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

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2018

☐ **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 OF THE OZARKS
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐ Emerging growth company ☐

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

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

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

Class	Outstanding at April 30, 2018
Common Stock, $0.01 par value per share	128,616,111

BANK OF THE OZARKS
FORM 10-Q
March 31, 2018

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

BANK OF THE OZARKS
CONSOLIDATED BALANCE SHEETS

	Unaudited March 31, 2018	December 31, 2017
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 632,873	$ 440,388
Investment securities - available for sale (“AFS”)	2,603,600	2,593,873
Federal Home Loan Bank of Dallas and other banker's bank stocks	9,361	28,923
Non-purchased loans	13,674,561	12,733,937
Purchased loans	2,934,535	3,309,092
Allowance for loan losses	(98,097)	(94,120)
Net loans	16,510,999	15,948,909
Premises and equipment, net	532,263	519,811
Foreclosed assets	21,931	25,357
Accrued interest receivable	69,126	64,608
Bank owned life insurance (“BOLI”)	691,067	658,147
Intangible assets, net	705,896	709,040
Other, net	262,323	286,591
Total assets	$ 22,039,439	$ 21,275,647
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	$ 2,783,095	$ 2,726,623
Savings and interest bearing transaction	10,513,959	10,051,122
Time	4,536,618	4,414,600
Total deposits	17,833,672	17,192,345
Repurchase agreements with customers	149,075	69,331
Other borrowings	1,942	22,320
Subordinated notes	222,993	222,899
Subordinated debentures	118,938	118,800
Accrued interest payable and other liabilities	183,165	186,164
Total liabilities	18,509,785	17,811,859
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock; $0.01 par value; 100,000,000 shares authorized; no shares issued or outstanding at March 31, 2018 or December 31, 2017	—	—
Common stock; $0.01 par value; 300,000,000 shares authorized; 128,611,611 and 128,287,550 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	1,286	1,283
Additional paid-in capital	2,227,178	2,221,844
Retained earnings	1,339,049	1,250,313
Accumulated other comprehensive loss	(40,908)	(12,712)
Total stockholders’ equity before noncontrolling interest	3,526,605	3,460,728
Noncontrolling interest	3,049	3,060
Total stockholders’ equity	3,529,654	3,463,788
Total liabilities and stockholders’ equity	$ 22,039,439	$ 21,275,647

See accompanying notes to consolidated financial statements.

BANK OF THE OZARKS
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Dollars in thousands, except per share amounts)	
Interest income:		
Non-purchased loans	$ 190,426	$ 127,428
Purchased loans	50,977	75,994
Investment securities:		
Taxable	11,431	3,816
Tax-exempt	4,160	6,512
Deposits with banks and federal funds sold	498	20
Total interest income	257,492	213,770
Interest expense:		
Deposits	34,392	18,378
Repurchase agreements with customers	159	30
Other borrowings	633	222
Subordinated notes	3,146	3,188
Subordinated debentures	1,386	1,181
Total interest expense	39,716	22,999
Net interest income	217,776	190,771
Provision for loan losses	5,567	4,933
Net interest income after provision for loan losses	212,209	185,838
Non-interest income:		
Service charges on deposit accounts	9,525	11,301
Mortgage lending income	492	1,574
Trust income	1,793	1,631
BOLI income	7,580	4,464
Other income from purchased loans, net	1,251	3,737
Loan service, maintenance and other fees	4,743	2,706
Net gains on investment securities	17	—
Gains on sales of other assets	1,426	1,619
Other	1,880	2,026
Total non-interest income	28,707	29,058
Non-interest expense:		
Salaries and employee benefits	45,499	38,554
Net occupancy and equipment	14,150	13,192
Other operating expenses	34,161	26,522
Total non-interest expense	93,810	78,268
Income before taxes	147,106	136,628
Provision for income taxes	33,973	47,417
Net income	113,133	89,211
Earnings attributable to noncontrolling interest	11	(23)
Net income available to common stockholders	$ 113,144	$ 89,188
Basic earnings per common share	$ 0.88	$ 0.73
Diluted earnings per common share	$ 0.88	$ 0.73
Dividends declared per common share	$ 0.19	$ 0.17

See accompanying notes to consolidated financial statements.

BANK OF THE OZARKS
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Dollars in thousands)	
Net income	$ 113,133	$ 89,211
Other comprehensive income (loss):		
Unrealized gains and losses on investment securities AFS	(36,990)	12,081
Tax effect of unrealized gains and losses on investment securities AFS	8,794	(4,228)
Reclassification of gains and losses on investment securities AFS included in net income	—	—
Tax effect of reclassification of gains and losses on investment securities AFS included in net income	—	—
Total other comprehensive income (loss)	(28,196)	7,853
Total comprehensive income	$ 84,937	$ 97,064

See accompanying notes to consolidated financial statements.

BANK OF THE OZARKS
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)					
Balances – December 31, 2016	$ 1,213	$1,901,880	$ 914,434	$ (25,920)	$ 3,264	$2,794,871
Cumulative effect of change in accounting principals	—	1,133	2,720	(3,408)	—	445
Balances – January 1, 2017, as adjusted	1,213	1,903,013	917,154	(29,328)	3,264	2,795,316
Net income	—	—	89,211	—	—	89,211
Earnings attributable to noncontrolling interest	—	—	(23)	—	23	—
Total other comprehensive income	—	—	—	7,853	—	7,853
Common stock dividends paid, $0.17 per share	—	—	(20,659)	—	—	(20,659)
Issuance of 69,655 shares of common stock for exercise of stock options	1	1,170	—	—	—	1,171
Issuance of 238,794 shares of unvested restricted common stock	2	(2)	—	—	—	—
Stock-based compensation expense	—	3,712	—	—	—	3,712
Forfeiture of 1,018 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – March 31, 2017	$ 1,216	$1,907,893	$ 985,683	$ (21,475)	$ 3,287	$2,876,604
Balances – December 31, 2017	$ 1,283	$2,221,844	$1,250,313	$ (12,712)	$ 3,060	$3,463,788
Net income	—	—	113,133	—	—	113,133
Earnings attributable to noncontrolling interest	—	—	11	—	(11)	—
Total other comprehensive loss	—	—	—	(28,196)	—	(28,196)
Common stock dividends paid, $0.19 per share	—	—	(24,408)	—	—	(24,408)
Issuance of 200,025 shares of common stock for exercise of stock options	2	5,323	—	—	—	5,325
Issuance of 198,268 shares of unvested restricted common stock	2	(2)	—	—	—	—
Repurchase and cancellation of 70,931 shares of common stock	(1)	(3,729)	—	—	—	(3,730)
Stock-based compensation expense	—	3,742	—	—	—	3,742
Forfeiture of 3,301 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – March 31, 2018	$ 1,286	$2,227,178	$1,339,049	$ (40,908)	$ 3,049	$3,529,654

See accompanying notes to consolidated financial statements.

BANK OF THE OZARKS
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 113,133	$ 89,211
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,579	5,027
Amortization	3,377	3,377
Earnings attributable to noncontrolling interest	11	(23)
Provision for loan losses	5,567	4,933
Provision for losses on foreclosed assets	151	596
Net amortization of investment securities AFS	5,724	2,819
Originations of mortgage loans held for sale	—	(48,222)
Proceeds from sales of mortgage loans held for sale	8,313	56,041
Accretion of purchased loans	(12,650)	(20,619)
Gains on sales of other assets	(1,426)	(1,619)
Deferred income tax expense	4,232	6,899
Increase in cash surrender value of BOLI	(4,851)	(4,464)
BOLI death benefits in excess of cash surrender value	(2,729)	—
Stock-based compensation expense	3,742	3,712
Changes in assets and liabilities:		
Accrued interest receivable	(4,518)	14,388
Other assets, net	24,654	5,939
Accrued interest payable and other liabilities	(25,550)	24,036
Net cash provided by operating activities	122,759	142,031
Cash flows from investing activities:		
Proceeds from maturities/calls/paydowns of investment securities	134,865	32,188
Purchases of investment securities	(164,640)	(21,882)
Net increase of non-purchased loans	(877,409)	(546,734)
Net payments received on purchased loans	335,142	312,514
Purchases of premises and equipment	(18,061)	(7,465)
Purchases of BOLI	(30,000)	—
Proceeds from BOLI death benefits	4,659	—
Proceeds from sales of other assets	7,679	16,847
Cash invested in unconsolidated investments and noncontrolling interest	(388)	(42)
Net cash used by investing activities	(608,153)	(214,574)
Cash flows from financing activities:		
Net increase in deposits	641,326	138,549
Repayment of fixed-rate callable FHLB advances	(20,000)	—
Net (repayments of) proceeds from other borrowings	(378)	388
Net increase in repurchase agreements with customers	79,744	15,499
Proceeds from exercise of stock options	5,325	1,171
Repurchase and cancellation of shares of common stock	(3,730)	—
Cash dividends paid on common stock	(24,408)	(20,659)
Net cash provided by financing activities	677,879	134,948
Net increase in cash and cash equivalents	192,485	62,405
Cash and cash equivalents – beginning of period	440,388	866,360
Cash and cash equivalents – end of period	$ 632,873	$ 928,765

See accompanying notes to consolidated financial statements.

1. Organization and Principles of Consolidation

On June 26, 2017, as the result of an internal restructuring designed to eliminate its bank holding company structure, Bank of the Ozarks, Inc., an Arkansas corporation, merged with and into its wholly-owned subsidiary, Bank of the Ozarks (the "Bank"), an Arkansas state banking corporation, with the Bank continuing as the surviving corporation (the "Reorganization"). Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to "Company," "we," "us" and "our" for periods prior to June 26, 2017, refer to Bank of the Ozarks, Inc., which was the parent holding company and the registrant prior to the Reorganization, and, for periods after the Reorganization, to the Bank, in each case including its consolidated subsidiaries.

The Bank is headquartered in Little Rock, Arkansas and provides a wide range of retail and commercial banking services. As of March 31, 2018 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 (collectively, the "Trusts"). In addition, the Bank owns a subsidiary that holds its investment securities, a subsidiary engaged in the development of real estate, a subsidiary that owns 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 subject to regulation by the Arkansas State Bank Department, and 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 and Change in Accounting Policy

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, 2017.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In the opinion of management, all adjustments considered necessary, consisting of normal recurring items, have been included for a fair statement of the accompanying consolidated financial statements. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the full year or future periods.

Certain reclassifications of prior period amounts have been made to conform with the current period financial statements presentation. These reclassifications had no impact on the prior period net income, as previously reported.

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

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-02 "Reclassification of Tax Effects from Other Comprehensive Income" which permits entities to reclassify tax effects stranded in accumulated other comprehensive income (loss) as a result of the Tax Cuts and Jobs Act (the "Tax Act"). ASU 2018-02 is effective for interim and annual periods beginning after December 15, 2018; however, early adoption was permitted. The Bank adopted the provisions of ASU 2018-02 effective as of the beginning of 2017 as a cumulative effect adjustment by reclassifying $3.4 million from accumulated other comprehensive income (loss) to retained earnings. The adoption of ASU 2018-02 during 2017 allows the Bank to align the tax effects included in accumulated other comprehensive income (loss) with the revised federal tax rates included in the Tax Act.

3. Earnings Per Common Share ("EPS")

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding after consideration of the dilutive effect, if any, of outstanding common stock options using the treasury stock method. Options to purchase 1,467,342 shares and 1,095,976 shares of the Bank's common stock for the three months ended March 31, 2018 and 2017, respectively, 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 March 31, 2018	Three Months Ended March 31, 2017
	(In thousands, except per share amounts)	
Numerator:		
Distributed earnings allocated to common stockholders	$ 24,408	$ 20,659
Undistributed earnings allocated to common stockholders	88,736	68,529
Net income available to common stockholders	$ 113,144	$ 89,188
Denominator:		
Denominator for basic EPS – weighted-average common shares	128,535	121,512
Effect of dilutive securities – stock options	227	442
Denominator for diluted EPS – weighted-average common shares and assumed conversions	128,762	121,954
Basic EPS	$ 0.88	$ 0.73
Diluted EPS	$ 0.88	$ 0.73

4. Investment Securities AFS

At both March 31, 2018 and December 31, 2017, the Bank classified its investment securities portfolio as AFS. Accordingly, investment securities are stated at estimated fair value in the consolidated financial statements with unrealized gains and losses, net of related income tax, reported as a separate component of stockholders' equity and included in accumulated other comprehensive income (loss).

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
March 31, 2018:				
Obligations of state and political subdivisions	$ 649,520	$ 3,721	$ (13,202)	$ 640,039
Mortgage-backed securities (1)	1,978,870	415	(43,752)	1,935,533
U.S. Government agency securities	27,730	—	(752)	26,978
CRA qualified investment fund	1,090	—	(40)	1,050
Total	$ 2,657,210	$ 4,136	$ (57,746)	$ 2,603,600
December 31, 2017:				
Obligations of state and political subdivisions	$ 661,446	$ 6,471	$ (3,358)	$ 664,559
Mortgage-backed securities (1)	1,918,171	968	(20,115)	1,899,024
U.S. Government agency securities	29,792	—	(559)	29,233
CRA qualified investment fund	1,084	—	(27)	1,057
Total	$ 2,610,493	$ 7,439	$ (24,059)	$ 2,593,873

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

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

	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)					
March 31, 2018:						
Obligations of state and political subdivisions	$ 250,184	$ 4,770	$ 220,394	$ 8,432	$ 470,578	$ 13,202
Mortgage-backed securities [1]	1,637,208	32,112	273,617	11,640	1,910,825	43,752
U.S. Government agency securities	5,748	93	21,230	659	26,978	752
CRA qualified investment fund	—	—	1,050	40	1,050	40
Total temporarily impaired securities	$1,893,140	$ 36,975	$ 516,291	$ 20,771	$2,409,431	$ 57,746
December 31, 2017:						
Obligations of state and political subdivisions	$ 44,261	$ 328	$ 230,137	$ 3,030	$ 274,398	$ 3,358
Mortgage-backed securities [1]	1,545,138	13,067	289,781	7,048	1,834,919	20,115
U.S. Government agency securities	4,711	31	21,400	528	26,111	559
CRA qualified investment fund	—	—	1,057	27	1,057	27
Total temporarily impaired securities	$1,594,110	$ 13,426	$ 542,375	$ 10,633	$2,136,485	$ 24,059

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

In evaluating the Bank's unrealized loss positions for other-than-temporary impairment of its investment securities portfolio, management considers the credit quality, financial condition and near term prospects of the issuer, the nature and cause of the unrealized loss, the severity and duration of the impairments and other factors. At both March 31, 2018 and December 31, 2017, management determined the unrealized losses were the result of fluctuations in interest rates and did not reflect deteriorations of the credit quality of the investments. Accordingly, management considers these unrealized losses to be temporary in nature. The Bank does not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not be required to sell these investment securities before fair value recovers to amortized cost.

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

	March 31, 2018	
Maturity or Estimated Repayment	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	
One year or less	$ 371,928	$ 364,540
After one year to five years	1,131,254	1,108,407
After five years to ten years	659,850	649,363
After ten years	494,178	481,290
Total	$ 2,657,210	$ 2,603,600

For purposes of this maturity or repayment distribution, all investment securities AFS are shown based on their contractual maturity date or estimated date of repayment, except (i) the CRA qualified investment fund with no contractual maturity date is shown in the longest maturity category, (ii) mortgage-backed securities are allocated among various maturities or repayment categories based on an estimated repayment schedule utilizing Bloomberg median prepayment speeds or other estimates of prepayment speeds and interest rate levels at the measurement date and (iii) callable investment securities for which the Bank has received notification of call are included in the maturity or estimated 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 Bank had no significant sales activities within its investment securities AFS for the three months ended March 31, 2018 and 2017.

