
Risk-free interest rate	2.58%
Expected dividend yield	3.10%
Expected stock volatility	33.7%
Expected life (years)	5.0

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

Stock-based compensation expense for stock options included in non-interest expense was $1.1 million and $1.5 million for the three months ended June 30, 2019 and 2018, respectively, and $1.9 million and $3.0 million for the six months ended June 30, 2019 and 2018, respectively. Total unrecognized compensation cost related to non-vested stock option grants was $6.1 million at June 30, 2019 and is expected to be recognized over a weighted-average period of 1.6 years.

During the six months ended June 30, 2019, the Bank issued 383,874 shares of restricted common stock under the 2009 Plan. These grants of restricted stock cliff vest 100% three years after issuance, assuming continuous employment by the participant during this period.

During the six months ended June 30, 2019, the Bank issued 22,200 shares, or $50,000 worth of shares per recipient rounded down to the nearest whole share, of restricted common stock under the Director Plan. The restricted stock awarded to each non-employee director under the Director Plan contained a one-year vesting period.

The following table summarizes non-vested restricted stock activity under the Bank's equity plans for the period indicated.

	Shares	Weighted-Average Grant Date Fair Value
Six Months Ended June 30, 2019:		
Outstanding – January 1, 2019	543,999	
Granted	406,074	
Forfeited	(64,215)	
Vested	(177,136)	
Outstanding – June 30, 2019	708,722	$ 40.76

Restricted stock awards totaling 406,074 shares with a weighted-average grant date fair value of $31.77 were granted pursuant to the 2009 Plan and the Director Plan during the six months ended June 30, 2019. The fair value of the restricted stock awards is amortized to compensation expense over the vesting period and is based on the market price of the Bank's common stock at the date of grant multiplied by the number of shares granted. Stock-based compensation expense for restricted stock included in non-interest expense was $2.3 million and $1.9 million for the three months ended June 30, 2019 and 2018, respectively and $3.9 million and $4.2 million for the six months ended June 30, 2019 and 2018, respectively. Unrecognized compensation expense for non-vested restricted stock awards was $16.2 million at June 30, 2019 and is expected to be recognized over a weighted-average period of 2.0 years.

On January 23, 2019, pursuant to the 2009 Plan, the Personnel and Compensation Committee awarded its executive officers an aggregate of 170,003 performance-based restricted stock units (PSUs"), based on target performance, with each PSU representing the right to receive one share of common stock at a future date. The PSUs granted contain both performance and market conditions. The PSUs will be earned and vest depending on the Bank's relative performance with respect to total shareholder return ("TSR"), return on average common equity ("ROAE") and return on average assets ("ROAA"), over a three-year period, compared to the companies that comprise the KBW Regional Banking Index ("KRX") at January 1, 2019 (for the TSR component) and compared to the Bank's 2018 executive compensation peer group (for the ROAE and ROAA component) over the same three-year period. Measurement is determined on a percentile basis relative to the KRX or the Bank's peer group. In the event the Bank's TSR over the performance period is negative, no more than 100% of the target PSUs for the relative TSR component will be earned, and the value of a PSU earned at the end of the performance period for the relative TSR component cannot exceed six times (6x) the grant date stock price. The PSUs contain a three-year vesting period followed by a one-year post-vest hold period and are eligible to accrue dividend equivalents that are subject to the same vesting criteria as the underlying PSUs.

Compensation expense for PSU awards included in non-interest expense was $0.5 million for the three months ended June 30, 2019 and $0.8 million for the six months ended June 30, 2019. Unrecognized compensation expense for non-vested PSU awards was $4.5 million at June 30, 2019 and is expected to be recognized over a weighted-average period of 2.6 years.

11. Fair Value Measurements

The Bank measures certain of its assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset or liability. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, fair value is used either on a periodic basis, typically at least quarterly, or on a non-recurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes. The Bank had no material liabilities that were accounted for at fair value at June 30, 2019 or December 31, 2018.

The Bank applies the following fair value hierarchy.

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

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

Level 3 − Instruments whose inputs are unobservable.

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

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
June 30, 2019:				
Investment securities AFS:				
Mortgage-backed securities [1]	$ —	$ 2,009,873	$ —	$ 2,009,873
Obligations of state and political subdivisions	—	518,493	14,757	533,250
Corporate obligations	—	5,366	—	5,366
Total investment securities AFS	—	2,533,732	14,757	2,548,489
Impaired non-purchased loans	—	—	22,650	22,650
Impaired purchased loans	—	—	15,440	15,440
Foreclosed assets	—	—	33,467	33,467
Total assets at fair value	$ —	$ 2,533,732	$ 86,314	$ 2,620,046
December 31, 2018:				
Investment securities AFS:				
Mortgage-backed securities[1]	$ —	$ 2,212,546	$ —	$ 2,212,546
Obligations of state and political subdivisions	—	591,380	15,236	606,616
U.S. Government agency securities	—	26,936	—	26,936
Corporate obligations	—	15,183	—	15,183
CRA qualified investment fund	1,059	—	—	1,059
Total investment securities AFS	1,059	2,846,045	15,236	2,862,340
Impaired non-purchased loans	—	—	34,188	34,188
Impaired purchased loans	—	—	7,801	7,801
Foreclosed assets	—	—	16,171	16,171
Total assets at fair value	$ 1,059	$ 2,846,045	$ 73,396	$ 2,920,500

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

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

Description	Fair Value at June 30, 2019	Technique	Unobservable Inputs
	(Dollars in thousands)		
Impaired non-purchased loans	$ 22,650	Third party appraisal [1] and/or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Life of loan
Impaired purchased loans	$ 15,440	Third party appraisal [1] and/or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Life of loan
Foreclosed assets	$ 33,467	Third party appraisal, [1] broker price opinions and/or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Discount rate 3. Holding period

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

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

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

The Bank has determined that certain of its investment securities AFS had a limited to non-existent trading market at June 30, 2019. As a result, the Bank considers these investments as Level 3 in the fair value hierarchy. Specifically, the fair values of certain obligations of state and political subdivisions consisting primarily of certain unrated private placement bonds (the "private placement bonds") in the amount of $14.8 million at June 30, 2019 were calculated using Level 3 hierarchy inputs and assumptions as the trading market for such securities was determined to be "not active." This determination was based on the limited number of trades or, in certain cases, the lack of existence of any reported trades for the private placement bonds. The private placement bonds are generally prepayable at par value at the option of the issuer. As a result, management believes the private placement bonds should be individually valued at the lower of (i) the matrix pricing provided by the Bank's third party pricing services for comparable unrated municipal securities or (ii) par value. At June 30, 2019, the third parties' pricing matrices valued the Bank's portfolio of private placement bonds at $14.8 million, which was approximately the same as the aggregate par value of the private placement bonds. Accordingly, at June 30, 2019, the Bank reported the private placement bonds at $14.8 million.

Impaired non-purchased loans – Fair values are measured on a non-recurring basis and are based on the underlying collateral value of the impaired loan, reduced for holding and selling costs, or the estimated discounted cash flows for such loan. At June 30, 2019 the Bank had reduced the carrying value of its impaired non-purchased loans (all of which are included in nonaccrual loans) by $6.1 million to the estimated fair value of $22.7 million. The $6.1 million adjustment to reduce the carrying value of such impaired loans to estimated fair value consisted of $4.5 million of partial charge-offs and $1.6 million of specific allowance allocations for loan losses.

Impaired purchased loans – Impaired purchased loans are measured at fair value on a non-recurring basis. As of June 30, 2019, the Bank had identified purchased loans where current information indicates it is probable that (i) the Bank will not be able to collect all amounts according to the contractual terms thereof (for purchased loans without evidence of credit deterioration at date of acquisition) or (ii) the expected performance of such loans had deteriorated from management's performance expectations established in conjunction with the determination of the Day 1 Fair Values or since management's most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). At June 30, 2019, the Bank had $15.4 million of impaired purchased loans.

Foreclosed assets – Repossessed personal properties and real estate acquired through or in lieu of foreclosure, excluding purchased foreclosed assets, are measured on a non-recurring basis and are initially recorded at fair value less estimated cost to sell at the date of repossession or foreclosure. Purchased foreclosed assets are initially recorded at Day 1 Fair Values. Valuations of these assets are periodically reviewed by management with the carrying value of such assets adjusted through non-interest expense to the then estimated fair value net of estimated selling costs, if lower, until disposition. At June 30, 2019, the Bank had $33.5 million of foreclosed assets.

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

	Investment Securities AFS
	(Dollars in thousands)
Balance – December 31, 2018	$ 15,236
Total realized gains (losses) included in earnings	—
Total unrealized gains (losses) included in comprehensive income	247
Paydowns and maturities	(726)
Sales	—
Transfers in and/or out of Level 3	—
Balance – June 30, 2019	$ 14,757
Balance – December 31, 2017	$ 16,425
Total realized gains (losses) included in earnings	—
Total unrealized gains (losses) included in comprehensive income	(167)
Paydowns and maturities	(619)
Sales	—
Transfers in and/or out of Level 3	—
Balance – June 30, 2018	$ 15,639

12. Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

Off-balance sheet instruments – The fair values of outstanding commitments and letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of outstanding commitments and letters of credit were not material at June 30, 2019 or December 31, 2018.

The fair values of certain of these instruments were calculated by discounting expected cash flows, which contain numerous uncertainties and involve significant judgments by management. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments, the Bank does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

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

	Fair Value Hierarchy	June 30, 2019 Carrying Amount	June 30, 2019 Estimated Fair Value	December 31, 2018 Carrying Amount	December 31, 2018 Estimated Fair Value
		(Dollars in thousands)			
Financial assets:					
Cash and cash equivalents	Level 1	$ 738,566	$ 738,566	$ 290,672	$ 290,672
Investment securities AFS	Levels 2 and 3	2,548,489	2,548,489	2,862,340	2,862,340
Loans, net of ALL	Level 3	17,378,563	17,370,166	17,015,559	16,735,923
Financial liabilities:					
Demand, savings and interest bearing transaction deposits	Level 1	$ 12,003,263	$ 12,003,263	$ 12,430,986	$ 12,430,986
Time deposits	Level 2	6,182,952	6,224,211	5,507,429	5,532,908
Repurchase agreements with customers	Level 1	10,909	10,909	20,564	20,564
Other borrowings	Level 2	201,455	201,472	96,692	96,686
Subordinated notes	Level 2	223,471	222,444	223,281	217,571
Subordinated debentures	Level 2	119,635	106,798	119,358	107,712

13. Repurchase Agreements With Customers

At June 30, 2019 and December 31, 2018, securities sold under agreements to repurchase ("repurchase agreements") totaled $10.9 million and $20.6 million, respectively. Securities utilized as collateral for repurchase agreements are primarily U.S. Government agency securities and are maintained by the Bank's safekeeping agents. These securities are reviewed by the Bank on a daily basis, and the Bank may be required to provide additional collateral due to changes in the fair market value of these securities. The terms of the Bank's repurchase agreements are continuous but may be cancelled at any time by the Bank or the customer.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Beginning balance of AOCI – unrealized net losses on investment securities AFS	$ (5,676)	$ (40,908)	$ (34,105)	$ (12,712)
Other comprehensive income (loss):				
Unrealized gains and losses on investment securities AFS	34,187	(8,037)	71,607	(45,026)
Tax effect of unrealized gains and losses on investment securities AFS	(8,278)	2,032	(17,269)	10,825
Amounts reclassified from AOCI	(713)	—	(713)	—
Tax effect of amounts reclassified from AOCI	173	—	173	—
Total other comprehensive income (loss)	25,369	(6,005)	53,798	(34,201)
Ending balance of AOCI – unrealized net gains (losses) on investment securities AFS	$ 19,693	$ (46,913)	$ 19,693	$ (46,913)

15. Other Operating Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Professional and outside services	$ 8,105	$ 9,112	$ 16,669	$ 17,817
Software and data processing	4,757	3,110	9,466	6,450
Deposit insurance and assessments	3,488	3,558	7,140	7,120
Telecommunication services	2,810	3,487	6,154	6,683
Travel and meals	2,939	2,498	5,608	4,651
Postage and supplies	2,058	2,218	4,161	4,412
Advertising and public relations	1,671	1,777	3,353	3,107
ATM expense	1,099	1,118	2,086	2,481
Loan collection and repossession expense	918	503	1,901	1,293
Writedowns of foreclosed assets	594	460	1,155	611
Amortization of intangibles	3,012	3,145	6,157	6,290
Other	5,535	2,629	10,196	6,861
Total other operating expenses	$ 36,986	$ 33,615	$ 74,046	$ 67,776

16. Recent Accounting Pronouncements

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

In June 2016, FASB issued ASU 2016-13 *"Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* which significantly revises the guidance related to impairment of financial instruments. The new guidance replaces the current incurred loss model that is utilized in estimating the ALL with a model that requires management to estimate all contractual cash flows that are not expected to be collected over the life of the loan. This revised model is what FASB describes as the current expected credit loss ("CECL") model, and FASB believes the CECL model will result in more timely recognition of credit losses since the CECL model incorporates expected credit losses versus incurred credit losses. The scope of ASU 2016-13 includes loans, including purchased loans with credit deterioration, available-for-sale debt instruments, lease receivables, loan commitments and financial guarantees that are not accounted for at fair value. ASU 2016-13 is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted for interim and annual periods beginning after December 15, 2018. In preparation for the adoption of CECL effective January 1, 2020, the Bank engaged outside third parties to assist with data analysis, model development and implementation. The Bank also has formed a cross-functional advisory council comprised of individuals from credit, corporate finance, risk management and other disciplines, and is continuing the implementation of both its scorecard models (the models that will feed loan level data into the CECL model) and the CECL model. All models are in various stages of validation and implementation, and the Bank has started processing loan data through the models and analyzing individual loan results. Current timelines have the Bank completing parallel runs of both the current methodology and the CECL methodology in the third and fourth quarters of 2019. Accordingly, at the present time, the Bank is unable to quantify the effect that adoption of ASU 2016-13 will have on its financial position, results of operations, and its financial statement disclosures.

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

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

In August 2018, FASB issued ASU 2018-13 *"Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement."* ASU 2018-13 modifies various disclosure requirements on fair value measurements in Topic 820. These modifications include, but are not limited to, the removal of the requirement to disclose the reasons

for and amounts of transfers between Level 1 and Level 2 assets and liabilities, and certain other disclosures that are no longer considered cost beneficial. In addition, ASU 2018-13 requires additional disclosures related to certain Level 3 unobservable inputs as well as disclosures related to changes in unrealized gains and losses for Level 3 assets and liabilities. ASU 2018-13 is effective for interim and annual periods beginning after December 15, 2019. The Bank is evaluating the effect that ASU-2018-13 may have, if any, on its financial statement disclosures.