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

Allowance for Loan Losses

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Dollars in thousands)	
Beginning balance	$ 94,120	$ 76,541
Charge-offs of non-purchased loans	(1,684)	(1,749)
Recoveries of non-purchased loans previously charged off	511	432
Net charge-offs – non-purchased loans	(1,173)	(1,317)
Charge-offs of purchased loans	(1,045)	(2,787)
Recoveries of purchased loans previously charged off	628	854
Net charge-offs – purchased loans	(417)	(1,933)
Net charge-offs – total loans	(1,590)	(3,250)
Provision for loan losses:		
Non-purchased loans	5,150	3,000
Purchased loans	417	1,933
Total provision	5,567	4,933
Ending balance	$ 98,097	$ 78,224
ALL allocated to non-purchased loans	$ 96,497	$ 76,624
ALL allocated to purchased loans	1,600	1,600
Total ALL	$ 98,097	$ 78,224

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

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
			(Dollars in thousands)		
Three months ended March 31, 2018:					
Non-purchased loans:					
Real estate:					
Residential 1-4 family	$ 12,829	$ (65)	$ 15	$ 88	$ 12,867
Non-farm/non-residential	26,855	(135)	134	1,038	27,892
Construction/land development	27,422	(128)	23	1,905	29,222
Agricultural	1,093	—	30	29	1,152
Multifamily residential	2,395	—	—	254	2,649
Commercial and industrial	10,448	(397)	26	17	10,094
Consumer	8,858	(133)	40	1,679	10,444
Other	2,620	(826)	243	140	2,177
Total non-purchased loans	92,520	(1,684)	511	5,150	96,497
Purchased loans	1,600	(1,045)	628	417	1,600
Total loans	$ 94,120	$ (2,729)	$ 1,139	$ 5,567	$ 98,097
Three months ended March 31, 2017:					
Non-purchased loans:					
Real estate:					
Residential 1-4 family	$ 10,225	$ (169)	$ 4	$ 898	$ 10,958
Non-farm/non-residential	21,555	(6)	11	1,480	23,040
Construction/land development	20,673	(67)	6	(979)	19,633
Agricultural	2,787	—	—	(494)	2,293
Multifamily residential	2,447	—	—	318	2,765
Commercial and industrial	13,043	(902)	91	613	12,845
Consumer	1,945	(113)	111	991	2,934
Other	2,266	(492)	209	173	2,156
Total non-purchased loans	74,941	(1,749)	432	3,000	76,624
Purchased loans	1,600	(2,787)	854	1,933	1,600
Total loans	$ 76,541	$ (4,536)	$ 1,286	$ 4,933	$ 78,224

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

	ALL for Non-Purchased Loans			Non-Purchased Loans		
	ALL for Individually Evaluated Impaired Loans	ALL for All Other Loans	Total ALL[1]	Individually Evaluated Impaired Loans	All Other Loans	Total Loans
	(Dollars in thousands)					
March 31, 2018:						
Real estate:						
Residential 1-4 family	$ 482	$ 12,385	$ 12,867	$ 3,917	$ 629,131	$ 633,048
Non-farm/non-residential	100	27,792	27,892	3,241	2,920,993	2,924,234
Construction/land development	145	29,077	29,222	1,649	6,899,143	6,900,792
Agricultural	4	1,148	1,152	1,225	142,672	143,897
Multifamily residential	—	2,649	2,649	—	447,452	447,452
Commercial and industrial	459	9,635	10,094	2,032	683,847	685,879
Consumer	91	10,353	10,444	378	1,121,439	1,121,817
Other	—	2,177	2,177	30	817,412	817,442
Total	$ 1,281	$ 95,216	$ 96,497	$ 12,472	$13,662,089	$13,674,561
December 31, 2017:						
Real estate:						
Residential 1-4 family	$ 520	$ 12,309	$ 12,829	$ 4,483	$ 614,998	$ 619,481
Non-farm/non-residential	116	26,739	26,855	3,000	2,926,867	2,929,867
Construction/land development	101	27,321	27,422	2,155	6,282,578	6,284,733
Agricultural	—	1,093	1,093	1,178	133,608	134,786
Multifamily residential	—	2,395	2,395	—	369,329	369,329
Commercial and industrial	222	10,226	10,448	1,448	627,847	629,295
Consumer	91	8,767	8,858	528	899,119	899,647
Other	26	2,594	2,620	176	866,623	866,799
Total	$ 1,076	$ 91,444	$ 92,520	$ 12,968	$12,720,969	$12,733,937

(1) Excludes $1.6 million of ALL allocated to the Bank's purchased loans at both March 31, 2018 and December 31, 2017.

The following table is a summary of impaired non-purchased loans as of and for the three months ended March 31, 2018.

	Principal Balance	Net Charge-offs to Date	Principal Balance, Net of Charge-offs	Specific ALL	Weighted Average Carrying Value – Three Months Ended March 31, 2018
			(Dollars in thousands)		
Impaired loans for which there is a related ALL:					
Real estate:					
Residential 1-4 family	$ 2,904	$ —	$ 2,904	$ 482	$ 3,063
Non-farm/non-residential	401	—	401	100	698
Construction/land development	797	—	797	145	801
Agricultural	71	—	71	4	35
Commercial and industrial	1,144	—	1,144	459	940
Consumer	347	—	347	91	338
Other	—	—	—	—	88
Total impaired loans with a related ALL	5,664	—	5,664	1,281	5,963
Impaired loans for which there is not a related ALL:					
Real estate:					
Residential 1-4 family	1,573	(560)	1,013	—	1,137
Non-farm/non-residential	3,892	(1,052)	2,840	—	2,422
Construction/land development	1,056	(204)	852	—	1,101
Agricultural	1,183	(29)	1,154	—	1,165
Multifamily residential	133	(133)	—	—	—
Commercial and industrial	975	(87)	888	—	800
Consumer	56	(25)	31	—	115
Other	30	—	30	—	15
Total impaired loans without a related ALL	8,898	(2,090)	6,808	—	6,755
Total impaired non-purchased loans	$ 14,562	$ (2,090)	$ 12,472	$ 1,281	$ 12,718

The following table is a summary of impaired non-purchased loans as of and for the year ended December 31, 2017.

	Principal Balance	Net Charge-offs to Date	Principal Balance, Net of Charge-offs	Specific ALL	Weighted Average Carrying Value – Year Ended December 31, 2017
			(Dollars in thousands)		
Impaired loans for which there is a related ALL:					
Real estate:					
Residential 1-4 family	$ 3,223	$ —	$ 3,223	$ 520	$ 2,361
Non-farm/non-residential	996	—	996	116	1,229
Construction/land development	806	—	806	101	2,350
Agricultural	—	—	—	—	595
Multifamily residential	—	—	—	—	176
Commercial and industrial	737	—	737	222	854
Consumer	328	—	328	91	208
Other	176	—	176	26	113
Total impaired loans with a related ALL	6,266	—	6,266	1,076	7,886
Impaired loans for which there is not a related ALL:					
Real estate:					
Residential 1-4 family	1,935	(675)	1,260	—	988
Non-farm/non-residential	3,072	(1,068)	2,004	—	1,639
Construction/land development	2,349	(1,000)	1,349	—	554
Agricultural	1,207	(29)	1,178	—	616
Multifamily residential	133	(133)	—	—	20
Commercial and industrial	792	(81)	711	—	367
Consumer	261	(61)	200	—	46
Other	—	—	—	—	10
Total impaired loans without a related ALL	9,749	(3,047)	6,702	—	4,240
Total impaired loans	$ 16,015	$ (3,047)	$ 12,968	$ 1,076	$ 12,126

Management has determined that certain of the Bank’s impaired non-purchased loans do not require any specific allowance at March 31, 2018 or at December 31, 2017 because (i) management’s analysis of such individual loans resulted in no impairment or (ii) all identified impairment on such loans had previously been charged off.

Interest income on impaired non-purchased loans is recognized on a cash basis when and if actually collected. Total interest income recognized on impaired non-purchased loans for the three months ended March 31, 2018 and 2017 was not material.

Credit Quality Indicators

Non-Purchased Loans

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

	Satisfactory	Moderate	Watch	Substandard	Total
			(Dollars in thousands)		
March 31, 2018:					
Real estate:					
Residential 1-4 family [(1)]	$ 626,415	$ —	$ 2,702	$ 3,931	$ 633,048
Non-farm/non-residential	2,268,702	558,928	59,678	36,926	2,924,234
Construction/land development	6,328,476	528,538	7,666	36,112	6,900,792
Agricultural	34,369	102,118	5,017	2,393	143,897
Multifamily residential	336,813	107,654	1,974	1,011	447,452
Commercial and industrial	217,914	460,162	4,131	3,672	685,879
Consumer [(1)]	1,102,825	12,940	5,397	655	1,121,817
Other [(1)]	808,761	8,367	51	263	817,442
Total	$11,724,275	$ 1,778,707	$ 86,616	$ 84,963	$13,674,561
December 31, 2017:					
Real estate:					
Residential 1-4 family[(1)]	$ 609,271	$ —	$ 5,810	$ 4,400	$ 619,481
Non-farm/non-residential	2,312,610	523,570	56,005	37,682	2,929,867
Construction/land development	5,743,616	497,267	7,957	35,893	6,284,733
Agricultural	34,129	92,436	5,958	2,263	134,786
Multifamily residential	296,063	69,714	2,532	1,020	369,329
Commercial and industrial	222,920	397,868	5,893	2,614	629,295
Consumer[(1)]	881,070	12,233	5,580	764	899,647
Other[(1)]	857,552	8,779	54	414	866,799
Total	$10,957,231	$ 1,601,867	$ 89,789	$ 85,050	$12,733,937

(1) The Bank does not risk rate its residential 1-4 family loans (including consumer construction loans and 1-4 family properties), consumer loans (excluding indirect 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. Indirect loans are included within the Bank's consumer loan portfolio and are assigned risk levels based on the borrower's individual credit score.

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

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

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

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

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

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

	30-89 Days Past Due [1]	90 Days or More [2]	Total Past Due	Current[3]	Total
			(Dollars in thousands)		
March 31, 2018:					
Real estate:					
Residential 1-4 family	$ 5,225	$ 3,073	$ 8,298	$ 624,750	$ 633,048
Non-farm/non-residential	2,403	2,384	4,787	2,919,447	2,924,234
Construction/land development	524	1,609	2,133	6,898,659	6,900,792
Agricultural	128	320	448	143,449	143,897
Multifamily residential	—	—	—	447,452	447,452
Commercial and industrial	1,486	1,060	2,546	683,333	685,879
Consumer	544	176	720	1,121,097	1,121,817
Other	7	30	37	817,405	817,442
Total	$ 10,317	$ 8,652	$ 18,969	$13,655,592	$13,674,561
December 31, 2017:					
Real estate:					
Residential 1-4 family	$ 5,906	$ 3,891	$ 9,797	$ 609,684	$ 619,481
Non-farm/non-residential	2,028	2,225	4,253	2,925,614	2,929,867
Construction/land development	224	1,135	1,359	6,283,374	6,284,733
Agricultural	203	249	452	134,334	134,786
Multifamily residential	—	—	—	369,329	369,329
Commercial and industrial	1,922	332	2,254	627,041	629,295
Consumer	193	339	532	899,115	899,647
Other	190	176	366	866,433	866,799
Total	$ 10,666	$ 8,347	$ 19,013	$12,714,924	$12,733,937

(1) Includes $0.5 million at both March 31, 2018 and December 31, 2017 of loans on nonaccrual status.
(2) All loans greater than 90 days past due were on nonaccrual status at March 31, 2018 and December 31, 2017.
(3) Includes $3.3 million and $4.1 million of loans on nonaccrual status at March 31, 2018 and December 31, 2017, respectively.

Purchased Loans

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

As of March 31, 2018, 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 its performance expectations established in conjunction with the determination of the Day 1 Fair Values or since its most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). At March 31, 2018, the Bank had $6.8 million of impaired purchased loans compared to $10.0 million at December 31, 2017.

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

	Purchased Loans Without Evidence of Credit Deterioration at Date of Acquisition					Purchased Loans With Evidence of Credit Deterioration at Date of Acquisition		Total Purchased Loans
	FV 33	FV 44	FV 55	FV 36	FV 77	FV 66	FV 88	
	(Dollars in thousands)							
March 31, 2018:								
Real estate:								
Residential 1-4 family	$ 64,238	$ 237,046	$ 74,314	$40,590	$ 717	$ 47,055	$ 2,692	$ 466,652
Non-farm/non-residential	178,624	917,349	241,812	1,851	700	81,318	1,904	1,423,558
Construction/land development	30,114	202,971	43,408	1,171	347	9,047	13	287,071
Agricultural	4,721	2,564	2,220	59	—	2,673	—	12,237
Multifamily residential	15,364	73,124	9,711	553	—	9,929	—	108,681
Commercial and industrial	10,209	76,565	6,871	417	55	6,828	109	101,054
Consumer	227,802	254,423	46,243	838	312	132	—	529,750
Other	3,977	1,336	103	5	—	111	—	5,532
Total	$535,049	$1,765,378	$424,682	$45,484	$ 2,131	$157,093	$ 4,718	$2,934,535
December 31, 2017:								
Real estate:								
Residential 1-4 family	$ 70,915	$ 266,020	$118,074	$44,070	$ 481	$ 52,759	$ 2,627	$ 554,946
Non-farm/non-residential	195,075	998,475	260,495	2,039	3,795	87,069	2,061	1,549,009
Construction/land development	31,820	268,451	50,689	1,429	404	10,522	13	363,328
Agricultural	6,710	3,122	2,251	180	—	2,547	407	15,217
Multifamily residential	15,705	103,166	9,783	579	—	9,952	—	139,185
Commercial and industrial	11,321	83,177	6,777	568	68	6,905	114	108,930
Consumer	244,202	276,781	50,740	1,040	49	134	—	572,946
Other	4,095	1,211	109	5	—	111	—	5,531
Total	$579,843	$2,000,403	$498,918	$49,910	$ 4,797	$169,999	$ 5,222	$3,309,092

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

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

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

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

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

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

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

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

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

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

	30-89 Days Past Due	90 Days or More	Total Past Due	Current	Total Purchased Loans
			(Dollars in thousands)		
March 31, 2018:					
Real estate:					
Residential 1-4 family	$ 7,055	$ 6,541	$ 13,596	$ 453,056	$ 466,652
Non-farm/non-residential	4,926	13,169	18,095	1,405,463	1,423,558
Construction/land development	495	812	1,307	285,764	287,071
Agriculture	66	178	244	11,993	12,237
Multifamily residential	74	—	74	108,607	108,681
Commercial and industrial	758	571	1,329	99,725	101,054
Consumer	3,273	1,238	4,511	525,239	529,750
Other	—	—	—	5,532	5,532
Total	$ 16,647	$ 22,509	$ 39,156	$ 2,895,379	$ 2,934,535
Purchased loans without evidence of credit deterioration at date of acquisition	$ 11,344	$ 8,803	$ 20,147	$ 2,752,577	$ 2,772,724
Purchased loans with evidence of credit deterioration at date of acquisition	5,303	13,706	19,009	142,802	161,811
Total	$ 16,647	$ 22,509	$ 39,156	$ 2,895,379	$ 2,934,535
December 31, 2017:					
Real estate:					
Residential 1-4 family	$ 8,260	$ 7,833	$ 16,093	$ 538,853	$ 554,946
Non-farm/non-residential	9,589	15,796	25,385	1,523,624	1,549,009
Construction/land development	1,594	840	2,434	360,894	363,328
Agriculture	192	461	653	14,564	15,217
Multifamily residential	76	—	76	139,109	139,185
Commercial and industrial	878	748	1,626	107,304	108,930
Consumer	3,926	933	4,859	568,087	572,946
Other	—	—	—	5,531	5,531
Total	$ 24,515	$ 26,611	$ 51,126	$ 3,257,966	$ 3,309,092
Purchased loans without evidence of credit deterioration at date of acquisition	$ 18,374	$ 12,798	$ 31,172	$ 3,102,699	$ 3,133,871
Purchased loans with evidence of credit deterioration at date of acquisition	6,141	13,813	19,954	155,267	175,221
Total	$ 24,515	$ 26,611	$ 51,126	$ 3,257,966	$ 3,309,092

6. Supplemental Data for Cash Flows

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands)	
Cash paid during the period for:		
Interest	$ 42,603	$ 26,782
Taxes	3,241	1,714
Supplemental schedule of non-cash investing and financing activities:		
Net change in unrealized gains/losses on investment securities AFS	36,990	12,081
Loans transferred to foreclosed assets	2,069	5,732
Unsettled loan purchases	24,000	—
Unsettled AFS investment securities purchases	3,104	—

7. Commitments and Contingencies

Outstanding standby letters of credit are contingent commitments issued by the Bank generally to guarantee the performance of a customer in third party arrangements. The maximum amount of future payments the Bank could be required to make under these guarantees at March 31, 2018 was $21.4 million. The Bank holds collateral to support guarantees when deemed necessary. Collateralized commitments at March 31, 2018 totaled $19.9 million.