In August 2018, FASB issued ASU 2018-15 *"Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract."* ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. ASU 2018-15 is effective for interim and annual periods beginning after December 15, 2019. The Bank is evaluating the effect that ASU 2018-15 may have, if any, on its financial position or results of operations.

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

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

FORWARD-LOOKING INFORMATION

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

Actual future performance, outcomes and results may differ materially from those expressed in, or implied by, forward-looking statements made by us and our management due to certain risks, uncertainties and assumptions. Certain factors that may affect our future results include, but are not limited to, potential delays or other problems in implementing our growth, expansion and acquisition strategies, including delays in identifying satisfactory sites, hiring or retaining qualified personnel, obtaining regulatory or other approvals, obtaining permits and designing, constructing and opening new offices or relocating or closing existing offices; the ability to enter into and/or close additional acquisitions; problems with, or additional expenses relating to, integrating acquisitions; the inability to realize expected cost savings and/or synergies from acquisitions; problems with managing acquisitions; the effect of the announcement of any future acquisition on customer relationships and operating results; the availability of and access to capital; possible downgrades in our credit ratings or outlook which could increase the costs or availability of funding from capital markets; the ability to attract new or retain existing or acquired deposits or to retain or grow loans, including growth from unfunded closed loans; the ability to generate future revenue growth or to control future growth in non-interest expense; interest rate fluctuations, including changes in the yield curve between short-term and long-term interest rates or changes in the relative relationships of various interest rate indices; the potential impact of the change in the method for determining LIBOR; competitive factors and pricing pressures, including their effect on our net interest margin or core spread; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions and the costs and expenses to comply with new and/or existing legislation and regulatory actions; changes in U.S. Government monetary and fiscal policy; Federal Deposit Insurance Corporation (“FDIC”) special assessments or changes to regular assessments; the ability to keep pace with technological changes, including changes regarding maintaining cybersecurity; the impact of failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business, including as a result of cyber attacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting us or our customers; adoption of new accounting standards or changes in existing standards; and adverse results (including costs, fines, reputational harm and/or other negative effects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions or rulings as well as other factors described in this quarterly report on Form 10-Q or as detailed from time to time in the other public reports we file with the FDIC, including those factors identified in the disclosures under the headings “Forward-Looking Information” and “Item 1A. Risk Factors” in our most recent annual report on Form 10-K for the year ended December 31, 2018 and our quarterly reports on Form 10-Q. Should one or more of the foregoing risks materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described in, or implied by, such forward-looking statements. We disclaim any obligation to update or revise any forward-looking statement based on the occurrence of future events, the receipt of new information or otherwise.

SELECTED AND SUPPLEMENTAL FINANCIAL DATA

The following tables set forth selected unaudited consolidated financial data as of and for the three months and six months ended June 30, 2019 and 2018 and supplemental unaudited quarterly financial data for each of the most recent eight quarters beginning with the third quarter of 2017 through the second quarter of 2019. These tables are qualified in their entirety by our consolidated financial statements and related notes presented in Part I, Item 1 – Financial Statements in this quarterly report on Form 10-Q. The calculations of our tangible book value per common share and our annualized returns on average tangible common stockholders' equity and the reconciliations to generally accepted accounting principles ("GAAP") are included in this MD&A under "Capital Resources and Liquidity" in this quarterly report on Form 10-Q.

Selected Consolidated Financial Data – Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands, except per share amounts)			
Income statement data:				
Interest income	$ 296,819	$ 273,664	$ 592,062	$ 531,156
Interest expense	72,283	49,003	141,638	88,719
Net interest income	224,536	224,661	450,424	442,437
Provision for loan losses	6,769	9,610	13,450	15,177
Non-interest income	26,603	27,386	50,675	56,094
Non-interest expense	99,131	89,107	195,809	182,917
Net income available to common stockholders	110,503	114,751	221,209	227,895
Common share and per common share data:				
Earnings – diluted	$ 0.86	$ 0.89	$ 1.71	$ 1.77
Book value	30.97	28.10	30.97	28.10
Tangible book value	25.61	22.63	25.61	22.63
Dividends	0.23	0.195	0.45	0.385
Weighted-average diluted shares outstanding (thousands)	129,079	128,804	129,022	128,783
End of period shares outstanding (thousands)	128,947	128,616	128,947	128,616
Balance sheet data at period end:				
Total assets	$ 22,960,731	$ 22,220,380	$ 22,960,731	$ 22,220,380
Total loans	17,485,205	16,763,874	17,485,205	16,763,874
Non-purchased loans	15,786,809	14,183,533	15,786,809	14,183,533
Purchased loans	1,698,396	2,580,341	1,698,396	2,580,341
Allowance for loan losses	106,642	104,638	106,642	104,638
Foreclosed assets	33,467	20,662	33,467	20,662
Investment securities	2,560,096	2,617,859	2,560,096	2,617,859
Goodwill and other intangible assets	690,304	702,751	690,304	702,751
Deposits	18,186,215	17,897,085	18,186,215	17,897,085
Repurchase agreements with customers	10,909	179,851	10,909	179,851
Other borrowings	201,455	1,766	201,455	1,766
Subordinated notes	223,471	223,088	223,471	223,088
Subordinated debentures	119,635	119,077	119,635	119,077
Unfunded balance of closed loans	11,167,055	11,999,661	11,167,055	11,999,661
Total common stockholders' equity	3,993,247	3,613,903	3,993,247	3,613,903
Loan (including purchased loans) to deposit ratio	96.15 %	93.67 %	96.15 %	93.67 %
Average balance sheet data:				
Total average assets	$ 22,689,563	$ 21,882,958	$ 22,615,384	$ 21,583,584
Total average common stockholders' equity	3,927,522	3,566,944	3,871,065	3,525,849
Average common stockholders' equity to average assets	17.31 %	16.30 %	17.12 %	16.34 %
Performance ratios:				
Return on average assets [1]	1.95 %	2.10 %	1.97 %	2.13 %
Return on average common stockholders' equity [1]	11.29	12.90	11.52	13.03
Return on average tangible common stockholders' equity [1]	13.70	16.08	14.04	16.30
Net interest margin – FTE [1]	4.45	4.66	4.49	4.68
Efficiency ratio	39.30	35.19	38.89	36.52
Common stock dividend payout ratio	26.83	21.90	26.19	21.71
Asset quality ratios:				
Net charge-offs to average non-purchased loans [1] [2]	0.12 %	0.05 %	0.09 %	0.04 %
Net charge-offs to average total loans [1]	0.14	0.07	0.10	0.06
Nonperforming loans to total loans[3]	0.15	0.10	0.15	0.10
Nonperforming assets to total assets [3]	0.25	0.15	0.25	0.15
Allowance for loan losses as a percentage of:				
Total non-purchased loans [4]	0.67 %	0.73 %	0.67 %	0.73 %
Nonperforming loans[4]	433 %	761 %	433 %	761 %
Capital ratios at period end:				
Common equity tier 1	13.15 %	11.91 %	13.15 %	11.91 %
Tier 1 risk based capital	13.15	11.91	13.15	11.91
Total risk based capital	14.96	13.72	14.96	13.72
Tier 1 leverage	14.85	13.86	14.85	13.86

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

Supplemental Quarterly Financial Data – Unaudited

(Dollars in thousands, except per share amounts)

	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19	6/30/19
Earnings Summary:								
Net interest income	$ 209,722	$ 214,831	$ 217,776	$ 224,661	$ 220,614	$ 228,382	$ 225,888	$ 224,536
Federal tax (FTE) adjustment	3,014	2,450	1,166	1,151	1,132	1,219	1,207	1,136
Net interest income (FTE)	212,736	217,281	218,942	225,812	221,746	229,601	227,095	225,672
Provision for loan losses	(7,777)	(9,279)	(5,567)	(9,610)	(41,949)	(7,271)	(6,681)	(6,769)
Non-interest income	32,747	30,213	28,707	27,386	24,121	27,560	24,072	26,603
Non-interest expense	(84,399)	(86,177)	(93,810)	(89,107)	(102,942)	(94,893)	(96,678)	(99,131)
Pretax income (FTE)	153,307	152,038	148,272	154,481	100,976	154,997	147,808	146,375
FTE adjustment	(3,014)	(2,450)	(1,166)	(1,151)	(1,132)	(1,219)	(1,207)	(1,136)
Provision for income taxes	(54,246)	(3,434)	(33,973)	(38,589)	(25,665)	(38,750)	(35,889)	34,726
Noncontrolling interest	(40)	10	11	10	1	3	(6)	(10)
Net income available to common stockholders	$ 96,007	$ 146,164	$ 113,144	$ 114,751	$ 74,180	$ 115,031	$ 110,706	$ 110,503
Earnings per common share – diluted	$ 0.75	$ 1.14	$ 0.88	$ 0.89	$ 0.58	$ 0.89	$ 0.86	$ 0.86
Non-interest Income:								
Service charges on deposit accounts	$ 9,729	$ 10,058	$ 9,525	$ 9,704	$ 9,730	$ 10,585	$ 9,722	$ 10,291
Trust income	1,755	1,729	1,793	1,591	1,730	1,821	1,730	1,839
BOLI income	4,453	5,166	7,580	5,259	5,321	5,751	5,162	5,178
Other income from purchased loans	2,933	2,009	1,251	2,744	1,418	2,370	795	1,455
Loan service, maintenance and other fees	5,274	4,289	4,743	5,641	4,724	5,245	4,874	4,565
Net gains on investment securities	2,429	1,201	17	—	—	—	—	713
Gains (losses) on sales of other assets	1,363	1,899	1,426	844	(518)	465	284	402
Other	4,811	3,862	2,372	1,603	1,716	1,323	1,505	2,160
Total non-interest income	$ 32,747	$ 30,213	$ 28,707	$ 27,386	$ 24,121	$ 27,560	$ 24,072	$ 26,603
Non-interest Expense:								
Salaries and employee benefits	$ 35,331	$ 38,417	$ 45,499	$ 41,665	$ 41,477	$ 41,837	$ 44,868	$ 47,558
Net occupancy expense	13,595	13,474	14,150	13,827	14,358	14,027	14,750	14,587
Other operating expenses	35,473	34,286	34,161	33,615	47,107	39,029	37,060	36,986
Total non-interest expense	$ 84,399	$ 86,177	$ 93,810	$ 89,107	$ 102,942	$ 94,893	$ 96,678	$ 99,131
Balance Sheet Data:								
Total assets	$20,768,493	$21,275,647	$22,039,439	$22,220,380	$22,086,539	$22,388,030	$23,005,652	$22,960,731
Non-purchased loans	12,047,094	12,733,937	13,674,561	14,183,533	14,440,623	15,073,791	15,610,681	15,786,809
Purchased loans	3,731,536	3,309,092	2,934,535	2,580,341	2,285,168	2,044,032	1,864,715	1,698,396
Investment securities	1,975,102	2,622,796	2,612,961	2,617,859	2,706,156	2,888,281	2,781,691	2,560,096
Deposits	16,823,359	17,192,345	17,833,672	17,897,085	17,822,915	17,938,415	18,476,868	18,186,215
Unfunded balance of closed loans	12,519,839	13,192,439	12,551,032	11,999,661	11,891,247	11,364,975	11,544,218	11,167,055
Common stockholders' equity	3,334,740	3,460,728	3,526,605	3,613,903	3,653,596	3,770,330	3,882,643	3,993,247
Allowance for Loan Losses:								
Balance at beginning of period	$ 82,320	$ 86,784	$ 94,120	$ 98,097	$ 104,638	$ 98,200	$ 102,264	$ 105,954
Net charge-offs	(3,313)	(1,943)	(1,590)	(3,069)	(48,387)	(3,207)	(2,991)	(6,081)
Provision for loan losses	7,777	9,279	5,567	9,610	41,949	7,271	6,681	6,769
Balance at end of period	$ 86,784	$ 94,120	$ 98,097	$ 104,638	$ 98,200	$ 102,264	$ 105,954	$ 106,642
Selected Ratios:								
Net interest margin - FTE(1)	4.84%	4.72%	4.69%	4.66%	4.47%	4.55%	4.53%	4.45%
Efficiency ratio	34.38	34.82	37.88	35.19	41.87	36.90	38.49	39.30
Net charge-offs to average non-purchased loans(1) (2)	0.08	0.08	0.04	0.05	1.32	0.06	0.05	0.12
Net charge-offs to average total loans(1)	0.09	0.05	0.04	0.07	1.14	0.07	0.07	0.14
Nonperforming loans to total loans(3)	0.11	0.10	0.09	0.10	0.23	0.23	0.22	0.15
Nonperforming assets to total assets(3)	0.20	0.18	0.16	0.15	0.23	0.23	0.21	0.25
Allowance for loan losses to total non-purchased loans(4)	0.71	0.73	0.71	0.73	0.67	0.67	0.67	0.67
Loans past due 30 days or more, including past due non-accrual loans, to total loans(3)	0.12	0.15	0.14	0.12	0.17	0.28	0.28	0.13

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

OVERVIEW

The following discussion explains our financial condition and results of operations as of and for the three months and six months ended June 30, 2019. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from the consolidated financial statements and related notes. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes presented in Part 1, Item 1 – Financial Statements in this quarterly report on Form 10-Q and in the financial statements and related notes and disclosures in our annual report on Form 10-K for the year ended December 31, 2018. Annualized results for these interim periods may not be indicative of results for the full year or future periods.

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

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

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements. Our determination of the (i) provisions to and the adequacy of the allowance for loan losses ("ALL"), (ii) fair value of our investment securities portfolio, and (iii) accounting for our income taxes all involve a higher degree of judgment and complexity than our other significant accounting policies. Accordingly, we consider the determination of (i) provisions to and the adequacy of the ALL, (ii) the fair value of our investment securities portfolio, and (iii) accounting for our income taxes to be critical accounting policies. A detailed discussion of each of these critical accounting policies is included in our annual report on Form 10-K for the year ended December 31, 2018. There has been no change in our critical accounting policies and no material change in the application of critical accounting policies as presented in our annual report on Form 10-K for the year ended December 31, 2018.