At March 31, 2018, the Bank had outstanding commitments totaling $12.55 billion to extend credit, consisting primarily of loans closed but not yet funded. The following table shows, as of the date indicated, the contractual maturities of such outstanding commitments.

	Contractual Maturities at March 31, 2018
Maturity	Amount
	(Dollars in thousands)
2018	$ 861,263
2019	2,737,053
2020	5,152,669
2021	3,276,495
2022	308,700
Thereafter	214,852
Total	$ 12,551,032

The Bank is a party to various claims, administrative and/or legal proceedings, as both plaintiff and defendant, arising in the ordinary course of business, including employment-related claims and claims of lender liability, broken promises, and other similar lending-related claims. While the ultimate resolution of these 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 future results of operations, financial condition, or liquidity of the Bank.

During the fourth quarter of 2017, the Bank filed with the Internal Revenue Service (the “Service”) two separate advance consent applications for change in accounting method to change its tax methods of accounting for its loan portfolio and its loan origination fees. Both applications require affirmative consent of the Service. Should the Service not provide affirmative consent to one or both applications, some portion or all of the Bank’s current income tax receivable totaling approximately $200 million would be reclassified to a deferred income tax asset, would have to be revalued using a 21% federal income tax rate, and could have an adverse effect on the Bank’s financial position and results of operation.

8. Stock-Based Compensation

The Bank has a nonqualified stock option plan for certain employees and officers of the Bank. This plan provides for the granting of nonqualified options to purchase shares of common stock in the Bank. No option may be granted under this plan for less than the fair market value of the common stock, defined by the plan as the average of the highest reported asked price and the lowest reported bid price, on the date of the grant. The benefits or amounts that may be received by or allocated to any particular officer or employee of the Bank or any subsidiary under this plan are determined in the sole discretion of the Bank’s board of directors or its personnel and compensation committee. All employee options outstanding at March 31, 2018 were issued with a vesting date three years after issuance and an expiration date seven years after issuance. All shares issued in connection with options exercised under the employee nonqualified stock option plan were in the form of newly issued shares. At March 31, 2018, there were 526,355 shares available for future grants under this plan.

The Bank has a Non-Employee Director Stock Plan (the "Director Plan") that provides for awards of common stock to eligible non-employee directors. The Director Plan grants to each director who is not otherwise an employee of the Bank, or any subsidiary, shares of common stock on the day of his or her election, re-election or appointment as director of the Bank. The number of shares of common stock to be awarded is the equivalent of $50,000 worth of shares of common stock based on the average of the highest reported asked price and lowest reported bid price on the grant date. The common stock awarded under this plan is fully vested on the grant date. During the three months ended March 31, 2018 and 2017, no shares were issued and no stock-based compensation expense was recorded under the Director Plan.

In May 2018, the Bank's shareholders approved an amendment to the Director Plan to (i) change the annual award from fully vested shares of common stock to restricted stock with a one-year vesting period and (ii) replace the annual grant of $50,000 worth of shares of common stock with an annual award maximum of $100,000 worth of restricted stock per recipient per year. On May 7, 2018, the Bank's board of directors approved the issuance of restricted stock awards for 15,810 shares under the Director Plan.

Prior to the adoption of the Director Plan, the Bank had a nonqualified stock option plan for non-employee directors. No options were granted under this plan during the three months ended March 31, 2018 or 2017. All options previously granted under this plan were exercisable immediately and expire ten years after issuance.

The following table summarizes stock option activity for both the employee and non-employee director stock option plans for the period indicated.

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)	
Three Months Ended March 31, 2018:					
Outstanding – January 1, 2018	1,686,756	$ 42.86			
Granted	573,143	51.07			
Exercised	(200,025)	26.62			
Forfeited	(31,364)	51.96			
Outstanding – March 31, 2018	2,028,510	46.64	5.4	$ 9,140	(1)
Fully vested and exercisable – March 31, 2018	446,085	$ 28.12	3.4	$ 8,987	(1)

(1) Based on closing price of $48.27 per share on March 29, 2018.

Intrinsic value for stock options is defined as the amount by which the current market price of the underlying stock exceeds the exercise price. For those stock options where the exercise price exceeds the current market price of the underlying stock, the intrinsic value is zero. The total intrinsic value of options exercised during the three months ended March 31, 2018 and 2017 was $5.0 million and $2.6 million, respectively.

Options to purchase 573,143 shares were granted during the three months ended March 31, 2018 with a weighted-average grant date fair value of $12.52. The fair value for each option grant is estimated on the date of the grant using the Black-Scholes option pricing model.

The following table is a summary of the weighted-average assumptions used in the Black-Sholes option pricing model for stock options granted during the period indicated.

	Three Months Ended March 31, 2018
Risk-free interest rate	2.42%
Expected dividend yield	1.59%
Expected stock volatility	28.5%
Expected life (years)	5.0

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

Stock-based compensation expense for stock options included in non-interest expense was $1.5 million for both of the three month periods ended March 31, 2018 and 2017. Total unrecognized compensation cost related to non-vested stock option grants was $12.9 million at March 31, 2018 and is expected to be recognized over a weighted-average period of 2.1 years.

The Bank has a restricted stock and incentive plan that permits issuance of up to 2,400,000 shares of restricted stock, restricted stock units or performance awards. All officers and employees of the Bank are eligible to receive awards under the restricted stock and incentive plan. The benefits or amounts received by or allocated to any particular officer or employee of the Bank, or subsidiary, under the restricted stock and incentive plan are determined in the sole discretion of the Bank's board of directors or its personnel and compensation committee. Shares of common stock issued under the restricted stock and incentive plan may be shares of original issuance or shares held in treasury that have been reacquired by the Bank. At March 31, 2018 there were 861,818 shares available for future grants under this plan. The vesting period for all restricted stock awards granted under the plan shall be not less than three years from the date of grant, subject to limited exceptions.

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

	Three Months Ended March 31, 2018
Outstanding – December 31, 2017	552,415
Granted	198,268
Forfeited	(3,301)
Vested	(177,825)
Outstanding – March 31, 2018	569,557
Weighted-average grant date fair value	$ 49.69

Restricted stock awards of 198,268 shares were granted during the three months ended March 31, 2018 with a weighted-average grant date fair value of $51.07. The fair value of the restricted stock awards is amortized to compensation expense over the three-year vesting period and is based on the market price of the 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 $2.2 million for both three-month periods ended March 31, 2018 and 2017. Unrecognized compensation expense for non-vested restricted stock awards was $17.6 million at March 31, 2018 and is expected to be recognized over a weighted-average period of 2.2 years.

9. Fair Value Measurements

The Bank measures certain of its assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset or liability. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, fair value is used either annually or on a non-recurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes. The Bank had no material liabilities that were accounted for at fair value at March 31, 2018 or December 31, 2017.

The Bank applies the following fair value hierarchy.

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

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

Level 3 − Instruments whose inputs are unobservable.

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

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
March 31, 2018:				
Investment securities AFS:				
Obligations of state and political subdivisions	$ —	$ 624,392	$ 15,647	$ 640,039
Mortgage-backed securities [1]	—	1,935,533	—	1,935,533
U.S. Government agency securities	—	26,978	—	26,978
CRA qualified investment fund	1,050	—	—	1,050
Total investment securities AFS	1,050	2,586,903	15,647	2,603,600
Impaired non-purchased loans	—	—	11,191	11,191
Impaired purchased loans	—	—	6,849	6,849
Foreclosed assets	—	—	21,931	21,931
Total assets at fair value	$ 1,050	$ 2,586,903	$ 55,618	$ 2,643,571
December 31, 2017:				
Investment securities AFS:				
Obligations of state and political subdivisions	$ —	$ 648,134	$ 16,425	$ 664,559
Mortgage-backed securities [1]	—	1,899,024	—	1,899,024
U.S. Government agency securities	—	29,233	—	29,233
CRA qualified investment fund	1,057	—	—	1,057
Total investment securities AFS	1,057	2,576,391	16,425	2,593,873
Impaired non-purchased loans	—	—	11,892	11,892
Impaired purchased loans	—	—	10,019	10,019
Foreclosed assets	—	—	25,357	25,357
Total assets at fair value	$ 1,057	$ 2,576,391	$ 63,693	$ 2,641,141

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

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

Description	Fair Value at March 31, 2018	Technique	Unobservable Inputs
	(Dollars in thousands)		
Impaired non-purchased loans	$ 11,191	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	$ 6,849	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	$ 21,931	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 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 and pricing matrices or a combination thereof. For investment securities AFS traded in a market that is not active, fair value is determined using unobservable inputs. All fair value estimates of the Bank's investment securities are reviewed on a quarterly basis.

The Bank has determined that certain of its investment securities AFS had a limited to non-existent trading market at March 31, 2018. 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 $15.6 million at March 31, 2018 were calculated using Level 3 hierarchy inputs and assumptions as the trading market for such securities was determined to be "not active." This determination was based on the limited number of trades or, in certain cases, the existence of no reported trades for the private placement bonds. The private placement bonds are generally prepayable at par value at the option of the issuer. As a result, management believes the private placement bonds should be individually valued at the lower of (i) the matrix pricing provided by the Bank's third party pricing services for comparable unrated municipal securities or (ii) par value. At March 31, 2018, the third parties' pricing matrices valued the Bank's portfolio of private placement bonds at $15.6 million, which was approximately the same as the aggregate par value of the private placement bonds. Accordingly, at March 31, 2018, the Bank reported the private placement bonds at $15.6 million.

Impaired non-purchased loans– Fair values are measured on a non-recurring basis and are based on the underlying collateral value of the impaired loan, reduced for holding and selling costs, or the estimated discounted cash flows for such loan. At March 31, 2018 the Bank had reduced the carrying value of its impaired non-purchased loans (all of which are included in nonaccrual loans) by $3.4 million to the estimated fair value of $11.2 million. The $3.4 million adjustment to reduce the carrying value of such impaired loans to estimated fair value consisted of $2.1 million of partial charge-offs and $1.3 million of specific allowance allocations for loan losses.

Impaired purchased loans – Impaired purchased loans are measured at fair value on a non-recurring basis. As of March 31, 2018, the Bank had identified purchased loans where current information indicates it is probable that (i) the Bank will not be able to collect all amounts according to the contractual terms thereof (for purchased loans without evidence of credit deterioration at date of acquisition) or (ii) the expected performance of such loans had deteriorated from management's performance expectations established in conjunction with the determination of the Day 1 Fair Values or since management's most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). At March 31, 2018, the Bank had $6.8 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. In estimating such Day 1 Fair Values, management considered a number of factors including, among others, appraised value, estimated selling price, estimated holding periods and net present value of cash flows expected to be received. Valuations of these assets are periodically reviewed by management with the carrying value of such assets adjusted through non-interest expense to the then estimated fair value net of estimated selling costs, if lower, until disposition.

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, 2017	$ 16,425
Total realized gains (losses) included in earnings	—
Total unrealized gains (losses) included in comprehensive income	(171)
Paydowns and maturities	(607)
Sales	—
Transfers in and/or out of Level 3	—
Balance – March 31, 2018	$ 15,647
Balance – December 31, 2016	$ 17,379
Total realized gains (losses) included in earnings	—
Total unrealized gains (losses) included in comprehensive income	32
Paydowns and maturities	(576)
Sales	—
Transfers in and/or out of Level 3	—
Balance – March 31, 2017	$ 16,835

10. Fair Value of Financial Instruments

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

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

Investment securities 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 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 commercial loan commitments and letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of commercial loan commitments and letters of credit were not material at March 31, 2018 or December 31, 2017.

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

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.

		March 31, 2018		December 31, 2017	
	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(Dollars in thousands)			
Financial assets:					
Cash and cash equivalents	Level 1	$ 632,873	$ 632,873	$ 440,388	$ 440,388
Investment securities AFS	Levels 1, 2 and 3	2,603,600	2,603,600	2,593,873	2,593,873
Loans, net of ALL	Level 3	16,510,999	16,170,966	15,948,909	15,696,876
Financial liabilities:					
Demand, savings and interest bearing transaction deposits	Level 1	$ 13,297,054	$ 13,297,054	$ 12,777,745	$ 12,777,745
Time deposits	Level 2	4,536,618	4,555,072	4,414,600	4,430,627
Repurchase agreements with customers	Level 1	149,075	149,075	69,331	69,331
Other borrowings	Level 2	1,942	1,949	22,320	22,344
Subordinated notes	Level 2	222,993	215,408	222,899	219,356
Subordinated debentures	Level 2	118,938	103,722	118,800	94,057

11. Repurchase Agreements With Customers

At March 31, 2018 and December 31, 2017, securities sold under agreements to repurchase ("repurchase agreements") totaled $149.1 million and $69.3 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.

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

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands)	
Beginning balance of AOCI – unrealized net losses on investment securities AFS	$ (12,712)	$ (25,920)
Cumulative effect of change in accounting principal	—	(3,408)
Beginning balance of AOCI, as adjusted – unrealized net losses on investment securities AFS	(12,712)	(29,328)
Other comprehensive income (loss):		
Unrealized gains and losses on investment securities AFS	(36,990)	12,081
Tax effect of unrealized gains and losses on investment securities AFS	8,794	(4,228)
Amounts reclassified from AOCI	—	—
Tax effect of amounts reclassified from AOCI	—	—
Total other comprehensive income (loss)	(28,196)	7,853
Ending balance of AOCI – unrealized net losses on investment securities AFS	$ (40,908)	$ (21,475)

13. Other Operating Expenses

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Dollars in thousands)	
Professional and outside services	$ 8,705	$ 5,338
Postage and supplies	2,195	1,919
Advertising and public relations	1,331	1,190
Telecommunication services	3,197	3,970
Software and data processing	3,340	2,473
ATM expense	1,363	1,138
Travel and meals	2,153	1,855
FDIC insurance	2,700	1,000
FDIC and state assessments	862	742
Loan collection and repossession expense	790	1,302
Writedowns of foreclosed and other assets	151	596
Amortization of intangibles	3,145	3,145
Other	4,229	1,854
Total other operating expenses	$ 34,161	$ 26,522

14. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers."* ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of this standard to annual and interim periods beginning after December 15, 2017; however, early adoption was permitted for annual and interim reporting periods beginning after December 15, 2016. The Bank adopted the provisions of ASU 2014-09 beginning January 1, 2018. The adoption of ASU 2014-09 did not have a significant effect on the Bank's financial position, results of operations, or its financial statement disclosures.

The majority of the Bank's revenue, which consists primarily of revenue generated from non-purchased and purchased loans and investment securities, is excluded from the provision of ASU 2014-09. However, revenue generated from service charges on deposit accounts falls within the scope of ASU 2014-09. Service charges on deposit accounts represent fees for monthly account maintenance and transaction activity. This revenue is generally recognized when the performance obligation has been achieved or transaction completed and payment is generally received when the performance obligation has been satisfied.

In February 2016, FASB issued ASU 2016-02, *"Leases (Topic 842)."* ASU 2016-02 requires lessees to recognize a right-of-use asset and a lease liability on their balance sheet. The right-of-use asset and related lease liability will be initially measured at the present value of the remaining lease payments; however, if the original term of the lease is less than twelve months and the lease does not contain a purchase option that is reasonably certain to be exercised, a lessee may account for the lease as an operating lease. ASU 2016-02 is effective for interim periods and fiscal years beginning after December 15, 2018. While the Bank continues to evaluate the effect that ASU 2016-02 will have on its financial position, results of operations, and its financial statement disclosures, the adoption of ASU 2016-02 is expected to result in leased assets and related lease liabilities to be included on its balance sheet, along with the related leasehold amortization and interest expense included in its statement of income.