ANALYSIS OF RESULTS OF OPERATIONS

General

Net income available to our common stockholders was $110.5 million for the second quarter of 2019, a 3.7% decrease from $114.8 million for the second quarter of 2018. Net income available to our common stockholders was $221.2 million for the first six months of 2019, a 2.9% decrease from $227.9 million for the first six months of 2018. Diluted earnings per common share were $0.86 for the second quarter of 2019, a 3.4% decrease from $0.89 for the second quarter of 2018. Diluted earnings per common share were $1.71 for the first six months of 2019, a 3.4% decrease from $1.77 for the first six months of 2018.

Our annualized return on average assets was 1.95% for the second quarter and 1.97% for the first six months of 2019 compared to 2.10% for the second quarter and 2.13% for the first six months of 2018. Our annualized return on average common stockholders' equity was 11.29% for the second quarter and 11.52% for the first six months of 2019 compared to 12.90% for the second quarter and 13.03% for the first six months of 2018. Our annualized return on average tangible common stockholders' equity was 13.70% for the second quarter and 14.04% for the first six months of 2019 compared to 16.08% for the second quarter and 16.30% for the first six months of 2018. The calculations of our average tangible common stockholders' equity and our annualized return on average tangible common stockholders' equity and the reconciliations to GAAP are included under the heading "Capital Resources and Liquidity" in this MD&A.

Total assets were $22.96 billion at June 30, 2019 compared to $22.39 billion at December 31, 2018. Total loans were $17.49 billion at June 30, 2019 compared to $17.12 billion at December 31, 2018. Non-purchased loans were $15.79 billion at June 30, 2019 compared to $15.07 billion at December 31, 2018. Purchased loans were $1.70 billion at June 30, 2019 compared to $2.04 billion at December 31, 2018. Deposits were $18.19 billion at June 30, 2019 compared to $17.94 billion at December 31, 2018.

Common stockholders' equity was $3.99 billion at June 30, 2019 compared to $3.77 billion at December 31, 2018. Tangible common stockholders' equity was $3.30 billion at June 30, 2019 compared to $3.07 billion at December 31, 2018. Book value per common share was $30.97 at June 30, 2019 compared to $29.32 at December 31, 2018. Tangible book value per common share was $25.61 at June 30, 2019 compared to $23.90 at December 31, 2018. The calculations of our tangible common stockholders' equity and

tangible book value per common share and the reconciliations to GAAP are included under the heading "Capital Resources and Liquidity" in this MD&A.

Net Interest Income

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

Net interest income and net interest margin are analyzed in this discussion on a fully taxable equivalent ("FTE") basis. The adjustment to convert net interest income to a FTE basis consists of dividing tax-exempt interest income by one minus the statutory federal income tax rate of 21%. The FTE adjustments to net interest income were $1.1 million and $1.2 million for the three months ended June 30, 2019 and 2018, respectively, and $2.3 million for both of the six month periods ended June 30, 2019 and 2018. No adjustments have been made in this analysis for income exempt from state income taxes or for interest expense deductions disallowed under the provisions of the Internal Revenue Code ("IRC") as a result of investments in certain tax-exempt securities.

Net interest income for the second quarter of 2019 decreased 0.1% to $225.7 million compared to $225.8 million for the second quarter of 2018. Net interest income for the first six months of 2019 increased 1.8% to $452.8 million compared to $444.8 million for the first six months of 2018. The slight decrease in net interest income for the second quarter of 2019 compared to the same period in 2018 was primarily due to a decrease in our net interest margin which decreased 21 bps, mostly offset by an increase in average earning assets of 4.7%. The increase in net interest income for the first six months of 2019 compared to the same period in 2018 was primarily due to a decrease in our net interest margin of 19 bps that was more than offset by an increase in average earning assets of 6.0%.

Our net interest margin was 4.45% for the second quarter and 4.49% for the first six months of 2019 compared to 4.66% for the second quarter and 4.68% for the first six months of 2018. The 21 bps decrease in net interest margin for the second quarter of 2019 compared to the same period in 2018 was due primarily to a 57 bps increase in the rate paid on interest bearing liabilities, partially offset by a 20 bps increase in yield on earning assets. The 19 bps decrease in net interest margin for the six months ended June 30, 2019 compared to the same period of 2018 was due primarily to a 63 bps increase in the rate paid on interest bearing liabilities, partially offset by an 28 bps increase in yield on earning assets.

The yield on interest earning assets was 5.87% for the second quarter and 5.89% for the first six months of 2019 compared to 5.67% for the second quarter and 5.61% for the first six months of 2018. The yield on our non-purchased loans increased 29 bps to 6.37% for the second quarter of 2019 compared to 6.08% for the comparable period in 2018. For the first six months of 2019, the yield on our non-purchased loans increased 40 bps to 6.41% compared to 6.01% for the comparable period in 2018. These increases were primarily due to higher London Interbank Offered Rates ("LIBOR") and Wall Street Journal Prime Rate ("WSJ Prime") during the second quarter and first six months of 2019 compared to the same periods in 2018. At June 30, 2019, approximately 75% of our non-purchased loans were variable rate and generally reprice with movements in LIBOR or the WSJ Prime. The yield on our purchased loan portfolio decreased 41 bps to 6.41% for the second quarter and decreased 31 bps to 6.34% for the first six months of 2019 compared to 6.82% for the second quarter and 6.65% for the first six months of 2018. The yield on our purchased loan portfolio is significantly affected by both the volume and timing of early payoffs and paydowns which typically result in any remaining purchase accounting valuation amounts treated as yield adjustments. Because the volume and timing of purchased loan payoffs and paydowns may vary significantly from period to period, the yield on such loans will also vary from period to period. At June 30, 2019, approximately 43% of our purchased loans have variable interest rates. If the Federal Reserve decreases the federal funds target rate in future periods and LIBOR and/or WSJ Prime also decrease, we would expect our yield on both non-purchased and, to a lesser extent, purchased loans to decrease, although we have endeavored to reduce the potential effect of any such decreases in interest rates by placing floor rates in many of our variable rate loans. At June 30, 2019 approximately 98% of our variable rate non-purchased loans and approximately 54% of our variable rate purchased loans had floor rates. The yield on our aggregate investment securities portfolio increased 16 bps to 2.73% for the second quarter and 21 bps to 2.79% for the first six months of 2019 compared to 2.57% for the second quarter and 2.58% for the first six months of 2018. This increase in yield on our aggregate investment securities portfolio was primarily the result of higher yielding taxable securities that were purchased during 2018.

The overall increase in rates on average interest bearing liabilities, which increased 57 bps for the second quarter and 63 bps for the first six months of 2019 compared to the same periods in 2018, was primarily due to an increase in rates on interest bearing deposits, which increased 58 bps for the second quarter and 65 bps for the first six months of 2019 compared to the same periods in 2018. The increase in rates on our interest bearing deposits, the largest component of our interest bearing liabilities, was primarily due to increases in the federal funds target rate and increased competition for deposits. To the extent that there are future decreases in the federal funds target rate, we would expect to experience decreases in our costs of interest bearing deposits in future periods. Conversely, to the extent that there are future increases in the federal funds target rate, we would expect to experience increases in our costs of interest bearing deposits in future periods. Additionally, changes in expected deposit levels necessary to fund future potential

growth in earning assets or to otherwise provide on-balance sheet liquidity, or changes in competitive conditions could affect deposit costs in future periods.

Our other borrowing sources include (i) repurchase agreements with customers ("repos"), (ii) other borrowings, comprised primarily of Federal Home Loan Bank of Dallas ("FHLB") advances and federal funds purchased, (iii) subordinated notes and (iv) subordinated debentures. Our other borrowings for the second quarter and first six months of 2019 and 2018 consisted primarily of short-term FHLB advances and federal funds purchased and are reported net of interest capitalized. Our subordinated notes consist of $225 million in aggregate principal amount of 5.50% fixed-to-floating rate subordinated notes. The rate on these subordinated notes includes amortization of debt issuance costs using a level-yield methodology over the estimated holding period of seven years. The rates paid on our subordinated debentures, which are tied to spreads over the 90-day LIBOR and reset periodically, increased primarily due to increases in LIBOR on the applicable reset dates.

The increase in average earning assets for the second quarter and first six months of 2019 compared to the same periods in 2018 was primarily due to an increase in the average balances of non-purchased loans and investment securities, partially offset by a decrease in the average balance of purchased loans. Average non-purchased loans increased $1.87 billion, or 13.4%, to $15.76 billion for the second quarter and increased $2.17 billion, or 16.1%, to $15.62 billion for the first six months of 2019 compared to the same periods in 2018. The increase in the average balance of our non-purchased loans was due primarily to continued growth in loan fundings, partially offset by continued elevated levels of loan paydowns. Average investment securities increased $0.08 billion, or 3.1%, to $2.68 billion for the second quarter and increased $0.14 billion, or 5.5%, to $2.75 billion for the first six months of 2019 compared to the same periods in 2018. The increase in the average balance of investment securities was primarily due to the purchase, during 2018, of approximately $850 million of investment securities. The average balance of our purchased loans decreased $0.97 billion, or 35.3%, to $1.79 billion for the second quarter and decreased $1.10 billion, or 37.1% to $1.87 billion for the first six months of 2019 compared to the same periods in 2018. This decrease was due to continued paydown and payoff activity in that portfolio.

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

Average Consolidated Balance Sheets and Net Interest Analysis – FTE

	Three Months Ended June 30,						Six Months Ended June 30,					
	2019			2018			2019			2018		
	Average Balance	Income/ Expense	Yield/ Rate	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	$ 118,761	$ 941	3.18%	$ 186,103	$ 839	1.81%	$ 93,031	$ 1,354	2.94%	$ 148,304	$ 1,336	1.82%
Investment securities:												
Taxable	2,172,732	13,585	2.51	2,055,737	11,476	2.24	2,241,370	28,481	2.56	2,058,995	22,907	2.24
Tax-exempt – FTE	509,119	4,675	3.68	545,173	5,192	3.82	512,348	9,579	3.77	550,942	10,458	3.83
Non-purchased loans – FTE	15,760,582	250,235	6.37	13,892,522	210,446	6.08	15,622,442	496,276	6.41	13,453,745	400,933	6.01
Purchased loans	1,785,374	28,519	6.41	2,757,235	46,862	6.82	1,866,130	58,714	6.34	2,968,315	97,839	6.65
Total earning assets – FTE	20,346,568	297,955	5.87	19,436,770	274,815	5.67	20,335,321	594,404	5.89	19,180,301	533,473	5.61
Non-interest earning assets	2,342,995			2,446,188			2,280,063			2,403,283		
Total assets	$ 22,689,563			$ 21,882,958			$ 22,615,384			$ 21,583,584		
LIABILITIES AND STOCKHOLDERS' EQUITY												
Interest bearing liabilities:												
Deposits:												
Savings and interest bearing transaction	$ 9,640,727	$ 37,510	1.56%	$ 10,248,619	$ 29,249	1.14%	$ 9,586,233	$ 73,613	1.55%	$ 10,054,064	$ 51,818	1.04%
Time deposits of $100 or more	3,137,419	16,698	2.13	3,182,463	11,027	1.39	3,153,873	32,252	2.06	3,109,697	19,808	1.28
Other time deposits	2,580,584	13,184	2.05	1,449,406	3,556	0.98	2,508,405	24,614	1.98	1,447,687	6,598	0.92
Total interest bearing deposits	15,358,730	67,392	1.76	14,880,488	43,832	1.18	15,248,511	130,479	1.73	14,611,448	78,224	1.08
Repurchase agreements with customers	11,101	11	0.41	161,246	385	0.96	16,616	33	0.40	136,975	544	0.80
Other borrowings[1]	70,390	19	0.11	35,573	46	0.52	169,439	1,408	1.68	100,398	679	1.36
Subordinated notes	223,419	3,181	5.71	223,041	3,180	5.72	223,370	6,326	5.71	222,994	6,326	5.72
Subordinated debentures	119,559	1,680	5.64	119,006	1,560	5.26	119,486	3,392	5.72	118,935	2,946	5.00
Total interest bearing liabilities	15,783,199	72,283	1.84	15,419,354	49,003	1.27	15,777,422	141,638	1.81	15,190,750	88,719	1.18
Non-interest bearing liabilities:												
Non-interest bearing deposits	2,723,657			2,717,316			2,740,291			2,691,855		
Other non-interest bearing liabilities	252,062			176,302			223,491			172,081		
Total liabilities	18,758,918			18,312,972			18,741,204			18,054,686		
Common stockholders' equity	3,927,522			3,566,944			3,871,065			3,525,849		
Noncontrolling interest	3,123			3,042			3,115			3,049		
Total liabilities and stockholders' equity	$ 22,689,563			$ 21,882,958			$ 22,615,384			$ 21,583,584		
Net interest income – FTE		$ 225,672			$ 225,812			$ 452,766			$ 444,754	
Net interest margin – FTE			4.45%			4.66%			4.49%			4.68%
Core spread[2]			4.61%			4.90%			4.68%			4.93%

(1) The interest expense and rates for other borrowings were affected by interest capitalized, primarily for our new corporate headquarters facility that is currently under construction, totaling $0.40 million in the second quarter and $0.75 million in the first six months of 2019 and $0.11 million in the second quarter and $0.18 million in the first six months of 2018. In the absence of this interest capitalization, the rates on other borrowings would have been 2.36% in the second quarter and 2.56% in the first six months of 2019 and 1.77% in the second quarter and 1.73% in the first six months of 2018.

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

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

Analysis of Changes in Net Interest Income – FTE

	Three Months Ended June 30, 2019 Over Three Months Ended June 30, 2018			Six Months Ended June 30, 2019 Over Six Months Ended June 30, 2018		
	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	$ (534)	$ 636	$ 102	$ (805)	$ 823	$ 18
Investment securities:						
Taxable	732	1,377	2,109	2,318	3,256	5,574
Tax-exempt – FTE	(331)	(186)	(517)	(721)	(158)	(879)
Non-purchased loans – FTE	29,659	10,130	39,789	68,892	26,451	95,343
Purchased loans	(15,524)	(2,819)	(18,343)	(34,678)	(4,447)	(39,125)
Total interest income – FTE	14,002	9,138	23,140	35,006	25,925	60,931
Interest expense:						
Savings and interest bearing transaction	(2,366)	10,627	8,261	(3,592)	25,387	21,795
Time deposits of $100 or more	(239)	5,910	5,671	451	11,993	12,444
Other time deposits	5,779	3,849	9,628	10,408	7,608	18,016
Repurchase agreements with customers	(152)	(222)	(374)	(242)	(269)	(511)
Other borrowings	9	(36)	(27)	574	155	729
Subordinated notes	6	(5)	1	10	(10)	—
Subordinated debentures	7	113	120	16	430	446
Total interest expense	3,044	20,236	23,280	7,625	45,294	52,919
Increase (decrease) in net interest income – FTE	$ 10,958	$ (11,098)	$ (140)	$ 27,381	$ (19,369)	$ 8,012

Non-Interest Income

Our non-interest income consists primarily of, among others, service charges on deposit accounts, trust income, BOLI income, other income from purchased loans, loan service, maintenance and other fees and net gains on investment securities and on sales of other assets. Non-interest income for the second quarter of 2019 decreased 2.9% to $26.6 million compared to $27.4 million for the second quarter of 2018. Non-interest income for the first six months of 2019 decreased 9.7% to $50.7 million compared to $56.1 million for the first six months of 2018.

Service charges on deposit accounts, our largest component of non-interest income, increased 6.1% to $10.3 million for the second quarter of 2019 compared to $9.7 million for the second quarter of 2018. Service charges on deposit accounts increased 4.1% to $20.0 million for the first six months of 2019 compared to $19.2 million for the first six months of 2018. This increase was due primarily to net growth in the number of core checking accounts during recent quarters.

Trust income increased 15.6% to $1.8 million for the second quarter of 2019 compared to $1.6 million for the second quarter of 2018. Trust income increased 5.5% to $3.6 million for the first six months of 2019 compared to $3.4 million for the first six months of 2018. This increase was due primarily to an increase in personal trust income.

BOLI income decreased 1.5% to $5.2 million for the second quarter of 2019 compared to $5.3 million for the second quarter of 2018. BOLI income decreased 19.5% to $10.3 million for the six months of 2019 compared to $12.8 million for the first six months of 2018. The first six months of 2018 included $2.7 million of tax-exempt BOLI death benefits compared to no such benefits for the first six months of 2019.

Other income from purchased loans decreased 47.0% to $1.5 million for the second quarter of 2019 compared to $2.7 million for the second quarter of 2018 and decreased 43.7% to $2.3 million for the first six months of 2019 compared to $4.0 million for the

first six months of 2018. Other income from purchased loans consists primarily of income recognized on purchased loan prepayments and payoffs that are not considered yield adjustments. Because other income from purchased loans may be significantly affected by purchased loan payments and payoffs, this income item may vary significantly from period to period.

Loan service, maintenance and other fees decreased 19.1% to $4.6 million for the second quarter of 2019 compared to $5.6 million for the second quarter of 2018 and decreased 9.1% to $9.4 million during the first six months of 2019 compared to $10.4 million during the first six months of 2018. Loan service, maintenance and other fees include unused line of credit fees, asset management fees, certain underwriting fees and various other fees on non-purchased loans that are not considered yield adjustments. Income from these items may vary significantly from period to period.

We had net gains on investment securities of $0.7 million from the sale of approximately $97 million of investment securities AFS during the second quarter and first six months of 2019 compared to essentially no gains on investment securities AFS for the comparable periods in 2018.

Gains on sales of other assets were $0.4 million for the second quarter of 2019 compared to $0.8 million for the second quarter of 2018 and $0.7 million during the first six months of 2019 compared to $2.3 million during the first six months of 2018.

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

Non-Interest Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Service charges on deposit accounts	$ 10,291	$ 9,704	$ 20,014	$ 19,229
Trust income	1,839	1,591	3,569	3,384
BOLI income	5,178	5,259	10,340	12,839
Other income from purchased loans	1,455	2,744	2,251	3,995
Loan service, maintenance and other fees	4,565	5,641	9,438	10,384
Net gains on investment securities	713	—	713	17
Gains on sales of other assets	402	844	686	2,270
Other	2,160	1,603	3,664	3,976
Total non-interest income	$ 26,603	$ 27,386	$ 50,675	$ 56,094

Non-Interest Expense

Our non-interest expense consists of salaries and employee benefits, net occupancy and equipment and other operating expenses. Non-interest expense increased 11.2% to $99.1 million for the second quarter of 2019 compared to $89.1 million for the second quarter of 2018. Non-interest expense increased 7.0% to $195.8 million for the first six months of 2019 compared to $182.9 million for the first six months of 2018. In recent quarters, our non-interest expense has included elevated expenses related to our continued focus on expanding and enhancing our infrastructure for information technology, cybersecurity, business resilience, enterprise risk management, internal audit, compliance, Bank Secrecy Act and anti-money laundering monitoring and a number of other important areas, including expanding our infrastructure to serve low-to-moderate income and majority-minority markets and customer segments.

Salaries and employee benefits, our largest component of non-interest expense, increased 14.1% to $47.6 million in the second quarter of 2019 compared to $41.7 million in the second quarter of 2018. Salaries and employee benefits increased 6.0% to $92.4 million in the first six months of 2019 compared to $87.2 million in the first six months of 2018. This increase in salaries and employee benefits for the second quarter and first six months of 2019 was due primarily to employees added as we continue to focus on expanding and enhancing our infrastructure. We had 2,678 full-time equivalent employees at June 30, 2019 compared to 2,466 full-time equivalent employees at June 30, 2018.

Net occupancy and equipment expenses increased 5.5% to $14.6 million for the second quarter of 2019 compared to $13.8 million for the second quarter of 2018. Net occupancy and equipment expenses increased 4.9% to $29.3 million for the first six months of 2019 compared to $28.0 million for the first six months of 2018. At June 30, 2019 we had 254 offices compared to 252 offices at June 30, 2018.

Our aggregate other operating expenses increased 10.0% to $37.0 million for the second quarter of 2019 compared to $33.6 million for the second quarter of 2018. Our aggregate other operating expenses increased 9.3% to $74.0 million for the first six months of 2019 compared to $67.8 million for the first six months of 2018. These increases were primarily due to the Bank's continued focus on expanding and enhancing its infrastructure in a number of important areas.

Our efficiency ratio (non-interest expense divided by the sum of net interest income – FTE and non-interest income) was 39.3% for the second quarter and 38.9% for the first six months of 2019 compared to 35.2% for the second quarter and 36.5% for the first six months of 2018.

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

Non-Interest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Salaries and employee benefits	$ 47,558	$ 41,665	$ 92,425	$ 87,164
Net occupancy and equipment	14,587	13,827	29,338	27,977
Other operating expenses:				
Professional and outside services	8,105	9,112	16,669	17,817
Software and data processing	4,757	3,110	9,466	6,450
Deposit insurance and assessments	3,488	3,558	7,140	7,120
Telecommunication services	2,810	3,487	6,154	6,683
Travel and meals	2,939	2,498	5,608	4,651
Postage and supplies	2,058	2,218	4,161	4,412
Advertising and public relations	1,671	1,777	3,353	3,107
ATM expense	1,099	1,118	2,086	2,481
Loan collection and repossession expense	918	503	1,901	1,293
Writedowns of foreclosed assets	594	460	1,155	611
Amortization of intangibles	3,012	3,145	6,157	6,290
Other	5,535	2,629	10,196	6,861
Total non-interest expense	$ 99,131	$ 89,107	$ 195,809	$ 182,917

Income Taxes

The provision for income taxes was $34.7 million for the second quarter and $70.6 million for the first six months of 2019 compared to $38.6 million for the second quarter and $72.6 million for the first six months of 2018. The effective income tax rate was 23.9% for the second quarter and 24.2% for the first six months of 2019 compared to 25.2% for the second quarter and 24.2% for the first six months of 2018. The decrease in the effective tax rate for the second quarter of 2019 compared to the second quarter of 2018 was primarily due to an increase in various federal and state tax credits realized during the second quarter of 2019. The effective tax rates for both the second quarter and first six months of 2019 compared to the same periods in 2018 were also affected by (i) adjustments to the state income tax apportionment factors resulting from changes in lending volumes in higher income tax rate states and municipalities, (ii) a reduction of tax benefit associated with the vesting of equity grants and (iii) changes in various other factors related to non-taxable income and non-deductible expenses. Accounting for our income taxes is deemed a critical accounting policy and is discussed in the Critical Accounting Policies section of our annual report on Form 10-K for the year ended December 31, 2018.

ANALYSIS OF FINANCIAL CONDITION

Loan Portfolio

At June 30, 2019, our total loan portfolio was $17.49 billion compared to $17.12 billion at December 31, 2018. Real estate loans, our largest category of loans, consist of all loans secured by real estate as evidenced by mortgages or other liens, including all loans made to finance the development of real property construction projects, provided such loans are secured by real estate. Total real estate loans were $13.24 billion at June 30, 2019 compared to $13.21 billion at December 31, 2018. The amount and type of loans outstanding as of the dates indicated, and their respective percentage of the total loan portfolio, are reflected in the following table.

Total Loan Portfolio

	June 30, 2019		December 31, 2018	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	$ 1,017,698	5.8%	$ 1,049,460	6.1%
Non-farm/non-residential	3,953,882	22.6	4,319,388	25.2
Construction/land development	6,662,921	38.1	6,562,185	38.4
Agricultural	190,348	1.1	165,088	1.0
Multifamily residential	1,411,584	8.1	1,116,026	6.5
Total real estate	13,236,433	75.7	13,212,147	77.2
Commercial and industrial	746,990	4.3	823,417	4.8
Consumer	2,740,344	15.7	2,345,863	13.7
Other	761,438	4.3	736,396	4.3
Total loans	$ 17,485,205	100.0%	$ 17,117,823	100.0%

Included in our consumer loans at June 30, 2019 and December 31, 2018 are loans totaling approximately $2.62 billion and $2.19 billion, respectively, which were originated to finance the acquisition of RV and marine collateral.

Included in “other” loans at June 30, 2019 and December 31, 2018 are loans totaling approximately $685 million and $656 million, respectively, which were originated to acquire promissory notes from non-depository financial institutions and are typically collateralized by an assignment of the promissory note and all related note documents including mortgages, deeds of trust, etc. While such loans are considered “other” loans in accordance with FDIC instructions for the Federal Financial Institutions Examination Council 041 Consolidated Reports of Condition and Income (“Call Report”), we underwrite these lending transactions based on the fundamentals of the underlying collateral, repayment sources and guarantors, among others, consistent with other similar lending transactions.

The amount and type of our total real estate loans at June 30, 2019, based on the metropolitan statistical area ("MSA") and other geographic areas in which the principal collateral is located, are reflected in the following table. Data for individual states and MSAs is separately presented when aggregate real estate loans in that state or MSA exceed $10 million.

Geographic Distribution of Total Real Estate Loans

	Residential 1-4 Family	Non-Farm/ Non-Residential	Construction/ Land Development	Agricultural	Multifamily Residential	Total
			(Dollars in thousands)			
New York:						
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 4,281	$ 330,587	$ 2,694,771	$ —	$ 290,732	$3,320,371
All other New York[1]	562	15,275	—	—	—	15,837
Total New York	4,843	345,862	2,694,771	—	290,732	3,336,208
Florida:						
Miami–Fort Lauderdale–West Palm Beach, FL MSA	53,028	222,736	781,112	—	182,033	1,238,909
Tampa–St. Petersburg–Clearwater, FL MSA	75,498	159,244	135,399	—	7,289	377,430
Orlando–Kissimmee–Sanford, FL MSA	6,715	98,022	70,561	—	29,277	204,575
North Port–Sarasota–Bradenton, FL MSA	38,715	46,930	13,318	—	1,748	100,711
Cape Coral–Fort Myers, FL MSA	13,536	43,750	10,659	—	6	67,951
Jacksonville, FL MSA	2,677	31,102	7,812	242	—	41,833
Ocala, FL MSA	2,773	21,653	52	—	—	24,478
Punta Gorda, FL MSA	7,114	7,977	2,189	—	—	17,280
Lakeland–Winter Haven, FL MSA	227	11,792	1,323	—	19	13,361
Gainesville, FL MSA	30	12,743	—	—	—	12,773
Deltona–Daytona Beach–Ormond Beach, FL MSA	267	9,784	394	—	—	10,445
All other Florida[1]	17,707	109,530	1,032	287	1,436	129,992
Total Florida	218,287	775,263	1,023,851	529	221,808	2,239,738
Texas:						
Dallas–Fort Worth–Arlington, TX MSA	57,678	274,441	415,787	160	107,025	855,091
Austin–Round Rock, TX MSA	11,619	40,921	184,836	—	—	237,376
Houston–The Woodlands–Sugar Land, TX MSA	8,529	74,999	113,140	—	4,939	201,607
College Station–Bryan, TX MSA	—	31,163	27,946	—	—	59,109
Texarkana, TX–AR MSA	8,578	4,292	563	154	1,150	14,737
All other Texas[1]	1,679	41,094	19,940	20,357	403	83,473
Total Texas	88,083	466,910	762,212	20,671	113,517	1,451,393
Georgia:						
Atlanta–Sandy Springs–Roswell, GA MSA	159,837	434,131	187,652	5,723	24,800	812,143
Gainesville, GA MSA	3,473	13,862	9,347	—	683	27,365
Dalton, GA MSA	8,166	11,654	731	2,396	832	23,779
Athens–Clarke County, GA MSA	2,710	18,635	772	92	—	22,209
Macon, GA MSA	3,950	5,358	230	—	4,712	14,250
All other Georgia[1]	61,560	120,964	26,139	12,360	16,147	237,170
Total Georgia	239,696	604,604	224,871	20,571	47,174	1,136,916
California:						
Los Angeles–Long Beach–Anaheim, CA MSA	714	65,670	368,872	—	67,084	502,340
San Francisco–Oakland–Hayward, CA MSA	—	—	230,945	—	—	230,945
Sacramento–Roseville–Arden–Arcade, CA MSA	—	124,171	51,486	—	—	175,657
San Jose–Sunnyvale–Santa Clara, CA MSA	—	99,906	53,538	—	—	153,444
San Diego–Carlsbad, CA MSA	—	19,957	29,275	—	—	49,232
Riverside–San Bernardino–Ontario, CA MSA	—	14,366	—	—	—	14,366
Total California	714	324,070	734,116	—	67,084	1,125,984

Geographic Distribution of Total Real Estate Loans (continued)