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

In June 2016, FASB issued ASU 2016-13 *"Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* which significantly revises the guidance related to impairment of financial instruments. The new guidance replaces the current incurred loss model that is utilized in estimating the 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. While the Bank has engaged an outside third party to assist with data analysis, model development and implementation, the Bank is currently unable to quantify the effect that ASU 2016-13 will have on its financial position, results of operations, and its financial statement disclosures.

In August 2016, the FASB issued ASU 2016-15 "*Statement of Cash Flows (Topic 230)*" to clarify guidance on how certain transactions are classified within the statement of cash flows. The standard addresses a number of cash flow presentation items including a) debt prepayment and extinguishment, b) contingent consideration payments made after a business combination, c) proceeds from the settlement of insurance claims, corporate owned life insurance policies and BOLI policies, d) distributions received from equity method investees, e) classification of beneficial interest received in a securitization transaction and cash receipts from beneficial interest in securitized trade receivables and f) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for interim and annual periods beginning after December 15, 2017 with early adoption permitted. The Bank adopted the provisions of ASU 2016-15 beginning January 1, 2018. The adoption of ASU 2016-15 did not have a significant effect on the Bank's statements of cash flows or its financial statement disclosures.

In January 2017, FASB issued ASU 2017-01 *"Business Combinations (Topic 805), Clarifying the Definition of a Business"* that changes the definition of a business when evaluating whether transactions should be accounted for as the acquisition of assets or the acquisition of a business. ASU 2017-01 requires an entity to evaluate if substantially all of the fair value of the assets acquired are concentrated in a single asset or a group of similar identifiable assets; if so, the acquired assets or group of identifiable assets is not considered a business. In addition, the guidance requires that to be considered a business, the acquired assets must include an input and a substantive process that together significantly contribute to the ability to create output. ASU 2017-01 removes the evaluation of whether a market participant could replace any of the missing elements and is effective for interim and annual periods beginning after December 15, 2017. The Bank adopted the provisions of ASU 2017-01 beginning January 1, 2018 and will apply the provisions of ASU 2017-01 to future transactions as applicable.

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 May 2017, FASB issued ASU 2017-09 "*Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting"* which clarifies the accounting for modifications related to share-based payment awards. ASU 2017-09 requires modification accounting only if the fair value, vesting conditions or the classification of the award changes due to a change in the award's terms of conditions. ASU 2017-09 is effective prospectively for interim and annual periods beginning after December 15, 2017. The Bank adopted the provisions of ASU 2017-09 beginning January 1, 2018 and will apply the provisions of ASU 2017-09 to future modifications, if any, of its share-based payment awards.

In February 2018, FASB issued ASU 2018-02 *"Reclassification of Tax Effects from Other Comprehensive Income"* which permits entities to reclassify tax effects stranded in accumulated other comprehensive income (loss) as a result of the Tax Act. ASU 2018-02 is effective for interim and annual periods beginning after December 15, 2018; however, early adoption was permitted. The Bank adopted the provisions of ASU 2018-02 effective as of the beginning of 2017 as a cumulative effect adjustment by reclassifying $3.4 million from accumulated other comprehensive income (loss) to retained earnings. The adoption of ASU 2018-02 during 2017 allowed the Bank to align the tax effects included in accumulated other comprehensive income (loss) with the revised federal tax rates included in the Tax Act.

Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>

On June 26, 2017, as the result of an internal restructuring designed to eliminate our bank holding company structure, Bank of the Ozarks, Inc., an Arkansas corporation, merged with and into its wholly-owned subsidiary, Bank of the Ozarks (the "Bank"), an Arkansas state banking corporation, with the Bank continuing as the surviving corporation (the "Reorganization"). Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to "Company," "we," "us" and "our" for periods prior to June 26, 2017, refer to Bank of the Ozarks, Inc., which was the parent holding company and the registrant prior to the Reorganization, and, for periods after the Reorganization, to the Bank, in each case including 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, mortgage lending and trust income, bank owned life insurance income ("BOLI"), 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 forward-looking statements made by us and our management due to certain risks, uncertainties and assumptions. Certain factors that may affect our future results include, but are not limited to, potential delays or other problems in implementing our growth, expansion and acquisition strategies, including delays in identifying satisfactory sites, hiring or retaining qualified personnel, obtaining regulatory or other approvals, obtaining permits and designing, constructing and opening new offices; the ability to enter into and/or close additional acquisitions; problems with, or additional expenses relating to, integrating acquisitions; the inability to realize expected cost savings and/or synergies from acquisitions; 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; competitive factors and pricing pressures, including their effect on our net interest margin; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; failure to receive approval of our pending applications for change in accounting methods with the Internal Revenue Service (the "Service"); changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions, including changes expected to result from the Tax Cut and Jobs Act, 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; possible further downgrade of U.S. Treasury securities; future Federal Deposit Insurance Corporation ("FDIC") special assessments or changes to regular assessments; the ability to keep pace with technological changes, including changes regarding maintaining cyber security; 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, including those factors identified in the disclosures under the heading "Forward-Looking Information" and "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K for the year ended December 31, 2017. Should one or more of the foregoing risks materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described in, or implied by, such forward-looking statements. We disclaim any obligation to update or revise any forward-looking statement based on the occurrence of future events, the receipt of new information or otherwise.

SELECTED AND SUPPLEMENTAL FINANCIAL DATA

The following tables set forth selected unaudited consolidated financial data as of and for the three months ended March 31, 2018 and 2017 and supplemental unaudited quarterly financial data for each of the most recent eight quarters beginning with the second quarter of 2016 through the first quarter of 2018. These tables are qualified in their entirety by our consolidated financial statements and related notes presented elsewhere in this quarterly report on Form 10-Q. The calculations of our tangible book value per common share and our annualized returns on average tangible common stockholders' equity and the reconciliations to generally accepted accounting principles ("GAAP") are included in this MD&A under "Capital Resources and Liquidity" in this quarterly report on Form 10-Q.

Selected Consolidated Financial Data – Unaudited

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands, except per share amounts)	
Income statement data:		
Interest income	$ 257,492	$ 213,770
Interest expense	39,716	22,999
Net interest income	217,776	190,771
Provision for loan losses	5,567	4,933
Non-interest income	28,707	29,058
Non-interest expense	93,810	78,268
Net income available to common stockholders	113,144	89,188
Common share and per common share data:		
Earnings – diluted	$ 0.88	$ 0.73
Book value	27.42	23.63
Tangible book value	21.93	17.72
Cash dividends	0.19	0.17
Weighted-average diluted shares outstanding (thousands)	128,762	121,954
End of period shares outstanding (thousands)	128,612	121,575
Balance sheet data at period end:		
Total assets	$ 22,039,439	$ 19,152,212
Total loans	16,609,096	14,796,922
Non-purchased loans	13,674,561	10,216,875
Purchased loans	2,934,535	4,580,047
Allowance for loan losses	98,097	78,224
Foreclosed assets	21,931	36,899
Investment securities	2,612,961	1,470,568
Goodwill and other intangible assets	705,896	718,475
Deposits	17,833,672	15,713,427
Repurchase agreements with customers	149,075	80,609
Other borrowings	1,942	42,291
Subordinated notes	222,993	222,611
Subordinated debentures	118,938	118,380
Unfunded balance of closed loans	12,551,032	11,258,862
Total common stockholders' equity	3,526,605	2,873,317
Average balance sheet data:		
Total average assets	$ 21,280,848	$ 18,746,726
Total average common stockholders' equity	3,484,297	2,826,832
Average common equity to average assets	16.37%	15.08%
Performance ratios:		
Return on average assets (1)	2.16%	1.93%
Return on average common stockholders' equity (1)	13.17	12.80
Return on average tangible common stockholders' equity (1)	16.53	17.17
Loan (including purchased loans) to deposit ratio	93.13	94.17
Net interest margin – FTE (1)	4.69	4.88
Efficiency ratio	37.88	35.03
Common stock dividend payout ratio	21.60	23.16
Asset quality ratios:		
Net charge-offs to average non-purchased loans (1) (2)	0.04%	0.05%
Net charge-offs to average total loans (1)	0.04	0.09
Nonperforming loans to total loans (3)	0.09	0.11
Nonperforming assets to total assets (3)	0.16	0.25
Allowance for loan losses as a percentage of:		
Total non-purchased loans (4)	0.71%	0.75%
Nonperforming loans (4)	774%	692%
Capital ratios at period end:		
Common equity tier 1	11.37%	9.94%
Tier 1 risk based capital	11.37	9.94
Total risk based capital	13.13	11.89
Tier 1 leverage	13.80	11.95

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

Supplemental Quarterly Financial Data – Unaudited

	6/30/16	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18
	(Dollars in thousands, except per share amounts)							
Earnings Summary:								
Net interest income	$ 119,038	$ 175,150	$ 194,800	$ 190,771	$ 202,105	$ 209,722	$ 214,831	$ 217,776
Federal tax (FTE) adjustment	2,067	2,533	3,254	3,594	3,396	3,014	2,450	1,166
Net interest income (FTE)	121,105	177,683	198,054	194,365	205,501	212,736	217,281	218,942
Provision for loan losses	(4,834)	(7,086)	(9,855)	(4,933)	(6,103)	(7,777)	(9,279)	(5,567)
Non-interest income	22,733	29,231	30,571	29,058	31,840	32,747	30,213	28,707
Non-interest expense	(50,928)	(78,781)	(78,358)	(78,268)	(83,828)	(84,399)	(86,177)	(93,810)
Pretax income (FTE)	88,076	121,047	140,412	140,222	147,410	153,307	152,038	148,272
FTE adjustment	(2,067)	(2,533)	(3,254)	(3,594)	(3,396)	(3,014)	(2,450)	(1,166)
Provision for income taxes	(31,514)	(42,470)	(49,312)	(47,417)	(53,488)	(54,246)	(3,434)	(33,973)
Noncontrolling interest	(21)	(14)	(59)	(23)	6	(40)	10	11
Net income available to common stockholders	$ 54,474	$ 76,030	$ 87,787	$ 89,188	$ 90,532	$ 96,007	$ 146,164	$ 113,144
Earnings per common share – diluted	$ 0.60	$ 0.66	$ 0.72	$ 0.73	$ 0.73	$ 0.75	$ 1.14	$ 0.88
Non-interest Income:								
Service charges on deposit accounts	$ 8,119	$ 10,926	$ 11,759	$ 11,301	$ 11,764	$ 9,729	$ 10,058	$ 9,525
Mortgage lending income	2,057	2,616	2,097	1,574	1,910	1,620	1,294	492
Trust income	1,574	1,564	1,623	1,631	1,577	1,755	1,729	1,793
BOLI income	2,745	4,638	4,564	4,464	4,594	4,453	5,166	7,580
Other income from purchased loans	4,599	4,635	4,993	3,737	4,777	2,933	2,009	1,251
Loan service, maintenance and other fees	1,238	1,687	2,962	2,706	3,427	5,274	4,289	4,743
Gains on investment securities	—	—	4	—	404	2,429	1,201	17
Gains on sales of other assets	998	594	1,537	1,619	672	1,363	1,899	1,426
Other	1,403	2,571	1,032	2,026	2,715	3,191	2,568	1,880
Total non-interest income	$ 22,733	$ 29,231	$ 30,571	$ 29,058	$ 31,840	$ 32,747	$ 30,213	$ 28,707
Non-interest Expense:								
Salaries and employee benefits	$ 24,921	$ 38,069	$ 36,481	$ 38,554	$ 39,892	$ 35,331	$ 38,417	$ 45,499
Net occupancy expense	8,388	11,669	13,936	13,192	12,937	13,595	13,474	14,150
Other operating expenses	17,619	29,043	27,941	26,522	30,999	35,473	34,286	34,161
Total non-interest expense	$ 50,928	$ 78,781	$ 78,358	$ 78,268	$ 83,828	$ 84,399	$ 86,177	$ 93,810
Balance Sheet Data:								
Total Assets	$12,279,579	$18,451,783	$18,890,142	$19,152,212	$20,064,589	$20,768,493	$21,275,647	$22,039,439
Non-purchased loans	8,214,900	8,759,766	9,605,093	10,216,875	11,025,203	12,047,094	12,733,937	13,674,561
Purchased loans	1,515,104	5,399,831	4,958,022	4,580,047	4,159,139	3,731,536	3,309,092	2,934,535
Deposits	10,195,072	15,123,804	15,574,878	15,713,427	16,241,440	16,823,359	17,192,345	17,833,672
Common stockholders' equity	1,556,921	2,756,346	2,791,607	2,873,317	3,260,123	3,334,740	3,460,728	3,526,605
Allowance for Loan Losses:								
Balance at beginning of period	$ 61,760	$ 65,133	$ 69,760	$ 76,541	$ 78,224	$ 82,320	$ 86,784	$ 94,120
Net charge-offs	(1,461)	(2,459)	(3,074)	(3,250)	(2,007)	(3,313)	(1,943)	(1,590)
Provision for loan losses	4,834	7,086	9,855	4,933	6,103	7,777	9,279	5,567
Balance at end of period	$ 65,133	$ 69,760	$ 76,541	$ 78,224	$ 82,320	$ 86,784	$ 94,120	$ 98,097
Selected Ratios:								
Net interest margin – FTE (1)	4.82%	4.90%	5.02%	4.88%	4.99%	4.84%	4.72%	4.69%
Efficiency ratio	35.41	38.07	34.27	35.03	35.32	34.38	34.82	37.88
Net charge-offs to average non-purchased loans (1) (2)	0.05	0.06	0.08	0.05	0.03	0.08	0.08	0.04
Net charge-offs to average total loans (1)	0.06	0.07	0.09	0.09	0.05	0.09	0.05	0.04
Nonperforming loans to total loans (3)	0.09	0.08	0.15	0.11	0.11	0.11	0.10	0.09
Nonperforming assets to total assets (3)	0.25	0.28	0.31	0.25	0.23	0.20	0.18	0.16
Allowance for loan losses to total non-purchased loans (4)	0.78	0.78	0.78	0.75	0.73	0.71	0.73	0.71
Loans past due 30 days or more, including past due non-accrual loans, to total loans (3)	0.22	0.17	0.16	0.16	0.15	0.12	0.15	0.14

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

OVERVIEW

The following discussion explains our financial condition and results of operations as of and for the three months ended March 31, 2018. 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 elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2017. 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, bank owned life insurance ("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, (iii) fair value of assets acquired and liabilities assumed pursuant to business combination transactions and (iv) 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, (iii) the fair value of the assets acquired and liabilities assumed pursuant to business combination transactions and (iv) 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, 2017. There has been no change in our critical accounting policies and no material change in the application of critical accounting policies as presented in our Annual Report on Form 10-K for the year ended December 31, 2017.

ANALYSIS OF RESULTS OF OPERATIONS

General

Net income available to our common stockholders was $113.1 million for the first quarter of 2018, a 26.9% increase from $89.2 million for the first quarter of 2017. Diluted earnings per common share were $0.88 for the first quarter of 2018, a 20.5% increase from $0.73 for the first quarter of 2017.

Our annualized return on average assets was 2.16% for the first quarter of 2018 compared to 1.93% for the first quarter of 2017. Our annualized return on average common stockholders' equity was 13.17% for the first quarter of 2018 compared to 12.80% for the first quarter of 2017. Our annualized return on average tangible common stockholders' equity was 16.53% for the first quarter of 2018 compared to 17.17% for the first quarter of 2017. 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 $22.04 billion at March 31, 2018 compared to $21.28 billion at December 31, 2017. Non-purchased loans were $13.67 billion at March 31, 2018 compared to $12.73 billion at December 31, 2017. Purchased loans were $2.93 billion at March 31, 2018 compared to $3.31 billion at December 31, 2017. Total loans were $16.61 billion at March 31, 2018 compared to $16.04 billion at December 31, 2017. Deposits were $17.83 billion at March 31, 2018 compared to $17.19 billion at December 31, 2017.