	Residential 1-4 Family	Non-Farm/ Non-Residential	Construction/ Land Development	Agricultural	Multifamily Residential	Total
	(Dollars in thousands)					
Arkansas:						
Little Rock–North Little Rock–Conway, AR MSA	134,068	273,593	44,542	12,504	23,952	488,659
Fayetteville–Springdale–Rogers, AR–MO MSA	22,551	38,667	11,613	23,925	7,035	103,791
Hot Springs, AR MSA	38,962	51,823	7,157	779	1,896	100,617
Fort Smith, AR–OK MSA	26,364	40,645	5,346	5,096	11,865	89,316
Southern Arkansas(2)	17,999	15,455	1,756	12,326	256	47,792
Western Arkansas(3)	14,289	18,821	2,064	10,735	1,872	47,781
Northern Arkansas(4)	23,167	8,419	1,443	10,378	47	43,454
Jonesboro, AR MSA	4,754	6,077	2,950	—	—	13,781
All other Arkansas(1)	18,371	20,789	2,876	50,775	3,594	96,405
Total Arkansas	300,525	474,289	79,747	126,518	50,517	1,031,596
North Carolina:						
Charlotte–Concord–Gastonia, NC–SC MSA	40,842	100,416	75,220	1,323	79,598	297,399
Winston–Salem, NC MSA	36,793	26,961	2,713	—	1,218	67,685
North Carolina Foothills(5)	30,772	23,800	1,450	2,117	703	58,842
Wilmington, NC MSA	3,590	38,837	4,670	373	—	47,470
Greensboro–High Point, NC MSA	12,982	28,477	4,122	698	446	46,725
Raleigh, NC MSA	209	1,449	21,593	—	14	23,265
All other North Carolina(1)	8,003	8,657	25,706	—	7,984	50,350
Total North Carolina	133,191	228,597	135,474	4,511	89,963	591,736
Colorado:						
Denver–Aurora–Lakewood, CO MSA	—	60,938	187,023	—	102,696	350,657
Boulder, CO MSA	—	4,791	7,455	—	—	12,246
All other Colorado(1)	1,024	3,984	—	—	—	5,008
Total Colorado	1,024	69,713	194,478	—	102,696	367,911
Washington:						
Seattle–Tacoma–Bellevue, WA MSA	—	—	29,574	—	273,690	303,264
All other Washington(1)	—	1,038	—	—	—	1,038
Total Washington	—	1,038	29,574	—	273,690	304,302
Illinois:						
Chicago–Naperville–Elgin, IL–IN–WI MSA	—	160,851	111,552	—	2,055	274,458
All other Illinois(1)	—	3,489	—	—	—	3,489
Total Illinois	—	164,340	111,552	—	2,055	277,947
South Carolina:						
Charleston–North Charleston, SC MSA	667	1,988	43,370	—	69,545	115,570
Greenville, SC	3,063	633	20,918	—	—	24,614
Myrtle Beach–Conway–North Myrtle Beach, SC–NC MSA	1,496	2,910	8,745	—	22	13,173
All other South Carolina(1)	4,534	14,085	2,198	—	711	21,528
Total South Carolina	9,760	19,616	75,231	—	70,278	174,885
Washington, DC / Virginia / Maryland:						
Washington–Arlington–Alexandria, DC–VA–MD–WV MSA	217	8,125	140,988	—	—	149,330
Virginia Beach–Norfolk–Newport News, VA–NC MSA	—	5,198	6,090	—	—	11,288
All other Virginia(1)	329	5,133	1,224	—	73	6,759
All other Maryland(1)	—	1,248	—	—	—	1,248
Total Washington, DC / Virginia / Maryland	546	19,704	148,302	—	73	168,625

Geographic Distribution of Total Real Estate Loans (continued)

	Residential 1-4 Family	Non-Farm/ Non-Residential	Construction/ Land Development	Agricultural	Multifamily Residential	Total
			(Dollars in thousands)			
Tennessee:						
Nashville–Davidson–Murfreesboro–Franklin, TN MSA	194	67,161	67,707	—	—	135,062
All other Tennessee(1)	819	12,495	2,577	51	—	15,942
Total Tennessee	1,013	79,656	70,284	51	—	151,004
Phoenix–Mesa–Scottsdale, AZ MSA	—	50,986	88,128	—	—	139,114
Utah:						
Salt Lake City, UT MSA	—	—	—	—	39,474	39,474
All other Utah(1)	1,635	2,865	58,440	—	—	62,940
Total Utah	1,635	2,865	58,440	—	39,474	102,414
Pennsylvania:						
Philadelphia–Camden–Wilmington, PA–NJ–DE–MD MSA	—	57,106	19,329	—	—	76,435
All other Pennsylvania(1)	—	12,446	—	—	—	12,446
Total Pennsylvania	—	69,552	19,329	—	—	88,881
Massachusetts:						
Boston, MA MSA	—	—	87,600	—	—	87,600
All other Massachusetts(1)	—	659	—	—	—	659
Total Massachusetts	—	659	87,600	—	—	88,259
Providence–Warwick, RI–MA MSA	—	75,907	—	—	—	75,907
Oregon:						
Portland–Vancouver–Hillsboro, OR–WA MSA	—	—	47,764	—	9,710	57,474
All other Oregon(1)	—	1,193	—	—	—	1,193
Total Oregon	—	1,193	47,764	—	9,710	58,667
Kentucky:						
Louisville, KY MSA	—	4,092	32,172	—	—	36,264
Lexington–Fayette, KY MSA	170	—	13,272	—	—	13,442
All other Kentucky(1)	—	5,147	—	—	—	5,147
Total Kentucky	170	9,239	45,444	—	—	54,853
Alabama:						
Mobile, AL MSA	4,595	12,995	1,350	—	519	19,459
All other Alabama(1)	12,268	8,170	4,062	359	2,753	27,612
Total Alabama	16,863	21,165	5,412	359	3,272	47,071
Ohio:						
Cincinnati, OH–KY–IN MSA	—	23,183	—	—	—	23,183
All other Ohio(1)	—	20,800	—	—	—	20,800
Total Ohio	—	43,983	—	—	—	43,983

Geographic Distribution of Total Real Estate Loans (continued)

	Residential 1-4 Family	Non-Farm/ Non-Residential	Construction/ Land Development	Agricultural	Multifamily Residential	Total
	(Dollars in thousands)					
Wisconsin:						
Madison, WI MSA	—	2,009	—	—	27,765	29,774
All other Wisconsin[1]	—	2,108	—	—	—	2,108
Total Wisconsin	—	4,117	—	—	27,765	31,882
Minnesota:						
Minneapolis–St. Paul–Bloomington, MN MSA	—	26,358	—	—	—	26,358
All other Minnesota[1]	—	1,037	—	—	—	1,037
Total Minnesota	—	27,395	—	—	—	27,395
Trenton City, NJ MSA	—	—	24,133	—	—	24,133
Oklahoma	728	7,916	276	10,160	1,776	20,856
Missouri	314	16,017	886	2,196	—	19,413
Mississippi	—	4,409	1,018	4,782	—	10,209
All other states[6]	306	44,817	28	—	—	45,151
Total Real Estate Loans	$1,017,698	$3,953,882	$ 6,662,921	$ 190,348	$1,411,584	$13,236,433

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

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

Total Non-Farm/Non-Residential Loans

	June 30, 2019		December 31, 2018	
	(Dollars in thousands)			
Hotels and motels	$ 912,300	23.1%	$ 978,959	22.7%
Office, including medical offices	873,316	22.1	1,005,946	23.3
Retail, including shopping centers and strip centers	535,783	13.6	560,222	13.0
Churches and schools	271,520	6.9	285,044	6.6
Manufacturing and industrial facilities	262,304	6.6	274,569	6.4
Mixed use properties	218,743	5.5	234,887	5.4
Restaurants and bars	159,652	4.0	162,573	3.8
Nursing homes and assisted living centers	154,354	3.9	210,869	4.9
Gasoline stations and convenience stores	95,486	2.4	100,416	2.3
Office warehouse, warehouse and mini-storage	64,505	1.6	47,513	1.1
Hospitals, surgery centers and other medical	35,463	0.9	41,479	1.0
Golf courses, entertainment and recreational facilities	30,703	0.8	33,450	0.8
Other non-farm/non-residential [1]	339,753	8.6	383,461	8.7
Total	$ 3,953,882	100.0%	$ 4,319,388	100.0%

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

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

Total Construction/Land Development Loans

	June 30, 2019		December 31, 2018	
	(Dollars in thousands)			
Unimproved land	$ 186,601	2.8%	$ 203,127	3.1%
Land development and lots:				
1-4 family residential and multifamily	377,205	5.7	407,502	6.2
Non-residential	452,772	6.8	576,130	8.8
Construction:				
1-4 family residential:				
Owner occupied	4,686	0.1	11,342	0.2
Non-owner occupied:				
Pre-sold	2,125,795	31.9	2,189,475	33.4
Speculative	132,256	2.0	130,310	2.0
Multifamily	1,407,048	21.1	1,616,408	24.6
Industrial, commercial and other	1,976,558	29.6	1,427,891	21.7
Total	$ 6,662,921	100.0%	$ 6,562,185	100.0%

Many of our construction and development loans provide for the use of interest reserves. When we underwrite construction and development loans, we consider the expected total project costs, including hard costs such as land, site work and construction costs and soft costs such as architectural and engineering fees, closing costs, leasing commissions and construction period interest. For any construction and development loan with interest reserves, we also consider the construction period interest in our underwriting process (otherwise, our underwriting of such loans with and without interest reserves is virtually identical). Based on the total project costs and other factors, we determine the required borrower cash equity contribution and the maximum amount we are willing to lend. In the majority of cases, we require that all of the borrower's equity and all other required subordinated elements of the capital structure be fully funded prior to any significant loan advance. This ensures that the borrower's cash equity required to complete the project will be available for such purposes. As a result of this practice, the borrower's cash equity typically goes toward the purchase of the land and early stage hard costs and soft costs. This results in our funding the loan later as the project progresses, and accordingly, we typically fund the majority of the construction period interest through loan advances. Generally, as part of our underwriting process, we require the borrower's cash equity to cover a majority, or all, of the soft costs, including an amount equal to construction period interest and an appropriate portion of the hard costs. While we advance interest reserves as part of the funding process, we believe that the borrowers have in most cases provided for these sums as part of their initial equity contribution. During the three and six months ended June 30, 2019 and 2018, there were no situations where interest reserves were advanced outside of the terms of the contractual loan agreement to avoid such loan from becoming nonperforming. At June 30, 2019, we had no construction and development loans with interest reserves that were nonperforming compared to $10.6 million at December 31, 2018.

During the second quarter and first six months of 2019, we recognized approximately $77.1 million and $151.8 million, respectively, of interest income on construction and development loans from the advance of interest reserves compared to $72.3 million and $133.3 million, respectively, during the comparable periods in 2018. We advanced construction period interest on construction and development loans totaling approximately $78.8 million and $152.3 million, respectively, in the second quarter and first six months of 2019 compared to approximately $69.5 million and $125.5 million, respectively, during the comparable periods in 2018.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at June 30, 2019 was approximately $15.69 billion, of which $6.29 billion was outstanding at June 30, 2019 and $9.40 billion remained to be advanced. The weighted-average loan-to-cost on such loans, assuming such loans are ultimately fully advanced, will be approximately 52%, which means that the weighted-average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, will be approximately 48%. The weighted-average final loan-to-value ratio on such loans, based on the most recent appraisals and assuming such loans are ultimately fully advanced, is expected to be approximately 44%.

The following table reflects total loans as of June 30, 2019 grouped by expected amortizations, expected paydowns or the earliest repricing opportunity for floating rate loans. This cash flow or repricing schedule approximates our ability to reprice the outstanding principal of total loans either by adjusting rates on existing loans or reinvesting principal cash flow in new loans. For non-purchased loans and purchased loans without evidence of credit deterioration on the date of acquisition, the table below reflects the earliest contractual repricing period. For purchased loans with evidence of credit deterioration at the date of acquisition, the table below reflects estimated cash flows based on the most recent evaluation of each individual loan. Because income on purchased loans with evidence of credit deterioration on the date of acquisition is recognized by accretion of the discount of estimated cash flows, such loans are not considered to be floating or adjustable rate loans and are reported below as fixed rate loans.

Loan Cash Flows or Repricing

	1 Year or Less	Over 1 Through 2 Years	Over 2 Through 3 Years	Over 3 Through 5 Years	Over 5 Years	Total
			(Dollars in thousands)			
Fixed rate	$ 707,659	$502,730	$517,157	$ 838,249	$2,421,676	$ 4,987,471
Floating rate (not at a floor or ceiling rate)	10,426,082	102,756	103,163	182,650	56,390	10,871,041
Floating rate (at floor rate) [(1)]	852,588	162,722	104,514	265,551	99,188	1,484,563
Floating rate (at ceiling rate)	142,056	40	34	—	—	142,130
Total	$12,128,385	$768,248	$724,868	$1,286,450	$2,577,254	$17,485,205
Percentage of total	69.4%	4.4%	4.1%	7.4%	14.7%	100.0%
Cumulative percentage of total	69.4%	73.8%	77.9%	85.3%	100.0%	

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

The majority of our floating rate loans are tied to the 1-month LIBOR, 3-month LIBOR or WSJ Prime. The following table is a summary of our floating rate loan portfolio and contractual interest rate indices at June 30, 2019.

Contractual Indices of Floating Rate Loans

Contractual Interest Rate Index	Floating Rate (at floor rate)	Floating Rate (not at a floor or ceiling rate)	Floating Rate (at ceiling rate)	Total Floating Rate
		(Dollars in thousands)		
1-month LIBOR	$ 533,503	$ 8,723,648	$ —	$ 9,257,151
3-month LIBOR	93,796	592,418	—	686,214
Wall Street Journal Prime	671,359	1,430,947	142,130	2,244,436
Other contractual interest rate indices	185,905	124,028	—	309,933
Total	$ 1,484,563	$ 10,871,041	$ 142,130	$ 12,497,734

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

LIBOR is expected to be phased out after 2021. As a result, we are assessing the impacts of such phase out and exploring alternatives, including the Secured Overnight Financing Rate ("SOFR"), to use in place of LIBOR. Our subordinated debentures and related trust preferred securities, our subordinated notes and significant portions of our loan portfolio are tied to LIBOR. Currently, we are unable to determine the effect that the phase out of LIBOR might have on those financial instruments tied to LIBOR.