Common stockholders' equity was $3.53 billion at March 31, 2018 compared to $3.46 billion at December 31, 2017. Tangible common stockholders' equity was $2.82 billion at March 31, 2018 compared to $2.75 billion at December 31, 2017. Book value per common share was $27.42 at March 31, 2018 compared to $26.98 at December 31, 2017. Tangible book value per common share was $21.93 at March 31, 2018 compared to $21.45 at December 31, 2017. The calculations of our tangible common stockholders' equity and tangible book value per common share and the reconciliations to GAAP are included under the heading "Capital Resources and Liquidity" in this MD&A.

Net Interest Income

Net interest income is a significant source of our revenue and represents the amount by which interest income on interest earning assets exceeds the interest expense paid on interest bearing liabilities. The volume of interest earning assets and the related funding sources, the overall mix of these assets and liabilities, and the rates paid on each affect net interest income.

Net interest income and net interest margin are analyzed in this discussion 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% for the first quarter of 2018 and 35% for the first quarter of 2017. The FTE adjustments to net interest income were $1.2 million and $3.6 million for the three months ended March 31, 2018 and 2017, respectively. No adjustments have been made in this analysis for income exempt from state income taxes or for interest expense deductions disallowed under the provisions of the Internal Revenue Code ("IRC") as a result of investments in certain tax-exempt securities. Effective January 1, 2018, the Tax Cut and Jobs Act ("Tax Act") reduced the statutory federal income tax rate to 21%. As a result, the FTE adjustment for tax-exempt interest income was reduced in the first quarter of 2018.

Net interest income for the first quarter of 2018 increased 12.6% to $218.9 million compared to $194.4 million for the first quarter of 2017. The increase in net interest income for the first quarter of 2018 compared to the same period in 2017 was primarily due to the increase in average earning assets, which increased 17.2% to $18.92 billion for the first quarter of 2018 compared to $16.14 billion for the first quarter of 2017.

Our net interest margin for the first quarter of 2018 decreased 19 basis points ("bps") to 4.69% compared to 4.88% for the first quarter in 2017. This decrease was due, in part, to a 38 bps increase in the rate paid on interest bearing liabilities, partially offset by an eight bps increase in the yield on interest earning assets.

The yield on interest earning assets was 5.54% for the first quarter of 2018 compared to 5.46% for the first quarter of 2017. The yield on our non-purchased loans increased 68 bps to 5.94% for the first quarter of 2018 compared to 5.26% for the first quarter of 2017. This increase was primarily due to (i) recent increases in London Interbank Offered Rates ("LIBOR") and the federal funds target rate and (ii) prepayment penalties, yield maintenance and/or minimum interest provisions on certain loans that paid off early during the first quarter of 2018. At March 31, 2018, approximately 79% of our non-purchased loans are variable rate. The yield on our purchased loan portfolio increased nine bps to 6.50% for the first quarter of 2018 compared to a 6.41% for the first quarter of 2017. The yield on our purchased loan portfolio is significantly affected by both the volume and timing of early payoffs and paydowns which typically result in any remaining purchase accounting valuation amounts treated as yield adjustments. Because the volume and timing of purchased loan payoffs and paydowns may vary significantly from period to period, the yield on such loans will also vary from period to period. At March 31, 2018, approximately 42% of our purchased loan portfolio contained variable interest rates. The yield on our aggregate investment securities portfolio decreased 124 bps to 2.59% for the first quarter of 2018 compared to 3.83% for the first quarter of 2017. This decrease in yield on our aggregate investment securities portfolio was primarily the result of (i) the purchase of approximately $1.58 billion of highly liquid, short duration U.S. Government agency mortgage-backed pass through securities we purchased during 2017 that yield approximately 2.0% to 2.30%, (ii) the change in mix between taxable and tax-exempt securities and (iii) the lower tax equivalent yield as a result of the Tax Act. While the $1.58 billion of securities purchased in 2017 provide substantial on-balance sheet liquidity, they have been and are expected to continue to be dilutive to both our yield on investment securities and our net interest margin.

The overall increase in rates on average interest bearing liabilities, which increased 38 bps for the first quarter of 2018 compared to the same period in 2017, was primarily due to an increase in rates on interest bearing deposits, which increased 39 bps for the first quarter of 2018 compared to the same period in 2017. The increases in rates on our interest bearing deposits, the largest component of our interest bearing liabilities, were primarily due to (i) our deposit gathering initiatives to fund growth in loans and (ii) recent increases in the federal funds target rate. To the extent we have future growth in loans, we would expect to increase deposit pricing of certain deposit products in certain markets to fund such growth. In addition, future increases in the federal funds target rate will also likely result in increased deposit pricing for certain deposit products. Any such increase in deposit pricing is expected to result in increased deposit costs in future periods.

Our other borrowing sources include (i) repurchase agreements with customers ("repos"), (ii) other borrowings, comprised primarily of Federal Home Loan Bank of Dallas ("FHLB") advances and, to a lesser extent, federal funds purchased, (iii) subordinated notes and (iv) subordinated debentures. The decrease in rates on our other borrowings for the first quarter of 2018 compared to the same period in 2017 was due to increased utilization, in 2018, of lower cost short-term FHLB advances. Other borrowings in the first quarter of 2017 consisted primarily of higher cost fixed rate callable FHLB advances. Our subordinated notes consist of $225 million in aggregate principal amount of 5.50% fixed-to-floating rate subordinated notes. The rate on these subordinated notes includes amortization of debt issuance costs using a level-yield methodology over the estimated holding period of seven years. The rates paid on our subordinated debentures, which are tied to spreads over the 90-day LIBOR and reset periodically, increased primarily due to increases in LIBOR on the applicable reset dates.

The increase in average earning assets for the first quarter of 2018 compared to the same period in 2017 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 $3.18 billion, or 32.4%, to $13.01 billion for the first quarter of 2018 compared to the same period in 2017. The increase in the average balance of our non-purchased loans was due primarily to continued growth in loan fundings. Average investment securities increased $1.15 billion, or 78.6%, to $2.62 billion for the first quarter of 2018 compared to the same period in 2017. The increase in the average balance of investment securities was primarily due to the purchase, during 2017, of approximately $1.58 billion of investment securities previously discussed. The average balance of our purchased loans decreased $1.63 billion, or 33.8%, for the first quarter of 2018 compared to the same period in 2017. This decrease was due to continued paydown and payoff activity in such portfolio.

The following table sets forth certain information relating to our net interest income for the periods indicated. The yields and rates are derived by dividing interest income or interest expense by the average balance of the related assets or liabilities, respectively. Average balances are derived from daily average balances for such assets and liabilities. The average balances of investment securities are computed based on amortized cost adjusted for unrealized gains and losses on investment securities 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 and, for such purchased loans, accretion or amortization of any purchase accounting yield adjustment. The yields on purchased loans with evidence of credit deterioration at date of acquisition consist of accretion of the net present value of expected future cash flows using the effective yield method over the term of the loans and include late fees. Interest expense and rates on our other borrowing sources are presented net of interest capitalized on construction projects and include the amortization of debt issuance costs, if any. Interest expense on subordinated notes includes amortization of debt issuance costs. The interest expense on the subordinated debentures assumed through an acquisition includes the amortization of any purchase accounting adjustments.

Average Consolidated Balance Sheets and Net Interest Analysis – FTE

	Three Months Ended March 31,					
	2018			2017		
	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	$ 110,085	$ 498	1.83%	$ 41,806	$ 20	0.19%
Investment securities:						
Taxable	2,062,358	11,431	2.25	663,153	3,816	2.33
Tax-exempt – FTE	556,776	5,265	3.84	803,589	10,019	5.06
Non-purchased loans – FTE	13,010,093	190,487	5.94	9,827,717	127,515	5.26
Purchased loans	3,181,740	50,977	6.50	4,807,080	75,993	6.41
Total interest earning assets – FTE	18,921,052	258,658	5.54	16,143,345	217,363	5.46
Non-interest earning assets	2,359,796			2,603,381		
Total assets	$21,280,848			$18,746,726		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Deposits:						
Savings and interest bearing transaction	$ 9,857,347	$ 22,570	0.93%	$ 7,862,653	$ 8,458	0.44%
Time deposits of $100 or more	3,036,123	8,781	1.17	3,241,587	7,132	0.89
Other time deposits	1,445,948	3,041	0.85	1,699,858	2,787	0.66
Total interest bearing deposits	14,339,418	34,392	0.97	12,804,098	18,377	0.58
Repurchase agreements with customers	112,434	159	0.57	79,884	30	0.15
Other borrowings	165,943	633	1.55	42,137	222	2.14
Subordinated notes	222,947	3,146	5.72	222,561	3,188	5.81
Subordinated debentures	118,864	1,386	4.73	118,300	1,181	4.05
Total interest bearing liabilities	14,959,606	39,716	1.08	13,266,980	22,998	0.70
Non-interest bearing liabilities:						
Non-interest bearing deposits	2,666,111			2,574,540		
Other non-interest bearing liabilities	167,778			75,107		
Total liabilities	17,793,495			15,916,627		
Common stockholders' equity	3,484,297			2,826,832		
Noncontrolling interest	3,056			3,267		
Total liabilities and stockholders' equity	$21,280,848			$18,746,726		
Net interest income – FTE		$ 218,942			$ 194,365	
Net interest margin – FTE			4.69%			4.88%

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

Analysis of Changes in Net Interest Income – FTE

	Three Months Ended March 31, 2018 Over Three Months Ended March 31, 2017		
	Volume	**Yield/ Rate**	**Net Change**
		(Dollars in thousands)	
Increase (decrease) in:			
Interest income – FTE:			
Interest earning deposits and federal funds sold	$ 309	$ 169	$ 478
Investment securities:			
Taxable	7,755	(140)	7,615
Tax-exempt – FTE	(2,334)	(2,420)	(4,754)
Non-purchased loans – FTE	46,595	16,377	62,972
Purchased loans	(26,041)	1,025	(25,016)
Total interest income – FTE	26,284	15,011	41,295
Interest expense:			
Savings and interest bearing transaction	4,567	9,545	14,112
Time deposits of $100 or more	(594)	2,243	1,649
Other time deposits	(534)	788	254
Repurchase agreements with customers	46	83	129
Other borrowings	472	(61)	411
Subordinated notes	5	(47)	(42)
Subordinated debentures	7	198	205
Total interest expense	3,969	12,749	16,718
Increase in net interest income – FTE	$ 22,315	$ 2,262	$ 24,577

Non-Interest Income

Our non-interest income consists primarily of, among others, service charges on deposit accounts, mortgage lending income, trust income, BOLI income, other income from purchased loans, loan service, maintenance and other fees and gains on investment securities and on sales of other assets. Non-interest income for the first quarter of 2018 decreased 1.2% to $28.7 million compared to $29.1 million for the first quarter of 2017.

Service charges on deposit accounts decreased 15.7% to $9.5 million for the first quarter of 2018 compared to $11.3 million for the first quarter of 2017 primarily due to the impact of the Durbin Amendment. Effective July 1, 2017, we became subject to the provisions of the Durbin Amendment, which are applicable to financial institutions whose total assets exceed $10 billion and which limit the amount of interchange fees that may be charged for debit and prepaid card transactions.

Mortgage lending income decreased 68.7% to $0.5 million at March 31, 2018 compared to $1.6 million at March 31, 2017 primarily as a result of our decision in December 2017 to exit the secondary market mortgage lending business. We expect only a nominal amount of mortgage lending income in the second quarter of 2018 and none thereafter.

BOLI income increased 69.8% to $7.6 million for the first quarter of 2018 compared to $4.5 million for the first quarter of 2017. Our BOLI income for the first quarter of 2018 included $2.7 million of tax-exempt BOLI death benefits compared to no such benefits in the first quarter of 2017. In addition, we purchased $60 million of BOLI during 2017 and $30 million of BOLI during the first quarter of 2018.

Other income from purchased loans was $1.3 million in the first quarter of 2018 compared to $3.7 million in the first quarter of 2017. Other income from purchased loans consists primarily of income recognized on purchased loan prepayments and payoffs that are not considered yield adjustments. Because other income from purchased loans may be significantly affected by purchased loan payments and payoffs, this income item may vary significantly from period to period.

Loan service, maintenance and other fees, which includes fees that are not considered yield adjustments, increased 75.3% to $4.7 million for the first quarter of 2018 compared to $2.7 million for the first quarter of 2017. The increase in loan service, maintenance and other fees was primarily due to recent efforts to include provisions for such fees in many of our larger non-purchased loan transactions, the effects of which have resulted in an increase in such loan service, maintenance and other fees in recent quarters.

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

Non-Interest Income

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands)	
Service charges on deposit accounts	$ 9,525	$ 11,301
Mortgage lending income	492	1,574
Trust income	1,793	1,631
BOLI income	7,580	4,464
Other income from purchased loans, net	1,251	3,737
Loan service, maintenance and other fees	4,743	2,706
Net gains on investment securities	17	—
Net gains on sales of other assets	1,426	1,619
Other	1,880	2,026
Total non-interest income	$ 28,707	$ 29,058

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 19.9% to $93.8 million for the first quarter of 2018 compared to $78.3 million for the first quarter of 2017. The increase in our non-interest expense was due to a lower volume of loan originations for the first quarter of 2018 compared to the first quarter of 2017, which resulted in decreased loan cost deferrals, most of which is salary and benefits, as well as 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 18.0% to $45.5 million in the first quarter of 2018 compared to $38.6 million in the first quarter of 2017. The increase in salaries and employee benefits was due primarily to (i) decreased loan cost deferrals as previously discussed and (ii) employees added as we continue to focus on expanding and enhancing our infrastructure in a number of important areas.

Our aggregate other operating expenses increased 28.8% to $34.2 million for the first quarter of 2018 compared to $26.5 million for the first quarter of 2017. These increases were primarily due to the growth of the Bank and the continued focus on expanding and enhancing our 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 37.9% for the first quarter of 2018 compared to 35.0% for the first quarter of 2017.

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

Non-Interest Expense

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Dollars in thousands)	
Salaries and employee benefits	$ 45,499	$ 38,554
Net occupancy and equipment	14,150	13,192
Other operating expenses:		
Professional and outside services	8,705	5,338
Postage and supplies	2,195	1,919
Advertising and public relations	1,331	1,190
Telecommunication services	3,197	3,970
Software and data processing	3,340	2,473
ATM expense	1,363	1,138
Travel and meals	2,153	1,855
FDIC insurance	2,700	1,000
FDIC and state assessments	862	742
Loan collection and repossession expense	790	1,302
Writedowns of foreclosed and other assets	151	596
Amortization of intangibles	3,145	3,145
Other	4,229	1,854
Total non-interest expense	$ 93,810	$ 78,268

Income Taxes

The provision for income taxes was $34.0 million for the first quarter of 2018 compared to $47.4 million for the first quarter of 2017. The effective income tax rate was 23.1% for the first quarter of 2018 compared to 34.7% for the first quarter of 2017. The decrease in the effective tax rate for the first quarter of 2018 compared to the first quarter of 2017 is primarily due to a reduction in the federal tax rate as a result of the Tax Act. The effective tax rates for each of these periods were also affected by adjustments to the state income tax apportionment factors based on changes in lending volumes in higher income tax rate states and municipalities, changes in certain non-deductible executive compensation expenses, excess tax benefits recognized upon the vesting of stock-based compensation and various other factors related to non-taxable income and non-deductible expenses.

During the fourth quarter of 2017, we filed with the Internal Revenue Service (the “Service”) two separate advance consent applications for change in accounting method to change our tax methods of accounting for our loan portfolio and our loan origination fees. Both applications require affirmative consent of the Service. Should the Service not provide affirmative consent to one or both applications, some portion or all of our current income tax receivable totaling approximately $200 million would be reclassified to a deferred income tax asset, would have to be revalued using a 21% federal income tax rate, and could have an adverse effect on our financial position and results of operation.

ANALYSIS OF FINANCIAL CONDITION

Loan Portfolio

At March 31, 2018, our total loan portfolio was $16.61 billion compared to $16.04 billion at December 31, 2017. 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 $13.35 billion at March 31, 2018 compared to $12.96 billion at December 31, 2017. The amount and type of loans outstanding as of the dates indicated, and their respective percentage of the total loan portfolio, are reflected in the following table.