Purchased Loans

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

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

Purchased Loans

	June 30, 2019	December 31, 2018
	(Dollars in thousands)	
Loans without evidence of credit deterioration at date of acquisition:		
Unpaid principal balance	$ 1,621,039	$ 1,943,962
Valuation discount	(22,209)	(27,580)
Carrying value	1,598,830	1,916,382
Loans with evidence of credit deterioration at date of acquisition:		
Unpaid principal balance	124,977	157,853
Valuation discount	(25,411)	(30,203)
Carrying value	99,566	127,650
Total carrying value	$ 1,698,396	$ 2,044,032

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

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

	Six Months Ended June 30,	
	2019	2018
	(Dollars in thousands)	
Balance – beginning of period	$ 127,650	$ 175,221
Accretion	8,257	14,093
Transfers to foreclosed assets	(436)	(758)
Payments received	(35,597)	(41,647)
Charge-offs	(297)	(347)
Other activity, net	(11)	(10)
Balance – end of period	$ 99,566	$ 146,552

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

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

	Six Months Ended June 30,	
	2019	2018
	(Dollars in thousands)	
Accretable difference – beginning of period	$ 36,002	$ 45,182
Transfers to foreclosed assets	(48)	(71)
Cash flow revisions as a result of renewals and/or modifications	3,162	9,714
Accretion	(8,257)	(14,093)
Accretable difference – end of period	$ 30,859	$ 40,732

Nonperforming Assets

Non-Purchased Loans and Foreclosed Assets

Our nonperforming assets consist of (1) nonaccrual loans, (2) accruing loans 90 days or more past due, (3) troubled and restructured loans for which a concession has been granted by us to the borrower because of a deterioration in the financial condition of the borrower and (4) real estate or other assets that have been acquired in partial or full satisfaction of loan obligations or upon foreclosure. Purchased loans are not included in the following table as nonperforming assets, except for their inclusion in total assets for purposes of calculation of certain asset quality ratios.

The accrual of interest on non-purchased loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. We generally place a loan on nonaccrual status when such loan is (i) deemed impaired or (ii) 90 days or more past due, or earlier when doubt exists as to the ultimate collection of payments. We may continue to accrue interest on certain loans contractually past due 90 days or more if such loans are both well secured and in the process of collection. At the time a loan is placed on nonaccrual status, interest previously accrued but uncollected is reversed and charged against interest income. Nonaccrual loans are generally returned to accrual status when payments are less than 90 days past due and we reasonably expect to collect all contractual principal and interest payments. If a loan is determined to be uncollectible, the portion of the principal determined to be uncollectible is charged against the ALL. Loans for which the terms have been modified and for which (i) the borrower is experiencing financial difficulties and (ii) we have granted a concession to the borrower are considered troubled debt restructurings ("TDRs") and are included in impaired loans. Income on nonaccrual loans, including impaired loans but excluding certain TDRs which may accrue interest, is recognized on a cash basis when and if actually collected.

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

Nonperforming Assets

	June 30, 2019	December 31, 2018
	(Dollars in thousands)	
Nonaccrual loans[1]	$ 19,949	$ 30,884
Accruing loans 90 days or more past due	—	—
TDRs – nonacrual	2,911	3,878
TDRs – accruing	1,399	627
Total nonperforming loans	24,259	35,389
Foreclosed assets[2]	33,467	16,171
Total nonperforming assets	$ 57,726	$ 51,560
Nonperforming loans to total loans[3]	0.15%	0.23%
Nonperforming assets to total assets[3]	0.25	0.23

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

During the second quarter of 2019, we transferred to foreclosed assets two unrelated non-purchased credits. These two credits were previously classified as substandard nonaccrual loans. Additionally, both credits were past due and deemed impaired at both December 31, 2018 and March 31, 2019. At June 30, 2019, the carrying value of these two credits totaled $19.1 million.

If an adequate current determination of collateral value has not been performed, once a collateral dependent loan is considered impaired, we seek to establish an appropriate value for the collateral. This assessment may include (i) obtaining an updated appraisal, (ii) obtaining one or more broker price opinions or comprehensive market analyses, (iii) internal evaluations or (iv) other methods deemed appropriate considering the size and complexity of the loan and the underlying collateral. On an ongoing basis, we evaluate collateral dependent impaired loans and, if needed, due to changes in market or property conditions, the underlying collateral is reassessed and the estimated fair value is revised. The determination of collateral value includes any adjustments considered necessary related to estimated holding periods and estimated selling costs.

At June 30, 2019, we had reduced the carrying value of our non-purchased loans deemed impaired (all of which were included in nonaccrual loans) by $6.1 million to the estimated fair value of such loans of $22.7 million. The adjustment to reduce the carrying value of such impaired loans to estimated fair value consisted of $4.5 million of partial charge-offs and $1.6 million of specific loan loss allocations. These amounts do not include the balance of, any partial or full charge-offs on, or any specific loan loss allocations related to our $15.4 million of impaired purchased loans at June 30, 2019.

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

Foreclosed Assets

	June 30, 2019	December 31, 2018
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	$ 1,761	$ 823
Non-farm/non-residential	12,811	4,407
Construction/land development	18,284	10,628
Agricultural	—	164
Total real estate	32,856	16,022
Commercial and industrial	8	31
Consumer	603	118
Total foreclosed assets	$ 33,467	$ 16,171

The following table presents information concerning the geographic location of nonperforming assets, excluding purchased loans, at June 30, 2019. Nonperforming loans are reported in the physical location of the principal collateral. Foreclosed assets are reported in the physical location of the asset. Repossessions are reported at the physical location where the borrower resided or had its principal place of business at the time of repossession.

Geographic Distribution of Nonperforming Assets

	Nonperforming Loans	Foreclosed Assets and Repossessions	Total Nonperforming Assets
		(Dollars in thousands)	
Arkansas	$ 13,800	$ 6,629	$ 20,429
North Carolina	1,927	9,841	11,768
South Carolina	47	9,830	9,877
Texas	1,858	2,379	4,237
Georgia	1,655	1,946	3,601
Florida	689	2,746	3,435
Alabama	132	—	132
All other	4,151	96	4,247
Total	$ 24,259	$ 33,467	$ 57,726

Impaired Purchased Loans

At June 30, 2019 and December 31, 2018, we had identified purchased loans where we had determined it was probable that we would be unable to collect all amounts according to the contractual terms thereof (for purchased loans without evidence of credit deterioration at date of acquisition) or the expected performance of such loans had deteriorated from our performance expectations established in conjunction with the determination of the Day 1 Fair Values or since our most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). The following table presents a summary of such impaired purchased loans as of the dates indicated.

Impaired Purchased Loans

	June 30, 2019	December 31, 2018
	(Dollars in thousands)	
Impaired purchased loans without evidence of credit deterioration at date of acquisition (rated FV 77)	$ 11,645	$ 2,822
Impaired purchased loans with evidence of credit deterioration at date of acquisition (rated FV 88)	3,795	4,979
Total impaired purchased loans	$ 15,440	$ 7,801
Impaired purchased loans to total purchased loans	0.91%	0.38%

Allowance and Provision for Loan Losses

At June 30, 2019, our ALL was $106.6 million, including $105.0 million allocated to our non-purchased loans and $1.6 million allocated to our purchased loans, compared to $102.3 million at December 31, 2018, including $100.7 million allocated to our non-purchased loans and $1.6 million allocated to our purchased loans. Our ALL allocated to non-purchased loans as a percent of total non-purchased loans was 0.67% at both June 30, 2019 and December 31, 2018. Excluding purchased loans, our ALL as a percentage of nonperforming loans was 433% at June 30, 2019 compared to 284% at December 31, 2018. Our practice is to charge off any estimated loss on nonperforming loans as soon as we are able to identify and reasonably quantify such potential loss. Accordingly, only a small portion of our ALL is needed for potential losses on nonperforming loans. The amount of ALL and provision to the ALL is based on our analysis of the adequacy of the ALL utilizing the criteria discussed in the Critical Accounting Policies section of our annual report on Form 10-K for the year ended December 31, 2018.

In recent years, we have focused on loan transactions that include various combinations of (i) marquee properties, (ii) strong and capable sponsors or borrowers, (iii) low leverage, and (iv) defensive loan structures. At the same time, our loan portfolio has expanded throughout the United States and consists of a diversified portfolio in terms of both product type and geographic location. We consider this product type and geographic diversification to be a source of strength in regard to portfolio credit quality. Additionally, we have continued to focus on originating high quality loans at low leverage. At June 30, 2019, our ratios of weighted-average loan-to-cost and weighted-average loan-to-value on construction loans with interest reserves, assuming such loans are ultimately fully funded, were approximately 52% and approximately 44%, respectively.

The provision for loan losses for the second quarter of 2019 was $6.8 million, including $5.5 million for non-purchased loans and $1.3 million for purchased loans, compared to $9.6 million for the second quarter of 2018, including $8.2 million for non-purchased loans and $1.4 million for purchased loans. The provision for loan losses for the first six months of 2019 was $13.5 million, including $11.0 million for non-purchased loans and $2.5 million for purchased loans, compared to $15.2 million for the first six months of 2018, including $13.4 million for non-purchased loans and $1.8 million for purchased loans.

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

Activity Within the Allowance for Loan Losses

	Six Months Ended June 30,	
	2019	2018
	(Dollars in thousands)	
Balance, beginning of period	$ 102,264	$ 94,120
Charge-offs of non-purchased loans:		
Real estate:		
Residential 1-4 family	(275)	(168)
Non-farm/non-residential	(3,320)	(160)
Construction/land development	(26)	(210)
Agricultural	(12)	(7)
Total real estate	(3,633)	(545)
Commercial and industrial	(999)	(1,135)
Consumer	(1,538)	(513)
Other	(1,518)	(1,490)
Total charge-offs of non-purchased loans	(7,688)	(3,683)
Recoveries of non-purchased loans previously charged off:		
Real estate:		
Residential 1-4 family	177	96
Non-farm/non-residential	39	147
Construction/land development	99	25
Agricultural	—	30
Total real estate	315	298
Commercial and industrial	203	34
Consumer	157	77
Other	391	442
Total recoveries of non-purchased loans previously charged off	1,066	851
Net charge-offs of non-purchased loans	(6,622)	(2,832)
Charge-offs of purchased loans	(4,364)	(2,727)
Recoveries of purchased loans previously charged off	1,914	900
Net charge-offs of purchased loans	(2,450)	(1,827)
Net charge-offs – total loans	(9,072)	(4,659)
Provision for loan losses:		
Non-purchased loans	11,000	13,350
Purchased loans	2,450	1,827
Total provision	13,450	15,177
Balance, end of period	$ 106,642	$ 104,638
ALL allocated to non-purchased loans	$ 105,042	$ 103,038
ALL allocated to purchased loans	1,600	1,600
Total ALL	$ 106,642	$ 104,638

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

Net Charge-off and ALL Ratios

	As of and for the Six Months Ended June 30, 2019	As of and for the Six Months Ended June 30, 2018	As of and for the Year Ended December 31, 2018
Net charge-offs of non-purchased loans to average non-purchased loans [(1)(2)]	0.09%	0.04%	0.38%
Net charge-offs of purchased loans to average purchased loans [(1)]	0.26	0.20	0.13
Net charge-offs of total loans to average total loans [(1)]	0.10	0.06	0.34
ALL for non-purchased loans to total non-purchased loans[(3)]	0.67	0.73	0.67
ALL for purchased loans to total purchased loans	0.09	0.06	0.08
ALL to total loans	0.61	0.62	0.60
ALL to nonperforming loans [(3)]	433%	761%	284%

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

Investment Securities AFS

At June 30, 2019 and December 31, 2018, we classified our investment securities portfolio as AFS. Accordingly, our investment securities are stated at estimated fair value in the consolidated financial statements with the unrealized gains and losses, net of related income tax, reported as a separate component of stockholders' equity and included in accumulated other comprehensive income (loss). The determination of the fair value of individual securities within our portfolio is based on independent, third party pricing sources as discussed in the Critical Accounting Policies section of our annual report on Form 10-K for the year ended December 31, 2018.

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

Investment Securities AFS

	June 30, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Obligations of state and political subdivisions	$ 520,740	$ 533,250	$ 615,328	$ 606,616
Mortgage-backed securities[(1)]	1,996,535	2,009,873	2,248,065	2,212,546
U.S. Government agency securities	—	—	27,538	26,936
Corporate obligations	5,208	5,366	15,188	15,183
CRA qualified investment fund	—	—	1,109	1,059
Total	$ 2,522,483	$ 2,548,489	$ 2,907,228	$ 2,862,340

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

Our investment securities portfolio is reported at estimated fair value, which included gross unrealized gains of $31.6 million and gross unrealized losses of $5.6 million at June 30, 2019 and gross unrealized gains of $7.1 million and gross unrealized losses of $52.0 million at December 31, 2018. We believe that all unrealized losses on individual investment securities at June 30, 2019 and December 31, 2018 were the result of fluctuations in interest rates and do not reflect deterioration in the credit quality of these investments. Accordingly, we consider these unrealized losses to be temporary in nature. While we periodically evaluate our investment strategy relative to current economic and business conditions, we currently do not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not be required to sell these investment securities before fair value recovers to amortized cost.

The shift from a net unrealized loss of $44.9 million at December 31, 2018 to a net unrealized gain of $26.0 million at June 30, 2019 is due to the significant decline in market rates that effect the valuation and pricing of fixed income securities.

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

Unaccreted Discounts and Unamortized Premiums

	Amortized Cost	Unaccreted Discount	Unamortized Premium	Par Value
	(Dollars in thousands)			
June 30, 2019:				
Obligations of states and political subdivisions	$ 520,740	$ 1,297	$ (19,854)	$ 502,183
Mortgage-backed securities[1]	1,996,535	366	(40,167)	1,956,734
Corporate obligations	5,208	114	—	5,322
Total	$ 2,522,483	$ 1,777	$ (60,021)	$ 2,464,239
December 31, 2018:				
Obligations of states and political subdivisions	$ 615,328	$ 1,423	$ (25,410)	$ 591,341
Mortgage-backed securities[1]	2,248,065	442	(47,488)	2,201,019
U.S. Government agency securities	27,538	—	(538)	27,000
Corporate obligations	15,188	134	—	15,322
CRA qualified investment fund	1,109	—	—	1,109
Total	$ 2,907,228	$ 1,999	$ (73,436)	$ 2,835,791

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

During the second quarter and first six months of 2019, we had $0.7 million in gains from the sale of approximately $97 million of investment securities AFS, compared to essentially no net gains in the comparable periods in 2018. During the second quarter and first six months of 2019, we purchased essentially no investment securities AFS, compared to purchases of approximately $150 million during the second quarter and approximately $313 million during the first six months of 2018.