Total Loan Portfolio

	March 31, 2018		December 31, 2017	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	$ 1,099,699	6.6%	$ 1,174,427	7.3%
Non-farm/non-residential	4,347,791	26.2	4,478,876	27.9
Construction/land development	7,187,863	43.3	6,648,061	41.5
Agricultural	156,133	0.9	150,003	0.9
Multifamily residential	556,133	3.4	508,514	3.2
Total real estate	13,347,619	80.4	12,959,881	80.8
Commercial and industrial	786,932	4.7	738,225	4.6
Consumer	1,651,567	9.9	1,472,593	9.2
Other	822,978	5.0	872,330	5.4
Total loans	$ 16,609,096	100.0%	$ 16,043,029	100.0%

Included in “other” loans at March 31, 2018 and December 31, 2017 are loans totaling approximately $777 million and $830 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 Call Report instructions, we underwrite these lending transactions based on the fundamentals of the underlying collateral, repayment sources and guarantors, among others, consistent with other similar lending transactions.

The amount and type of our total real estate loans at March 31, 2018, based on the metropolitan statistical area ("MSA") and other geographic areas in which the principal collateral is located, are reflected in the following table. Data for individual states and MSAs is separately presented when aggregate real estate loans in that state or MSA exceed $10.0 million.

Geographic Distribution of Total Real Estate Loans

	Residential 1-4 Family	Non-Farm/ Non-Residential	Construction/ Land Development	Agricultural	Multifamily Residential	Total
	(Dollars in thousands)					
New York:						
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 5,299	$ 473,237	$ 2,318,739	$ —	$ 116,414	$2,913,689
All other New York[1]	598	11,843	2,199	—	—	14,640
Total New York	5,897	485,080	2,320,938	—	116,414	2,928,329
Florida:						
Miami–Fort Lauderdale–West Palm Beach, FL MSA	66,089	290,016	845,576	392	23,428	1,225,501
Tampa–St. Petersburg–Clearwater, FL MSA	56,409	210,418	62,392	234	10,122	339,575
Orlando–Kissimmee–Sanford, FL MSA	6,161	63,971	168,298	—	55	238,485
North Port–Sarasota–Bradenton, FL MSA	33,037	55,245	15,132	3,748	768	107,930
Cape Coral–Fort Myers, FL MSA	16,091	42,459	27,819	—	8,734	95,103
Jacksonville, FL MSA	2,872	23,989	9,579	—	26,851	63,291
Crestview–Fort Walton Beach–Destin, FL MSA	5,804	36,999	153	111	—	43,067
Ocala, FL MSA	2,381	22,530	—	—	—	24,911
Punta Gorda, FL MSA	7,890	6,894	5,705	—	—	20,489
Sebastian–Vero Beach, FL MSA	16	16,311	—	—	1,429	17,756
Lakeland–Winter Haven, FL MSA	360	15,423	1,421	—	47	17,251
Naples–Immokalee–Marco Island, FL MSA	1,013	6,156	6,050	—	—	13,219
Deltona–Daytona Beach–Ormond Beach, FL MSA	271	11,338	1,591	—	—	13,200
Palm Bay–Melbourne–Titusville, FL MSA	219	5,782	284	—	4,161	10,446
All other Florida[1]	7,525	95,775	4,205	561	666	108,732
Total Florida	206,138	903,306	1,148,205	5,046	76,261	2,338,956
Texas:						
Dallas–Fort Worth–Arlington, TX MSA	56,464	255,641	466,531	174	20,210	799,020
Houston–The Woodlands–Sugar Land, TX MSA	14,031	84,116	200,210	—	91,342	389,699
Austin–Round Rock, TX MSA	15,864	41,947	77,096	—	45,817	180,724
College Station–Bryan, TX MSA	—	1,148	44,722	—	16,230	62,100
Texarkana, TX–AR MSA	9,279	5,569	590	348	1,179	16,965
San Antonio–New Braunfels, TX MSA	1,395	4,108	6,697	—	418	12,618
All other Texas[1]	722	42,257	3,410	649	187	47,225
Total Texas	97,755	434,786	799,256	1,171	175,383	1,508,351
Arkansas:						
Little Rock–North Little Rock–Conway, AR MSA	148,721	276,577	69,629	14,557	20,825	530,309
Fayetteville–Springdale–Rogers, AR–MO MSA	18,954	40,151	37,725	25,341	20,024	142,195
Hot Springs, AR MSA	49,080	72,313	15,202	1,652	2,727	140,974
Fort Smith, AR–OK MSA	26,406	58,146	8,628	3,887	12,227	109,294
Western Arkansas[2]	16,226	27,525	9,748	6,948	1,925	62,372
Southern Arkansas[3]	22,823	18,242	1,608	14,994	725	58,392
Northern Arkansas[4]	26,823	9,410	2,830	11,984	302	51,349
Jonesboro, AR MSA	2,884	5,824	1,640	—	289	10,637
All other Arkansas[1]	19,113	23,613	12,659	38,484	3,337	97,206
Total Arkansas	331,030	531,801	159,669	117,847	62,381	1,202,728

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)			
Georgia:						
Atlanta–Sandy Springs–Roswell, GA MSA	171,343	406,460	230,113	4,218	40,684	852,818
Savannah, GA MSA	4,154	42,613	3,199	—	—	49,966
Dalton, GA MSA	10,300	14,728	1,037	989	1,044	28,098
Gainesville, GA MSA	4,076	15,390	7,552	126	703	27,847
Athens–Clarke County, GA MSA	3,337	16,047	6,565	110	—	26,059
Macon, GA MSA	4,834	7,793	301	—	4,819	17,747
Brunswick, GA MSA	8,934	3,601	258	—	—	12,793
All other Georgia[(1)]	59,874	47,530	54,570	7,385	17,963	187,322
Total Georgia	266,852	554,162	303,595	12,828	65,213	1,202,650
California:						
Los Angeles–Long Beach–Anaheim, CA MSA	—	147,316	220,242	—	—	367,558
Sacramento–Roseville–Arden–Arcade, CA MSA	—	—	183,390	—	—	183,390
San Jose–Sunnyvale–Santa Clara, CA MSA	—	—	92,468	—	—	92,468
San Francisco–Oakland–Hayward, CA MSA	—	—	84,963	—	—	84,963
Stockton–Lodi, CA MSA	—	—	29,689	—	—	29,689
San Diego–Carlsbad, CA MSA	—	—	18,890	—	—	18,890
Riverside–San Bernardino–Ontario, CA MSA	—	—	13,536	—	—	13,536
All other California[(1)]	—	4,663	9,144	—	—	13,807
Total California	—	151,979	652,322	—	—	804,301
North Carolina:						
Charlotte–Concord–Gastonia, NC–SC MSA	44,860	131,254	120,484	1,934	6,500	305,032
Winston–Salem, NC MSA	39,802	29,365	4,561	—	1,499	75,227
North Carolina Foothills[(5)]	36,028	26,143	2,444	2,590	1,222	68,427
Greensboro–High Point, NC MSA	15,273	26,351	18,502	1,245	1,018	62,389
Wilmington, NC MSA	3,857	33,848	7,169	402	—	45,276
All other North Carolina[(1)]	10,160	18,950	76,490	—	97	105,697
Total North Carolina	149,980	265,911	229,650	6,171	10,336	662,048
Illinois:						
Chicago–Naperville–Elgin, IL–IN–WI MSA	—	26,148	422,972	—	2,120	451,240
All other Illinois[(1)]	—	3,616	—	—	—	3,616
Total Illinois	—	29,764	422,972	—	2,120	454,856
Colorado:						
Denver–Aurora–Lakewood, CO MSA	5	108,150	206,423	—	—	314,578
All other Colorado[(1)]	1,084	1,433	3,698	—	—	6,215
Total Colorado	1,089	109,583	210,121	—	—	320,793
Tennessee:						
Nashville–Davidson–Murfreesboro–Franklin, TN MSA	—	115,597	98,735	—	—	214,332
All other Tennessee[(1)]	1,765	13,899	238	—	—	15,902
Total Tennessee	1,765	129,496	98,973	—	—	230,234

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)			
South Carolina:						
Charleston–North Charleston, SC MSA	981	24,851	89,504	—	42	115,378
Columbia, SC MSA	496	28,106	433	—	608	29,643
Myrtle Beach–Conway–North Myrtle Beach, SC–NC MSA	2,889	8,654	7,092	—	23	18,658
Spartanburg, SC MSA	1,438	2,965	7,945	—	531	12,879
Hilton Head Island–Bluffton–Beaufort, SC MSA	3,810	7,823	808	—	—	12,441
Greenville–Anderson–Mauldin, SC MSA	5,325	2,448	4,574	—	—	12,347
All other South Carolina(1)	548	2,746	522	—	—	3,816
Total South Carolina	15,487	77,593	110,878	—	1,204	205,162
Seattle–Tacoma–Bellevue, WA MSA	—	—	165,344	—	—	165,344
Cayman Islands	—	142,479	—	—	—	142,479
Phoenix–Mesa–Scottsdale, AZ MSA	—	45,908	83,497	—	—	129,405
Alabama:						
Mobile, AL MSA	5,526	19,278	874	—	694	26,372
Birmingham–Hoover, AL MSA	101	—	21,372	—	—	21,473
Huntsville, AL MSA	—	16,223	1,813	—	—	18,036
All other Alabama(1)	14,136	3,789	4,511	471	3,093	26,000
Total Alabama	19,763	39,290	28,570	471	3,787	91,881
Urban Honolulu, HI MSA	—	—	90,605	—	—	90,605
Las Vegas–Henderson–Paradise, NV MSA	—	82,270	—	—	—	82,270
Providence–Warwick, RI–MA MSA	—	72,690	—	—	—	72,690
Oregon:						
Portland–Vancouver–Hillsboro, OR–WA MSA	—	—	39,040	—	12,701	51,741
Bend–Redmond, OR MSA	—	11,689	—	—	—	11,689
All other Oregon(1)	—	8,391	—	—	—	8,391
Total Oregon	—	20,080	39,040	—	12,701	71,821
Boston, MA MSA	—	—	70,501	—	—	70,501
Pennsylvania:						
Philadelphia–Camden–Wilmington, PA–NJ–DE–MD MSA	—	55,620	3,277	—	—	58,897
All other Pennsylvania(1)	—	8,567	—	—	—	8,567
Total Pennsylvania	—	64,187	3,277	—	—	67,464
Washington, DC / Virginia / Maryland:						
Washington–Arlington–Alexandria, DC–VA–MD–WV MSA	223	11,965	40,940	—	—	53,128
All other Virginia(1)	398	18,973	1,232	—	75	20,678
All other Maryland(1)	—	2,233	—	—	9,036	11,269
Total Washington, DC / Virginia / Maryland	621	33,171	42,172	—	9,111	85,075
Indiana:						
Indianapolis–Carmel–Anderson, IN MSA	—	2,349	51,054	—	—	53,403
All other Indiana	—	2,425	—	—	—	2,425
Total Indiana	—	4,774	51,054	—	—	55,828

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)			
Ohio:						
Cincinnati, OH–KY–IN MSA	—	24,150	—	—	—	24,150
Columbus, OH MSA	—	16,405	—	—	—	16,405
All other Ohio(1)	—	7,952	—	—	—	7,952
Total Ohio	—	48,507	—	—	—	48,507
Utah:						
Salt Lake City, UT MSA	—	1,140	30,281	—	—	31,421
All other Utah(1)	1,721	3,149	11,934	—	—	16,804
Total Utah	1,721	4,289	42,215	—	—	48,225
Kansas:						
Manhattan, KS MSA	—	—	39,847	—	—	39,847
All other Kansas(1)	—	1,156	—	—	—	1,156
Total Kansas	—	1,156	39,847	—	—	41,003
Minneapolis–St. Paul–Bloomington, MN MSA	—	29,984	5,726	—	—	35,710
Missouri:						
St. Louis, MO–IL MSA	7	377	—	—	19,387	19,771
All other Missouri(1)	358	11,033	3,584	156	—	15,131
Total Missouri	365	11,410	3,584	156	19,387	34,902
Louisiana:						
New Orleans, LA MSA	—	4,725	22,834	—	—	27,559
All other Louisiana(1)	80	1,958	118	—	—	2,156
Total Louisiana	80	6,683	22,952	—	—	29,715
Oklahoma	762	10,075	2,072	11,911	1,835	26,655
Trenton City, NJ MSA	—	—	19,392	—	—	19,392
Bridgeport, CT MSA	—	14,076	3,304	—	—	17,380
Mississippi	38	12,312	353	532	—	13,235
Bahamas	—	11,037	—	—	—	11,037
All other states(6)	356	19,952	17,779	—	—	38,087
Total Real Estate Loans	$1,099,699	$4,347,791	$ 7,187,863	$ 156,133	$ 556,133	$13,347,619

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

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

Total Non-Farm/Non-Residential Loans

	March 31, 2018		December 31, 2017	
	(Dollars in thousands)			
Hotels and motels	$ 1,269,810	29.2%	$ 1,236,012	27.6%
Office, including medical offices	652,474	15.0	686,396	15.3
Retail, including shopping centers and strip centers	512,680	11.8	540,450	12.1
Mixed use properties	342,677	7.9	355,279	7.9
Manufacturing and industrial facilities	332,350	7.6	427,710	9.6
Churches and schools	253,197	5.8	230,180	5.1
Nursing homes and assisted living centers	211,280	4.9	232,292	5.2
Restaurants and bars	162,162	3.7	147,322	3.3
Gasoline stations and convenience stores	105,855	2.4	101,704	2.3
Office warehouse, warehouse and mini-storage	47,007	1.1	44,592	1.0
Hospitals, surgery centers and other medical	46,717	1.1	46,887	1.0
Golf courses, entertainment and recreational facilities	34,841	0.8	32,257	0.7
Other non-farm/non-residential(1)	376,741	8.7	397,795	8.9
Total	$ 4,347,791	100.0%	$ 4,478,876	100.0%

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

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

Total Construction/Land Development Loans

	March 31, 2018		December 31, 2017	
	(Dollars in thousands)			
Unimproved land	$ 238,654	3.3%	$ 214,574	3.2%
Land development and lots:				
1-4 family residential and multifamily	519,832	7.2	423,413	6.4
Non-residential	662,135	9.2	712,479	10.7
Construction:				
1-4 family residential:				
Owner occupied	19,534	0.3	21,715	0.3
Non-owner occupied:				
Pre-sold	1,819,561	25.3	1,800,985	27.1
Speculative	156,737	2.2	163,470	2.5
Multifamily	1,800,171	25.0	1,487,432	22.4
Industrial, commercial and other	1,971,239	27.5	1,823,993	27.4
Total	$ 7,187,863	100.0%	$ 6,648,061	100.0%

Many of our construction and development loans provide for the use of interest reserves. When we underwrite construction and development loans, we consider the expected total project costs, including hard costs such as land, site work and construction costs and soft costs such as architectural and engineering fees, closing costs, leasing commissions and construction period interest. For any construction and development loan with interest reserves, we also consider the construction period interest in our underwriting process (otherwise, our underwriting of such loans with and without interest reserves is virtually identical). Based on the total project costs and other factors, we determine the required borrower cash equity contribution and the maximum amount we are willing to loan. In the vast majority of cases, we require that all of the borrower’s equity and all other required subordinated elements of the capital structure be fully funded prior to any significant loan advances. This ensures that the borrower’s cash equity required to complete the project will be available for such purposes. As a result of this practice, the borrower’s cash equity typically goes toward the purchase of the land and early stage hard costs and soft costs. This results in our funding the loan later as the project progresses, and accordingly, we typically fund the majority of the construction period interest through loan advances. Generally, as part of our underwriting process, we require the borrower’s cash equity to cover a majority, or all, of the soft costs, including an amount equal to construction period interest and an appropriate portion of the hard costs. While we advance interest reserves as part of the funding process, we believe that the borrowers have in most cases provided for these sums as part of their initial equity contribution. During the three months ended

March 31, 2018 and 2017, there were no situations where additional interest reserves were advanced on a loan to avoid such loan from becoming nonperforming, and at March 31, 2018 and December 31, 2017, we had no construction and development loans with interest reserves that were nonperforming.

During the first quarter of 2018 and 2017, we recognized approximately $61 million and $35 million, respectively, of interest income on construction and development loans from the advance of interest reserves. We advanced construction period interest on construction and development loans totaling approximately $56 million and $44 million in the first quarter of 2018 and 2017, respectively.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at March 31, 2018 was approximately $17.41 billion, of which $6.60 billion was outstanding at March 31, 2018 and $10.81 billion remained to be advanced. The weighted average loan-to-cost on such loans, assuming such loans are ultimately fully advanced, will be approximately 50%, which means that the weighted average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, will be approximately 50%. The weighted average final loan-to-value ratio on such loans, based on the most recent appraisals and assuming such loans are ultimately fully advanced, is expected to be approximately 43%.

The following table reflects total loans as of March 31, 2018 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	$ 951,597	$628,692	$634,914	$ 814,112	$1,605,434	$ 4,634,749
Floating rate (not at a floor or ceiling rate)	10,422,416	116,017	80,994	180,586	40,772	10,840,785
Floating rate (at floor rate) (1)	555,418	100,573	131,688	180,644	64,628	1,032,951
Floating rate (at ceiling rate)	100,565	5	5	36	—	100,611
Total	$12,029,996	$845,287	$847,601	$1,175,378	$1,710,834	$16,609,096
Percentage of total	72.4%	5.1%	5.1%	7.1%	10.3%	100.0%
Cumulative percentage of total	72.4%	77.5%	82.6%	89.7%	100.0%	

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

Most of our floating rate loans are tied to three major benchmark interest rates, the 1-month LIBOR, 3-month LIBOR and Wall Street Journal Prime interest rate. The following table is a summary of our floating rate loan portfolio and contractual interest rate indices at March 31, 2018.

Contractual Indices of Floating Rate Loans

Contractual Interest Rate Index	Floating Rate (at floor rate)	Floating Rate (not at a floor or ceiling rate)	Floating Rate (at ceiling rate)	Total Floating Rate
	(Dollars in thousands)			
1-month LIBOR	$ 294,893	$ 8,229,932	$ —	$ 8,524,825
3-month LIBOR	99,674	687,310	—	786,984
Wall Street Journal Prime	437,859	1,681,932	100,611	2,220,402
Other contractual interest rate indices	200,525	241,611	—	442,136
Total	$ 1,032,951	$ 10,840,785	$ 100,611	$ 11,974,347

Purchased Loans

As provided for under GAAP, management has up to 12 months following the date of the acquisition to finalize the fair values of acquired assets and assumed liabilities, including purchase 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").

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

Purchased Loans

	March 31, 2018	December 31, 2017
	(Dollars in thousands)	
Loans without evidence of credit deterioration at date of acquisition:		
Unpaid principal balance	$ 2,813,807	$ 3,181,293
Valuation discount	(41,083)	(47,422)
Carrying value	2,772,724	3,133,871
Loans with evidence of credit deterioration at date of acquisition:		
Unpaid principal balance	203,007	221,143
Valuation discount	(41,196)	(45,922)
Carrying value	161,811	175,221
Total carrying value	$ 2,934,535	$ 3,309,092

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

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands)	
Balance – beginning of period	$ 175,221	$ 241,619
Accretion	6,478	9,167
Transfers to foreclosed assets	(194)	(1,675)
Payments received	(19,564)	(14,378)
Charge-offs	(125)	(363)
Other activity, net	(5)	(891)
Balance – end of period	$ 161,811	$ 233,479

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

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Dollars in thousands)	
Accretable difference - beginning of period	$ 45,182	$ 65,152
Transfers to foreclosed assets	(9)	(245)
Purchased loans paid off	—	(352)
Cash flow revisions as a result of renewals and/or modifications	1,450	2,236
Accretion	(6,478)	(9,167)
Accretable difference - end of period	$ 40,145	$ 57,624

Nonperforming Assets

Non-Purchased Loans and Foreclosed Assets

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

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

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

Nonperforming Assets

	March 31, 2018	December 31, 2017
	(Dollars in thousands)	
Nonaccrual loans [1]	$ 12,471	$ 12,899
Accruing loans 90 days or more past due[1]	—	—
TDRs[1]	—	—
Total nonperforming loans[1]	12,471	12,899
Foreclosed assets [2]	21,931	25,357
Total nonperforming assets [1]	$ 34,402	$ 38,256
Nonperforming loans to total loans [1]	0.09%	0.10%
Nonperforming assets to total assets [1]	0.16	0.18

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

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

At March 31, 2018, we had reduced the carrying value of our non-purchased loans deemed impaired (all of which were included in nonaccrual loans) by $3.4 million to the estimated fair value of such loans of $11.2 million. The adjustment to reduce the carrying value of such impaired loans to estimated fair value consisted of $2.1 million of partial charge-offs and $1.3 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 $6.8 million of impaired purchased loans at March 31, 2018.

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

Foreclosed Assets

	March 31, 2018	December 31, 2017
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	$ 1,260	$ 1,378
Non-farm/non-residential	7,059	8,040
Construction/land development	13,512	15,493
Total real estate	21,831	24,911
Commercial and industrial	15	35
Consumer	85	411
Total foreclosed assets	$ 21,931	$ 25,357

The following table presents information concerning the geographic location of nonperforming assets, excluding purchased loans, at March 31, 2018. 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

March 31, 2018:	Nonperforming Loans	Foreclosed Assets and Repossessions	Total Nonperforming Assets
	(Dollars in thousands)		
Arkansas	$ 9,934	$ 7,857	$ 17,791
Florida	150	5,362	5,512
Texas	346	3,740	4,086
Georgia	921	3,025	3,946
North Carolina	228	1,813	2,041
Alabama	158	14	172
South Carolina	100	—	100
All other	634	120	754
Total	$ 12,471	$ 21,931	$ 34,402

Impaired Purchased Loans

At March 31, 2018 and December 31, 2017, we had identified purchased loans where we had determined it was probable that we would be unable to collect all amounts according to the contractual terms thereof (for purchased loans without evidence of credit deterioration at date of acquisition) or the expected performance of such loans had deteriorated from our performance expectations established in conjunction with the determination of the Day 1 Fair Values or since our most recent review of such portfolio's performance (for purchased loans with evidence of credit deterioration at date of acquisition). The following table presents a summary of such impaired purchased loans as of the dates indicated.

Impaired Purchased Loans

	March 31, 2018	December 31, 2017
	(Dollars in thousands)	
Impaired purchased loans without evidence of credit deterioration at date of acquisition (rated FV 77)	$ 2,131	$ 4,797
Impaired purchased loans with evidence of credit deterioration at date of acquisition (rated FV 88)	4,718	5,222
Total impaired purchased loans	$ 6,849	$ 10,019
Impaired purchased loans to total purchased loans	0.23%	0.30%

Allowance and Provision for Loan Losses

At March 31, 2018, our ALL was $98.1 million, including $96.5 million allocated to our non-purchased loans and $1.6 million allocated to our purchased loans, compared to $94.1 million at December 31, 2017, including $92.5 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 0.71% at March 31, 2018 compared to 0.73% at December 31, 2017. Excluding purchased loans, our ALL as a percentage of nonperforming loans was 774% at March 31, 2018 compared to 717% at December 31, 2017. 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, 2017.

In recent years, we have focused on loan transactions that include various combinations of (i) marquee properties, (ii) strong and capable sponsors or borrowers, (iii) low leverage, and (iv) defensive loan structure. At the same time, our loan portfolio has expanded throughout the United States and consists of a very diversified portfolio in terms of both product type and geographic location. We consider this product type and geographic diversification to be a substantial source of strength in regard to portfolio credit quality. Additionally, we have continued to focus on originating high quality loans at low leverage. At March 31, 2018, our ratios of weighted-average loan-to-cost and weighted-average loan-to-value on construction loans with interest reserves, assuming such loans are ultimately fully funded, were approximately 50% and approximately 43%, respectively. Each of these factors mentioned above has contributed to our favorable asset quality ratios and net charge-off ratios in recent years. In addition, these factors have also helped to contribute to recent decreases in our ratio of ALL to total non-purchased loans.

The provision for loan losses for the first quarter of 2018 was $5.6 million, including $5.2 million for non-purchased loans and $0.4 million for purchased loans, compared to $4.9 million for the first quarter of 2017, including $3.0 million for non-purchased loans and $1.9 million for purchased loans.

Our practice is to charge off any estimated loss as soon as we are able to identify and reasonably quantify such potential loss. Accordingly, only a small portion of our ALL is needed for potential losses on non-performing loans. Our ALL allocated to non-purchased loans as a percent of total non-purchased loans has decreased in recent quarters, primarily as a result of the low level of net charge-offs in recent years, our conservative underwriting practices, our product type and geographic diversification, general trends in recent years of lower loan-to-cost and loan-to-value ratios in our construction and development portfolio and generally favorable economic conditions in many of our markets. While we believe our ALL at March 31, 2018 and related provision for the first quarter of 2018 were appropriate, changing economic and other conditions may require future adjustments to the ALL or the amount of provision thereto.

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

Activity Within the Allowance for Loan Losses

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Dollars in thousands)	
Balance, beginning of period	$ 94,120	$ 76,541
Charge-offs of non-purchased loans:		
Real estate:		
Residential 1-4 family	(65)	(169)
Non-farm/non-residential	(135)	(6)
Construction/land development	(128)	(67)
Total real estate	(328)	(242)
Commercial and industrial	(397)	(902)
Consumer	(133)	(113)
Other	(826)	(492)
Total charge-offs of non-purchased loans	(1,684)	(1,749)
Recoveries of non-purchased loans previously charged off:		
Real estate:		
Residential 1-4 family	15	4
Non-farm/non-residential	134	11
Construction/land development	23	6
Agricultural	30	—
Total real estate	202	21
Commercial and industrial	26	91
Consumer	40	111
Other	243	209
Total recoveries of non-purchased loans previously charged off	511	432
Net charge-offs of non-purchased loans	(1,173)	(1,317)
Charge-offs of purchased loans	(1,045)	(2,787)
Recoveries of purchased loans previously charged off	628	854
Net charge-offs of purchased loans	(417)	(1,933)
Net charge-offs – total loans	(1,590)	(3,250)
Provision for loan losses:		
Non-purchased loans	5,150	3,000
Purchased loans	417	1,933
Total provision	5,567	4,933
Balance, end of period	$ 98,097	$ 78,224
ALL allocated to non-purchased loans	$ 96,497	$ 76,624
ALL allocated to purchased loans	1,600	1,600
Total ALL	$ 98,097	$ 78,224

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

Net Charge-off and ALL Ratios

	As of and for the Three Months Ended March 31, 2018	As of and for the Three Months Ended March 31, 2017	As of and for the Year Ended December 31, 2017
Net charge-offs of non-purchased loans to average non-purchased loans [(1)(2)]	0.04%	0.05%	0.06%
Net charge-offs of purchased loans to average purchased loans [(1)]	0.09	0.16	0.09
Net charge-offs of total loans to average total loans [(1)]	0.07	0.09	0.07
ALL for non-purchased loans to total non-purchased loans[(3)]	0.73	0.75	0.73
ALL for purchased loans to total purchased loans	0.05	0.03	0.05
ALL to total loans	0.59	0.53	0.59
ALL to nonperforming loans [(3)]	774%	692%	717%

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

Investment Securities AFS

At March 31, 2018 and December 31, 2017, 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 following table presents the amortized cost and estimated fair value of investment securities AFS as of the dates indicated. The Bank's investment in the "CRA qualified investment fund" includes shares held in a mutual fund that qualify under the Community Reinvestment Act of 1977 for community reinvestment purposes.

Investment Securities AFS

	March 31, 2018		December 31, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Obligations of state and political subdivisions	$ 649,520	$ 640,039	$ 661,446	$ 664,559
Mortgage-backed securities [(1)]	1,978,870	1,935,533	1,918,171	1,899,024
U.S. Government agency securities	27,730	26,978	29,792	29,233
CRA qualified investment fund	1,090	1,050	1,084	1,057
Total	$ 2,657,210	$ 2,603,600	$ 2,610,493	$ 2,593,873

(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 $4.1 million and gross unrealized losses of $57.7 million at March 31, 2018 and gross unrealized gains of $7.4 million and gross unrealized losses of $24.0 million at December 31, 2017. We believe that all unrealized losses on individual investment securities at March 31, 2018 and December 31, 2017 are the result of fluctuations in interest rates and do not reflect deterioration in the credit quality of these investments. Accordingly, we consider these unrealized losses to be temporary in nature. We do not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not be required to sell these investment securities before fair value recovers to amortized cost.

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

Unaccreted Discounts and Unamortized Premiums

	Amortized Cost	Unaccreted Discount	Unamortized Premium	Par Value
	(Dollars in thousands)			
March 31, 2018:				
Obligations of states and political subdivisions	$ 649,520	$ 1,502	$ (28,819)	$ 622,203
Mortgage-backed securities[1]	1,978,870	114	(56,574)	1,922,410
U.S. Government agency securities	27,730	—	(730)	27,000
CRA qualified investment fund	1,090	—	—	1,090
Total	$ 2,657,210	$ 1,616	$ (86,123)	$ 2,572,703
December 31, 2017:				
Obligations of states and political subdivisions	$ 661,446	$ 1,536	$ (29,990)	$ 632,992
Mortgage-backed securities[1]	1,918,171	81	(58,290)	1,859,962
U.S. Government agency securities	29,792	1	(793)	29,000
CRA qualified investment fund	1,084	—	—	1,084
Total	$ 2,610,493	$ 1,618	$ (89,073)	$ 2,523,038

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

We had no significant net gains or sales of investment securities during the first quarters of 2018 or 2017. During the first quarter of 2018 and 2017, respectively, investment securities totaling $134.9 million and $32.2 million matured, were called or were paid down by the issuer. We purchased $164.6 million in investment securities during the first quarter of 2018 compared to $21.9 million during the first quarter of 2017.

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

At March 31, 2018, 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 issues and believe that such security or its issuer has credit characteristics equivalent to those which would warrant an investment grade credit rating.

Deposits

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

Deposits

	March 31, 2018		December 31, 2017	
	(Dollars in thousands)			
Non-interest bearing	$ 2,783,095	15.6%	$ 2,726,623	15.9%
Interest bearing:				
Transaction (NOW)	4,009,722	22.5	4,303,108	25.0
Savings and money market	6,504,237	36.5	5,748,014	33.4
Time deposits less than $100	1,436,242	8.1	1,460,851	8.5
Time deposits of $100 or more	3,100,376	17.3	2,953,749	17.2
Total deposits	$ 17,833,672	100.0%	$ 17,192,345	100.0%

At March 31, 2018 brokered deposits totaled $1.15 billion, or 6.4% of total deposits, compared to $1.16 billion, or 6.8% of total deposits, at December 31, 2017.

We use brokered deposits, subject to certain limitations and requirements, as a source of funding to augment deposits generated from our branch network, which are our principal source of funding. Our board of directors has established policies and procedures with respect to the use of brokered deposits. Such policies and procedures require, among other things, that (i) we limit the amount of brokered deposits as a percentage of total deposits and (ii) our ALCO Committee ("ALCO"), which reports to the board of directors, monitor our use of brokered deposits on a regular basis, including interest rates and the total volume of such deposits in relation to our total liabilities. ALCO has typically approved the use of brokered deposits when such deposits are (i) from respected and stable funding sources and (ii) less costly to the Bank than the marginal cost of additional deposits generated from our branch network.