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

At June 30, 2019, approximately 95% of our investment securities had an investment grade credit rating (i.e., the equivalent of a rating of BBB- or better) and approximately 5% of our investment securities were not rated. For those securities that were not rated, we have performed our own evaluation of the security and/or the underlying issuer and believe that such security or its issuer has credit characteristics equivalent to those which would warrant an investment grade credit rating.

Goodwill

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

Deposits

Our lending and investment activities are funded primarily by deposits. The amount and type of deposits outstanding, as of the dates indicated, and their respective percentage of the total deposits are reflected in the following table.

Deposits

	June 30, 2019		December 31, 2018	
	(Dollars in thousands)			
Non-interest bearing	$ 2,777,066	15.3%	$ 2,748,273	15.3%
Interest bearing:				
Transaction (NOW)	2,605,606	14.3	2,359,299	13.2
Savings and money market	6,620,591	36.4	7,323,414	40.8
Time deposits less than $100	2,807,587	15.4	2,297,101	12.8
Time deposits of $100 or more	3,375,365	18.6	3,210,328	17.9
Total deposits	$ 18,186,215	100.0%	$ 17,938,415	100.0%

After increasing $538 million during the first quarter of 2019, our deposits decreased $291 million during the second quarter of 2019. Changes in deposits from period to period typically reflect changes in funding needs to support changes in earnings assets (primarily loans and investments). Our aggregate balance of loans and investments increased $251 million during the first quarter of 2019 and decreased $211 million during the second quarter of 2019.

At June 30, 2019 brokered deposits totaled $2.11 billion, or 11.6% of total deposits, compared to $2.04 billion, or 11.3% of total deposits, at December 31, 2018. We use brokered deposits, subject to certain limitations and requirements, as a source of funding to augment deposits generated from our branch network, which are our principal source of funding. Our board of directors has established policies and procedures with respect to the use of brokered deposits. Such policies and procedures require, among other things, that (i) we limit the amount of brokered deposits as a percentage of total deposits and (ii) our ALCO Committee ("ALCO"), which reports to the board of directors, monitor our use of brokered deposits on a regular basis, including interest rates and the total volume of such deposits in relation to our total liabilities. ALCO has typically approved the use of brokered deposits when such deposits are (i) from internally-approved and stable funding sources and (ii) less costly to us than the marginal cost of additional deposits generated from our branch network.

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

Deposits by State of Originating Office

Deposits Attributable to Offices In	June 30, 2019		December 31, 2018	
	(Dollars in thousands)			
Arkansas	$ 7,271,428	40.0%	$ 6,988,931	39.0%
Georgia	3,627,793	20.0	3,783,868	21.1
Florida	2,456,945	13.5	2,615,278	14.6
Texas	2,208,059	12.1	1,953,273	10.9
New York	1,403,021	7.7	1,396,934	7.8
North Carolina	1,033,438	5.7	996,838	5.6
Alabama	107,895	0.6	125,041	0.7
South Carolina	77,636	0.4	78,252	0.3
Total	$ 18,186,215	100.0%	$ 17,938,415	100.0%

Other Interest Bearing Liabilities

We rely on other interest bearing liabilities to supplement the funding of our lending and investing activities. Such liabilities consist of repurchase agreements with customers, other borrowings (primarily FHLB advances and federal funds purchased), subordinated notes and subordinated debentures. The following table reflects the average balance and rate paid for each category of other interest bearing liabilities for the periods indicated.

Average Balances and Rates of Other Interest Bearing Liabilities

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
	Average Balance	Rate Paid	Average Balance	Rate Paid	Average Balance	Rate Paid	Average Balance	Rate Paid
	(Dollars in thousands)							
Repurchase agreements with customers	$ 11,101	0.41%	$161,246	0.96%	$ 16,616	0.40%	$136,975	0.80%
Other borrowings	70,390	0.11	35,573	0.52	169,439	1.68	100,398	1.36
Subordinated notes	223,419	5.71	223,041	5.72	223,370	5.71	222,994	5.72
Subordinated debentures	119,559	5.64	119,006	5.26	119,486	5.72	118,935	5.00
Total other interest bearing liabilities	$424,469	4.62%	$538,866	3.85%	$528,911	4.25%	$579,302	3.65%

The interest expense and rates for other borrowings were affected by interest capitalized, primarily for our new corporate headquarters facility that is currently under construction. In the absence of this interest capitalization, the rates on other borrowings would have been 2.36% in the second quarter and 2.56% in the first six months of 2019 and 1.77% in the second quarter and 1.73% in the first six months of 2018.

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources

Subordinated Notes. At June 30, 2019, we had $225 million in aggregate principal amount of 5.50% Fixed-to-Floating Rate Subordinated Notes due 2026 (the "Notes"). The Notes are unsecured, subordinated debt obligations and mature on July 1, 2026. From and including the date of issuance to, but excluding July 1, 2021, the Notes bear interest at an initial rate of 5.50% per annum. From and including July 1, 2021 to, but excluding the maturity date or earlier redemption, the Notes will bear interest at a floating rate equal to three-month LIBOR as calculated on each applicable date of determination plus a spread of 442.5 basis points; provided, however, that in the event three-month LIBOR is less than zero, then three-month LIBOR shall be deemed to be zero.

As previously discussed, LIBOR is expected to be phased out after 2021. Currently, we are unable to determine the effect that the phase out of LIBOR might have on our financial instruments tied to LIBOR.

We may, beginning with the interest payment date of July 1, 2021, and on any interest payment date thereafter, redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. We may also redeem the Notes at any time, including prior to July 1, 2021, at our option, in whole but not in part, if: (i) a change or prospective change in law occurs that could prevent us from deducting interest payable on the Notes for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the Notes from being recognized as Tier 2 capital for regulatory capital purposes; or (iii) we are required to register as an investment company under the Investment Company Act of 1940, as amended; in each case, at a redemption price equal to 100% of the principal amount of the Notes plus any accrued and unpaid interest to but excluding the redemption date. The Notes provide us with additional Tier 2 regulatory capital to support our expected future growth.

Subordinated Debentures. We own eight 100%-owned finance subsidiary business trusts – Ozark Capital Statutory Trust II ("Ozark II"), Ozark Capital Statutory Trust III ("Ozark III"), Ozark Capital Statutory Trust IV ("Ozark IV"), Ozark Capital Statutory Trust V ("Ozark V"), Intervest Statutory Trust II ("Intervest II"), Intervest Statutory Trust III ("Intervest III"), Intervest Statutory Trust IV ("Intervest IV") and Intervest Statutory Trust V ("Intervest V"), (collectively, the "Trusts"). At June 30, 2019, we had the following issues of trust preferred securities and subordinated debentures owed to the Trusts.

	Subordinated Debentures Owed to Trust	Unamortized Discount at June 30, 2019	Carrying Value of Subordinated Debentures at June 30, 2019	Trust Preferred Securities of the Trusts	Contractual Interest Rate at June 30, 2019	Final Maturity Date
			(Dollars in thousands)			
Ozark II	$ 14,433	$ —	$ 14,433	$ 14,000	5.22%	September 29, 2033
Ozark III	14,434	—	14,434	14,000	5.55	September 25, 2033
Ozark IV	15,464	—	15,464	15,000	4.74	September 28, 2034
Ozark V	20,619	—	20,619	20,000	4.01	December 15, 2036
Intervest II	15,464	(322)	15,142	15,000	5.36	September 17, 2033
Intervest III	15,464	(373)	15,091	15,000	5.20	March 17, 2034
Intervest IV	15,464	(678)	14,786	15,000	4.79	September 20, 2034
Intervest V	10,310	(644)	9,666	10,000	4.06	December 15, 2036
	$ 121,652	$ (2,017)	$ 119,635	$ 118,000		

Our subordinated debentures and trust preferred securities are tied to a spread over the 90-day LIBOR. As previously discussed, LIBOR is expected to be phased out after 2021.

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 regulatory capital to support our expected future growth and expansion.

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

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

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

	June 30, 2019	June 30, 2018	December 31, 2018
	(Dollars in thousands)		
Total common stockholders' equity before noncontrolling interest	$ 3,993,247	$ 3,613,903	$ 3,770,330
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(29,515)	(41,962)	(35,672)
Total intangibles	(690,304)	(702,751)	(696,461)
Total tangible common stockholders' equity	$ 3,302,943	$ 2,911,152	$ 3,073,869
Total assets	$ 22,960,731	$ 22,220,380	$ 22,388,030
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(29,515)	(41,962)	(35,672)
Total intangibles	(690,304)	(702,751)	(696,461)
Total tangible assets	$ 22,270,427	$ 21,517,629	$ 21,691,569
Ratio of total common stockholders' equity to total assets	17.39%	16.26%	16.84%
Ratio of total tangible common stockholders' equity to total tangible assets	14.83%	13.53%	14.17%

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

	June 30, 2019	June 30, 2018	December 31, 2018
	(In thousands, except per share amounts)		
Total common stockholders' equity before noncontrolling interest	$ 3,993,247	$ 3,613,903	$ 3,770,330
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(29,515)	(41,962)	(35,672)
Total intangibles	(690,304)	(702,751)	(696,461)
Total tangible common stockholders' equity	$ 3,302,943	$ 2,911,152	$ 3,073,869
Shares of common stock outstanding	128,947	128,616	128,611
Book value per common share	$ 30.97	$ 28.10	$ 29.32
Tangible book value per common share	$ 25.61	$ 22.63	$ 23.90

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Net income available to common stockholders	$ 110,503	$ 114,751	$ 221,209	$ 227,895
Average common stockholders' equity before noncontrolling interest	$ 3,927,522	$ 3,566,944	$ 3,871,065	$ 3,525,849
Less average intangible assets:				
Goodwill	(660,789)	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(31,225)	(43,862)	(32,822)	(45,483)
Total average intangibles	(692,014)	(704,651)	(693,611)	(706,272)
Average tangible common stockholders' equity	$ 3,235,508	$ 2,862,293	$ 3,177,454	$ 2,819,577
Return on average common stockholders' equity (1)	11.29%	12.90%	11.52%	13.03%
Return on average tangible common stockholders' equity (1)	13.70%	16.08%	14.04%	16.30%

(1) Ratios annualized based on actual days.

Common Stock Dividend Policy. During 2019 we paid cash dividends per common share of $0.22 in the first quarter and $0.23 in the second quarter. During 2018 we paid cash dividends per common share of $0.19 in the first quarter and $0.195 in the second quarter. On July 1, 2019, our board of directors approved a cash dividend of $0.24 per common share that was paid on July 19, 2019. The determination of future dividends on our common stock will depend on conditions existing at that time and approval of our board of directors. In addition, our ability to pay dividends to our shareholders is subject to the restrictions set forth in Arkansas law, by our federal regulator, and by certain covenants contained in the indentures governing the trust preferred securities, the subordinated debentures and the Notes.

Capital Compliance

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

In recent years, the FDIC and other federal banking regulators revised the risk-based capital requirements applicable to insured depository institutions, including us, to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision ("Basel III") and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Basel III Rules"). The Basel III Rules became effective for us on January 1, 2015 (subject to a phase-in period for certain provisions). The Basel III Rules require the maintenance of minimum amounts and ratios of common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets, and of tier 1 capital to adjusted quarterly average assets.

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

Tier 1 capital includes common equity tier 1 capital and certain additional tier 1 items as provided under the Basel III Rules. Our tier 1 capital consists of common equity tier 1 capital and, prior to the third quarter of 2016, $118 million of trust preferred securities issued by the Trusts. The Basel III Rules include certain provisions that require trust preferred securities to be phased out of, or no longer be considered, qualifying tier 1 capital for certain institutions depending on the size of the institution as measured by total assets. Pursuant to the Basel III Rules, our trust preferred securities are no longer included in tier 1 capital as of September 30, 2016, but continue to be included in total capital.

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

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

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

The Basel III Rules limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" in addition to the amount necessary to meet minimum risk-based capital requirements for common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets. The capital conservation buffer began phasing in January 1, 2016 at 0.625% of risk-weighted assets, and increased each year until fully implemented at 2.5% on January 1, 2019. As of January 1, 2019, the fully phased-in Basel III Rules require us to maintain (i) a minimum ratio of common equity tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 7.0%, (ii) a minimum ratio of tier 1 capital to risk-weighted assets of at least 6.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 8.5%, (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 10.5%, and (iv) a minimum leverage ratio of 4.0%. Additionally, in order to be considered well-capitalized under the Basel III Rules, we must maintain (i) a ratio of common equity tier 1 capital to risk-weighted assets of at least 6.5%, (ii) a ratio of tier 1 capital to risk-weighted assets of at least 8.0%, (iii) a ratio of total capital to risk-weighted assets of at least 10.0%, and (iv) a leverage ratio of at least 5.0%.

The following table presents actual and required capital ratios at June 30, 2019 and December 31, 2018 under the Basel III Rules. The minimum required capital amounts presented include the minimum required capital levels based on the current phase-in provisions of the Basel III Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Rules were fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Rules. At June 30, 2019 and December 31, 2018, capital levels exceed all minimum capital requirements under the Basel III Rules on a fully phased-in basis.

Regulatory Capital Ratios

	Actual		Minimum Capital Required – Basel III Phase-In Schedule		Minimum Capital Required – Basel III Fully Phased-In		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
	(Dollars in thousands)							
June 30, 2019:								
Common equity tier 1 to risk-weighted assets	$3,264,679	13.15%	$1,737,685	7.00%	$1,737,685	7.00%	$1,613,565	6.50%
Tier 1 capital to risk-weighted assets	3,264,679	13.15	2,110,046	8.50	2,110,046	8.50	1,985,926	8.00
Total capital to risk-weighted assets	3,714,321	14.96	2,606,527	10.50	2,606,527	10.50	2,482,407	10.00
Tier 1 leverage to average assets	3,264,679	14.85	879,295	4.00	879,295	4.00	1,099,118	5.00
December 31, 2018:								
Common equity tier 1 to risk-weighted assets	$3,091,128	12.56%	$1,569,242	6.375%	$1,723,089	7.00%	$1,600,011	6.50%
Tier 1 capital to risk-weighted assets	3,091,128	12.56	1,938,475	7.875	2,092,322	8.50	1,969,245	8.00
Total capital to risk-weighted assets	3,536,393	14.37	2,430,786	9.875	2,584,633	10.50	2,461,556	10.00
Tier 1 leverage to average assets	3,091,128	14.25	867,549	4.00	867,549	4.00	1,084,436	5.00

Liquidity

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

The objective of managing liquidity risk is to ensure the cash flow requirements resulting from depositor, borrower and other creditor demands are met, as well as our operating cash needs, and the cost of funding such requirements and needs is reasonable. We maintain an asset/liability and interest rate risk policy and a liquidity and funds management policy, including a contingency funding plan that, among other things, include policies and procedures for managing liquidity risk. Generally we rely on deposits, repayments of loans, and cash flows from our investment securities as our primary sources of funds. Our principal deposit sources include consumer, commercial and public funds customers in our markets. We have used these funds, together with other primary funding sources, including wholesale deposit sources such as brokered deposits, FHLB advances and federal funds purchased, to make loans, acquire investment securities and other assets and to fund continuing operations.

Deposit levels may be affected by a number of factors including rates paid by competitors, general interest rate levels, returns available to customers on alternative investments, general economic and market conditions and other factors. Loan repayments are generally a relatively stable source of funds but are subject to the borrowers' ability to repay the loans, which can be adversely affected by a number of factors including changes in general economic conditions, adverse trends or events affecting business industry groups or specific businesses, declines in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters and other factors. Furthermore, loans generally are not readily convertible to cash. Accordingly, we may be required from time to time to rely on secondary sources of liquidity to meet growth in loans and deposit withdrawal demands or otherwise fund operations. Such secondary sources include, among others, secured and unsecured federal funds lines of credit from correspondent banks, FRB borrowings and/or accessing the capital markets.

At June 30, 2019, we had $11.17 billion in unfunded balances of loans already closed, the vast majority of which is attributable to construction and development loans for which construction has commenced. In most cases the borrower's equity and all other required subordinated elements of the capital structure must be fully funded before we advance funds. Typically we are the last to advance funds and the first to be repaid. In many cases we do not advance funds on loans for many months after closing because the borrower's equity and other funding sources must fund first. This conservative practice for handling construction loans has led to the large unfunded balance of closed loans. As a result, we maintain a detailed 36-month forward funding forecast projecting all loan fundings and loan pay downs and pay offs. Our ability to project monthly net loan funding and portfolio growth with a substantial degree of accuracy is an important part of our liquidity management process.

At June 30, 2019, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) $3.6 billion of available blanket borrowing capacity with the FHLB, (2) $2.0 billion of investment securities available to pledge for federal funds or other borrowings, (3) $230 million of available unsecured federal funds borrowing lines and (4) up to $148 million of available borrowing capacity from borrowing programs of the FRB.

We anticipate we will continue to rely primarily on deposits, repayments of loans and cash flows from our investment securities portfolio to provide liquidity, as well as other funding sources as appropriate. Additionally, where necessary, the sources of borrowed funds described above and/or accessing the capital markets will be used to augment our primary funding sources.

Sources and Uses of Funds. Operating activities provided net cash of $207.0 million for the first six months of 2019 and $224.3 million for the first six months of 2018. Net cash provided by operating activities is comprised primarily of net income, adjusted for non-cash items and for changes in various operating assets and liabilities.

Investing activities used net cash of $43.4 million in the first six months of 2019 and $826.3 million in the first six months of 2018. The decrease in net cash used by investing activities was primarily the result of lower growth in our non-purchased loan portfolio and an increase in net cash generated from the activity in our investment securities portfolio, partially offset by lower repayment volumes in our purchased loan portfolio during the first six months of 2019 compared to the same period in 2018.

Financing activities provided $284.2 million in the first six months of 2019 and $747.0 million in the first six months of 2018. The decrease in cash provided by financing activities was primarily the result of less deposit growth needed to fund the growth of interest earning assets.

Off-Balance Sheet Commitments. We are party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments primarily include commitments to extend credit (most of which are in the form of unfunded balances of loans already closed) and standby letters of credit. See Note 9 to the consolidated financial statements for more information about our outstanding commitments and contingencies as of June 30, 2019.

Growth and Expansion

De Novo Growth. In the first quarter of 2019, we (i) opened loan production offices in Alpharetta, Georgia for our Indirect RV & Marine lending team and in Greenville, North Carolina for our Community Banking agricultural lending team and (ii) opened a retail banking office in Ft. Worth, Texas. In the second quarter of 2019, we (i) opened a loan production office in Irvine, California for our Indirect RV & Marine lending team and (ii) closed a retail banking office in Magnolia, Arkansas. During the remainder of 2019, we expect to (i) replace an existing leased facility with a bank-owned facility in Winston-Salem, North Carolina, (ii) convert a loan production office in East Point, Georgia to a retail banking office, (iii) open a retail banking office in Dallas, Texas, and (iv) close two retail banking offices, including one in Clarksville, Arkansas and one in Mobile, Alabama. In 2020, among other things, we expect to complete construction on our new corporate headquarters in Little Rock, Arkansas.

We intend to continue our growth and *de novo* branching strategy in future years through the opening of additional branches and loan production offices as our needs and resources permit. Additionally, as we have done in recent quarters and plan to do during the remainder of 2019, we may close certain offices and consolidate the business of such offices into other nearby offices. Opening new offices is subject to local banking market conditions, availability of suitable sites, hiring qualified personnel, obtaining regulatory and other approvals and many other conditions and contingencies that we cannot predict with certainty. We may increase or decrease our

expected number of new office openings 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.

During the first six months of 2019, we spent approximately $50.8 million on capital expenditures for premises and equipment. Our capital expenditures for the full year 2019 are expected to be in the range of $120 million to $140 million, including progress payments on construction projects expected to be completed in 2019 and 2020, furniture and equipment costs and acquisition of sites for future development. Actual expenditures may vary significantly from those expected, depending on the number and cost of additional offices acquired or constructed and sites acquired for future development, progress or delays encountered on ongoing and new construction projects, delays in or inability to obtain required approvals, potential premises and equipment expenditures associated with acquisitions, if any, and other factors.

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

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 16 to the Consolidated Financial Statements for a discussion of certain recently issued and recently adopted accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk results from timing differences in the repricing of assets and liabilities or from changes in relationships between interest rate indices. Our interest rate risk management is the responsibility of ALCO, which reports to our board of directors.

ALCO regularly reviews our exposure to changes in interest rates. Among the factors considered are changes in the mix of interest earning assets and interest bearing liabilities, interest rate spreads and repricing periods. ALCO uses an earnings simulation model to analyze our interest rate risk and interest rate sensitivity.

This earnings simulation modeling process projects a baseline net interest income (assuming no change in interest rate levels) and estimates changes to that baseline net interest income resulting from changes in interest rate levels. We rely primarily on the results of this model in evaluating our interest rate risk. This model incorporates a number of additional factors including: (1) prepayment expectations and the expected exercise of call features on various assets and liabilities, (2) the expected rates at which various rate sensitive assets and rate sensitive liabilities will reprice, (3) the expected growth in various interest earning assets and interest bearing liabilities and the expected interest rates on new assets and liabilities, (4) the expected relative movements in different interest rate indices which are used as the basis for pricing or repricing various assets and liabilities, (5) existing and expected contractual cap and floor rates on various assets and liabilities, (6) expected changes in administered rates on interest bearing transaction, savings, money market and time deposit accounts and the expected impact of competition on the pricing or repricing of such accounts, (7) the timing and amount of cash flows expected to be received on investment securities and purchased loans, (8) the need, if any, for additional capital and/or debt to support continued growth and (9) other relevant factors. Inclusion of these factors in the model is intended to more accurately project our expected changes in net interest income resulting from interest rate changes. We typically model our change in net interest income assuming interest rates go up 100 bps, up 200 bps, up 300 bps, up 400 bps, up 500 bps, down 100 bps, down 200 bps, down 300 bps, down 400 bps and down 500 bps. Based on current conditions, we believe that modeling our change in net interest income assuming interest rates go down 300 bps, down 400 bps and down 500 bps is not meaningful. For purposes of this model, we have assumed that the change in interest rates phases in over a 12-month period. While we believe this model provides a reasonably accurate projection of our interest rate risk, the model includes a number of assumptions and predictions which may or may not be correct and may impact the model results. These assumptions and predictions include inputs to compute baseline net interest income, growth rates, expected loan prepayments, expected changes in administered rates on interest bearing deposit accounts, competition and a variety of other factors that are difficult to accurately predict. Accordingly, there can be no assurance the earnings simulation model will accurately reflect future results.

The following table presents the earnings simulation model's projected impact of a change in interest rates on our projected baseline net interest income for the 12-month period commencing July 1, 2019. This change in interest rates assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve or the impact of any possible future acquisitions.

Shift in Interest Rates (in bps)	% Change in Projected Baseline Net Interest Income
+500	13.4%
+400	10.6
+300	7.8
+200	5.0
+100	2.3
-100	(2.0)
-200	(3.7)
-300	Not meaningful
-400	Not meaningful
-500	Not meaningful

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

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

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

(b) Changes in Internal Control over Financial Reporting.

Our management, including our Chairman and Chief Executive Officer and our Chief Financial Officer and Chief Accounting Officer, has evaluated any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarterly period covered by this report and has concluded that there were no changes during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On October 26, 2018, a purported class action complaint alleging violations of federal securities laws was filed against Bank OZK in the United States District Court for the Eastern District of Arkansas, captioned Jordan Colbert et al. v. Bank OZK et al., case number 4:18-cv-793-JM. On November 19, 2018, a second purported class action complaint based upon similar allegations of violations of federal securities laws was filed against Bank OZK in the United States District Court for the Southern District of New York, captioned Ryan A. Wood v. Bank OZK et al, case number 1:18-cv-10800. Under applicable federal law, the federal district court in the Colbert case named Strathclyde Pension Fund as the lead class plaintiff. Upon motion of the defendants, the court in the Wood case transferred that suit to the Eastern District of Arkansas, and on February 21, 2019, the plaintiff in the Wood case voluntarily dismissed that complaint, without prejudice. The Colbert complaint, as amended on June 21, 2019, alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, by the Bank, its CEO, George Gleason, and its CFO, Greg McKinney, for making allegedly false and misleading statements and allegedly failing to disclose material facts relating to the risk of loss regarding two commercial real estate loans. The amended complaint alleges essentially that the Bank lacked adequate internal controls to assess credit risk; as a result, such loans, which were classified as substandard, posed an increased risk of loss and were reasonably likely to lead to charge-offs, which actually occurred in the third quarter of 2018; and consequently, defendants' public statements during the class period about the Bank's business, operations, and prospects were materially misleading and/or lacked a reasonable basis. The amended complaint identified the respective proposed class period as encompassing persons who purchased the Bank's common stock between February 19, 2016 and October 18, 2018. The Bank and the individual defendants believe that the plaintiffs' allegations set forth in the amended complaint are without merit, and the Bank and the individual defendants intend to vigorously defend against the alleged claims.

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

The Bank is a party as both plaintiff and defendant to various claims arising in the ordinary course of business, including administrative and/or legal proceedings that may include employment-related claims as well as claims of lender liability, breach of contract, and other similar lending-related claims encountered on a routine basis. While the ultimate resolution of these ordinary course claims and proceedings cannot be determined at this time, management believes that such claims and proceedings, individually or in the aggregate, will not have a material adverse effect on the Bank's financial condition or results of operations.

Item 1A. Risk Factors

There are no material changes from the risk factors set forth under Part 1, Item 1A of the Bank's annual report on Form 10-K for the year ended December 31, 2018 filed with the FDIC on February 27, 2019.

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

During the second quarter of 2019, the Bank issued an aggregate of 27,250 shares of common stock in connection with the exercise of stock options issued to certain participants under the Amended and Restated Stock Option Plan for employees and the Non-Employee Director Stock Option Plan. The shares were issued in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933, because the sales involved securities issued by a bank.

During the second quarter of 2019, the Bank issued an aggregate of 22,200 shares of restricted common stock to our non-employee directors pursuant to the Non-Employee Director Stock Plan. The Bank did not receive any cash consideration in connection with these restricted stock grants. These grants were exempt from registration pursuant to Section (3)(a)(2) of the Securities Act of 1933 because the grants involved securities issued by a bank.

During the second quarter of 2019, the Bank did not repurchase any shares of its common stock.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURE

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

Bank OZK

DATE: August 7, 2019

By: /s/ Greg McKinney
Name: Greg McKinney
Title: Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Authorized Officer)

Bank OZK

Exhibit Index

Exhibit Number	
2.1	Agreement and Plan of Merger, dated April 10, 2017, by and between Bank of the Ozarks, Inc. and Bank of the Ozarks (previously filed as Exhibit 2.1 to the Bank's Current Report on Form 8-K filed with the FDIC on June 26, 2017, and incorporated herein by reference).
3.1	Amended and Restated Articles of Incorporation of Bank of the Ozarks (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on June 26, 2017, and incorporated herein by reference).
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank of the Ozarks (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on July 16, 2018, and incorporated herein by reference).
3.3	Second Amended and Restated Bylaws of Bank OZK (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on August 10, 2018, and incorporated herein by reference).
4.1	Instruments defining the rights of security holders, including indentures. The Bank hereby agrees to furnish to the FDIC upon request copies of instruments defining the rights of holders of long-term debt of the Bank and its consolidated subsidiaries; no issuance of debt exceeds ten percent of the assets of the Bank and its subsidiaries on a consolidated basis.
4.2	Form of Common Stock Certificate (previously filed as Exhibit 4.2 to the Bank's Current Report on Form 8-K filed with the FDIC on July 16, 2018, and incorporated herein by reference).
10.1*	Bank OZK 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference).
10.2*	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).
10.3*	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).
10.4*	Form of Stock Option Award Agreement for Employees under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.4 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference).
11.1	Earnings Per Share Computation (included in Note 3 to the Consolidated Financial Statements).
31.1	Certification of Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes Oxley Act of 2002, filed herewith.
31.2	Certification of Chief Financial Officer and Chief Accounting Officer, pursuant to Section 302 of the Sarbanes Oxley Act of 2002, filed herewith.
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2	Certification of Chief Financial Officer and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.

*Management contract or a compensatory plan or arrangement.

Exhibit 31.1

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

I, George Gleason, certify that:

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

Date: August 7, 2019

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

Exhibit 31.2

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

I, Greg McKinney, certify that:

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

Date: August 7, 2019

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

Exhibit 32.1

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

In connection with the accompanying Quarterly Report of Bank OZK (the Bank) on Form 10-Q for the period ended June 30, 2019, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, George Gleason, Chairman and Chief Executive Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

August 7, 2019

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

Exhibit 32.2

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

In connection with the accompanying Quarterly Report of Bank OZK (the Bank) on Form 10-Q for the period ended June 30, 2019, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, Greg McKinney, Chief Financial Officer and Chief Accounting Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

August 7, 2019

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