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

Deposits by State of Originating Office

Deposits Attributable to Offices In	March 31, 2018		December 31, 2017	
	(Dollars in thousands)			
Arkansas	$ 5,504,887	30.9%	$ 5,280,075	30.7%
Georgia	4,291,210	24.0	4,088,723	23.8
Florida	2,920,746	16.4	2,757,852	16.0
Texas	2,132,404	12.0	2,158,392	12.6
New York	1,814,876	10.2	1,765,957	10.3
North Carolina	950,604	5.3	927,635	5.4
Alabama	121,418	0.7	111,907	0.7
South Carolina	97,527	0.5	101,804	0.5
Total	$ 17,833,672	100.0%	$ 17,192,345	100.0%

Other Interest Bearing Liabilities

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

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

Average Balances and Rates of Other Interest Bearing Liabilities

	Three Months Ended March 31,			
	2018		2017	
	Average Balance	Rate Paid	Average Balance	Rate Paid
	(Dollars in thousands)			
Repurchase agreements with customers	$ 112,434	0.57%	$ 79,884	0.15%
Other borrowings	165,943	1.55	42,137	2.14
Subordinated notes	222,947	5.72	222,561	5.81
Subordinated debentures	118,864	4.73	118,300	4.05
Total other interest bearing liabilities	$ 620,188	3.48%	$ 462,882	4.05%

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources

Subordinated Notes. At March 31, 2018, we had $225 million in aggregate principal amount of 5.50% Fixed-to-Floating Rate Subordinated Notes due 2026 (the “Notes”). The Notes are unsecured, subordinated debt obligations and mature on July 1, 2026. From and including the date of issuance to, but excluding July 1, 2021, the Notes bear interest at an initial rate of 5.50% per annum. From and including July 1, 2021 to, but excluding the maturity date or earlier redemption, the Notes will bear interest at a floating rate equal to three-month LIBOR as calculated on each applicable date of determination plus a spread of 442.5 basis points; provided, however, that in the event three-month LIBOR is less than zero, then three-month LIBOR shall be deemed to be zero.

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

Subordinated Debentures. We own eight 100%-owned finance subsidiary business trusts – Ozark Capital Statutory Trust II (“Ozark II”), Ozark Capital Statutory Trust III (“Ozark III”), Ozark Capital Statutory Trust IV (“Ozark IV”), Ozark Capital Statutory Trust V (“Ozark V”), Intervest Statutory Trust II (“Intervest II”), Intervest Statutory Trust III (“Intervest III”), Intervest Statutory Trust IV (“Intervest IV”) and Intervest Statutory Trust V (“Intervest V”), (collectively, the “Trusts”). At March 31, 2018, we had the following issues of trust preferred securities and subordinated debentures owed to the Trusts.

	Subordinated Debentures Owed to Trust	Unamortized Discount at March 31, 2018	Carrying Value of Subordinated Debentures at March 31, 2018	Trust Preferred Securities of the Trusts	Contractual Interest Rate at March 31, 2018	Final Maturity Date
			(Dollars in thousands)			
Ozark II	$ 14,433	$ —	$ 14,433	$ 14,000	5.21%	September 29, 2033
Ozark III	14,434	—	14,434	14,000	4.67	September 25, 2033
Ozark IV	15,464	—	15,464	15,000	4.14	September 28, 2034
Ozark V	20,619	—	20,619	20,000	3.72	December 15, 2036
Intervest II	15,464	(433)	15,031	15,000	5.13	September 17, 2033
Intervest III	15,464	(502)	14,962	15,000	4.97	March 17, 2034
Intervest IV	15,464	(912)	14,552	15,000	4.60	September 20, 2034
Intervest V	10,310	(867)	9,443	10,000	3.77	December 15, 2036
	$ 121,652	$ (2,714)	$ 118,938	$ 118,000		

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

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

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

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

	March 31, 2018	March 31, 2017	December 31, 2017
	(Dollars in thousands)		
Total common stockholders' equity before noncontrolling interest	$ 3,526,605	$ 2,873,317	$ 3,460,728
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(45,107)	(57,686)	(48,251)
Total intangibles	(705,896)	(718,475)	(709,040)
Total tangible common stockholders' equity	$ 2,820,709	$ 2,154,842	$ 2,751,688
Total assets	$ 22,039,439	$ 19,152,212	$ 21,275,647
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(45,107)	(57,686)	(48,251)
Total intangibles	(705,896)	(718,475)	(709,040)
Total tangible assets	$ 21,333,543	$ 18,433,737	$ 20,566,607
Ratio of total common stockholders' equity to total assets	16.00%	15.00%	16.27%
Ratio of total tangible common stockholders' equity to total tangible assets	13.22%	11.69%	13.38%

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

	March 31, 2018	March 31, 2017	December 31, 2017
	(In thousands, except per share amounts)		
Total common stockholders' equity before noncontrolling interest	$ 3,526,605	$ 2,873,317	$ 3,460,728
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(45,107)	(57,686)	(48,251)
Total intangibles	(705,896)	(718,475)	(709,040)
Total tangible common stockholders' equity	$ 2,820,709	$ 2,154,842	$ 2,751,688
Shares of common stock outstanding	128,612	121,575	128,268
Book value per common share	$ 27.42	$ 23.63	$ 26.98
Tangible book value per common share	$ 21.93	$ 17.72	$ 21.45

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands)	
Net income available to common stockholders	$ 113,144	$ 89,188
Average common stockholders' equity before noncontrolling interest	$ 3,484,297	$ 2,826,832
Less average intangible assets:		
Goodwill	(660,789)	(660,151)
Core deposit and other intangible assets, net of accumulated amortization	(47,122)	(59,596)
Total average intangibles	(707,911)	(719,747)
Average tangible common stockholders' equity	$ 2,776,386	$ 2,107,085
Return on average common stockholders' equity (1)	13.17%	12.80%
Return on average tangible common stockholders' equity (1)	16.53%	17.17%

(1) Ratios annualized based on actual days.

Common Stock Dividend Policy. During the three months ended March 31, 2018, we paid a dividend of $0.19 per common share compared to $0.17 per common share in the three months ended March 31, 2017. On April 2, 2018, our board of directors approved a cash dividend of $0.195 per common share that was paid on April 20, 2018. 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, the Bank's ability to pay dividends to its shareholders is subject to the restrictions set forth in Arkansas law, by the Bank's federal regulator, and by certain covenants contained in the indentures governing the trust preferred securities, the subordinated debentures and the subordinated notes.

Capital Compliance

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

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

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

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

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

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

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

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

The following table presents actual and required capital ratios at March 31, 2018 and December 31, 2017 under the Basel III Rules. The minimum required capital amounts presented include the minimum required capital levels based on the current phase-in provisions of the Basel III Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Rules are fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Rules. At March 31, 2018 and December 31, 2017, capital levels exceed all minimum capital requirements under the Basel III Rules on a fully phased-in basis.

Regulatory Capital Ratios

	Actual		Minimum Capital Required – Basel III Phase-In Schedule		Minimum Capital Required – Basel III Fully Phased-In		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
	(Dollars in thousands)							
March 31, 2018:								
Common equity tier 1 to risk-weighted assets	$2,842,550	11.37%	$1,593,709	6.375%	$1,749,955	7.00%	$1,624,958	6.50%
Tier 1 capital to risk-weighted assets	2,842,550	11.37	1,968,700	7.875	2,124,946	8.50	1,999,949	8.00
Total capital to risk-weighted assets	3,283,647	13.13	2,468,687	9.875	2,624,933	10.50	2,499,936	10.00
Tier 1 leverage to average assets	2,842,550	13.80	823,992	4.00	823,992	4.00	1,029,990	5.00
December 31, 2017:								
Common equity tier 1 to risk-weighted assets	$2,753,656	11.17%	$1,417,572	5.75%	$1,725,740	7.00%	$1,602,473	6.50%
Tier 1 capital to risk-weighted assets	2,753,656	11.17	1,787,374	7.25	2,095,542	8.50	1,972,275	8.00
Total capital to risk-weighted assets	3,190,776	12.94	2,280,442	9.25	2,588,610	10.50	2,465,343	10.00
Tier 1 leverage to average assets	2,753,656	13.83	796,595	4.00	796,595	4.00	995,743	5.00

Liquidity

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

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

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

At March 31, 2018, we had $12.55 billion in unfunded balances on loans already closed, the vast majority of which is attributable to construction and development loans for which construction has commenced. In most cases the borrower's equity and all other required subordinated elements of the capital structure must be fully funded before we advance funds. Typically we are the last to advance funds and the first to be repaid. In many cases we do not advance funds on loans for many months after closing because the borrower's equity and other funding sources must fund first. This conservative practice for handling construction loans has led to the large unfunded balance of closed loans. As a result, we maintain a detailed 36-month forward funding forecast projecting all loan fundings and loan pay downs and pay offs. Our ability to project monthly net portfolio growth with a substantial degree of accuracy is an important part of our liquidity management process.

At March 31, 2018, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) $3.28 billion of available blanket borrowing capacity with the FHLB, (2) $1.39 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 $129 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.

At March 31, 2018, our investment portfolio totaled $2.61 billion and was comprised of a substantial volume of highly liquid, short duration U.S. Government agency mortgage-backed pass through securities that yield approximately 2.0 to 2.3%. These securities provide substantial on-balance sheet liquidity and carry a 20% risk-weighting for regulatory capital purposes.

Sources and Uses of Funds. Operating activities provided net cash of $123 million for the first quarter of 2018 and $142 million for the first quarter of 2017. 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 $608 million in the first quarter of 2018 and $215 million in the first quarter of 2017. The increase in net cash used by investing activities was primarily the result of growth in our non-purchased loan and investment portfolios during the first quarter of 2018 compared to the same period in 2017.

Financing activities provided $678 million in the first quarter of 2018 and $135 million in the first quarter of 2017. The increase in cash provided by financing activities is primarily the result of growth in deposits needed to fund the growth of interest earning assets during the first quarter of 2018 compared to the first quarter of 2017.

Off-Balance Sheet Commitments. We are party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments primarily include commitments to extend credit (most of which are in the form of unfunded balances on loans already closed) and standby letters of credit. See Note 7 to the Consolidated Financial Statements for more information about our outstanding commitments and contingencies as of March 31, 2018.

Growth and Expansion

De Novo Growth. In the first quarter of 2018, we relocated our Real Estate Specialties Group ("RESG") team in Dallas, Texas to a nearby, larger facility and opened a loan production office in Raleigh, North Carolina. During the remainder of 2018, we expect to (i) open loan production offices in Tyler, Texas and Alpharetta, Georgia, (ii) close a loan production office in Little Rock, Arkansas that was vacated by our former leasing operations, (iii) close RESG loan production offices in Houston and Austin, Texas and consolidate the business handled by those two offices into our Dallas, Texas RESG office, and (iv) open four retail banking offices, including one each in Madison, Tennessee, Jacksonville Beach, Florida, Fort Worth, Texas and Dallas, Texas.

We intend to continue our growth and *de novo* branching strategy in the future years through the opening of additional retail banking and loan production offices as our needs and resources permit. Opening new offices is subject to local banking market conditions, availability of suitable sites, hiring qualified personnel, obtaining regulatory and other approvals and many other conditions and contingencies that we cannot predict with certainty. We may increase or decrease our expected number of new office openings as a result of a variety of factors including our financial results, changes in economic or competitive conditions, strategic opportunities or other factors.

During the first quarter of 2018, we spent approximately $18 million on capital expenditures for premises and equipment. Our capital expenditures for the full year 2018 are expected to be in the range of $50 million to $60 million, including progress payments on construction projects expected to be completed in future periods, furniture and equipment costs and acquisition of sites for future development. Actual expenditures may vary significantly from those expected, depending on the number and cost of additional offices acquired or constructed and sites acquired for future development, progress or delays encountered on ongoing and new construction projects, delays in or inability to obtain required approvals, potential premises and equipment expenditures associated with acquisitions, if any, and other factors.

Future Growth Strategy. We expect to continue growing through both our *de novo* branching strategy and traditional acquisitions. With respect to our *de novo* branching strategy, future *de novo* branches are expected to be focused in states where we currently have banking offices and in larger markets and MSAs across the U.S. where we currently do not have retail banking offices and believe we can generate significant growth from one to three strategically located offices in each such market. With respect to acquisitions, we are seeking 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 14 to the Consolidated Financial Statements for a discussion of certain recently issued and recently adopted accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

The following table presents the earnings simulation model's projected impact of a change in interest rates on our projected baseline net interest income for the 12-month period commencing April 1, 2018. This change in interest rates assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve or the impact of any possible future acquisitions.

Shift in Interest Rates (in bps)	% Change in Projected Baseline Net Interest Income
+500	14.1%
+400	11.3
+300	8.6
+200	5.7
+100	2.9
-100	(4.0)
-200	Not meaningful
-300	Not meaningful
-400	Not meaningful
-500	Not meaningful

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

The Bank is a party to various claims, administrative and/or legal proceedings, as both plaintiff and defendant, arising in the ordinary course of business, including employment-related claims and claims of lender liability, broken promises, and other similar lending-related claims. While the ultimate resolution of these 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 future results of operations, financial condition, or liquidity of the Bank.

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, 2017 filed with the FDIC on February 27, 2018.

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

During the first quarter of 2018, the Bank issued an aggregate of 200,025 shares of common stock in connection with the exercise of stock options issued to certain participants under the Amended and Restated Stock Option Plan. The shares were issued in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933, because the sales involved securities issued by a bank.

During the first quarter of 2018, we issued an aggregate of 198,268 shares of restricted common stock to certain officers and employees pursuant to the Bank's Restricted Stock and Incentive Plan. We did not receive any cash consideration in connection with these restricted stock grants. These grants were exempt from registration pursuant to Section (3)(a)(2) of the Securities Act of 1933 because the grants involved securities issued by a bank.

During the first quarter of 2018, the Bank repurchased shares of its common stock in connection with equity incentive plan awards, as indicated in the following table.

Period	Total Number of Shares Repurchased(1)	Average Price Per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Program
January 1 - 31, 2018	70,931	$ 52.575	—	—
February 1 - 28, 2018	—	—	—	—
March 1 - 31, 2018	—	—	—	—
Total	70,931	$ 52.575	—	—

(1) 177,825 shares of our common stock issued to certain of our senior officers under our Amended and Restated Restricted Stock and Incentive Plan vested on January 13, 2018 and were no longer subject to the vesting restriction or substantial risk of forfeiture. We withheld 70,931 of such shares to satisfy federal and state tax withholding requirements related to the vesting of these shares.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURE

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

Bank of the Ozarks

DATE: May 8, 2018

/s/ Greg McKinney

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

Bank of the Ozarks

Exhibit Index

Exhibit Number	
2.1	Agreement and Plan of Merger among Bank of the Ozarks, Inc., Bank of the Ozarks, Community & Southern Holdings, Inc. and Community & Southern Bank, dated as of October 19, 2015 (previously filed as Exhibit 2.1 to the Bank's Quarterly Report on Form 10-Q filed with the FDIC on August 8, 2017 and incorporated herein by reference).
2.2	Agreement and Plan of Merger among Bank of the Ozarks, Inc., Bank of the Ozarks, C1 Financial, Inc. and C1 Bank, dated as of November 9, 2015 (previously filed as Exhibit 2.2 to the Bank's Quarterly Report on Form 10-Q filed with the FDIC on August 8, 2017 and incorporated herein by reference).
2.3	Agreement and Plan of Merger, dated April 10, 2017, by and between Bank of the Ozarks, Inc. and Bank of the Ozarks (previously filed as Exhibit 2.1 to the Bank's Current Report on Form 8-K filed with the FDIC on June 26, 2017 and incorporated herein by reference).
3.1	Amended and Restated Articles of Incorporation of Bank of the Ozarks (previously filed as Exhibit 3.1 to the Bank's Form 8-K filed with the FDIC on June 26, 2017 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Bank of the Ozarks (previously filed as Exhibit 3.2 to the Bank's Current Report on Form 8-K filed with the FDIC on June 26, 2017, and incorporated herein by this 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 June 26, 2017, and incorporated herein by reference).
10.1*	Bank of the Ozarks 2018 Executive Management Stock-Based Performance Plan (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on February 27, 2018, and incorporated herein by reference).
10.2*	Bank of the Ozarks 2018 Executive Management Cash-Based Performance Plan (previously filed as Exhibit 10.2 to the Bank's Current Report on Form 8-K filed with the FDIC on February 27, 2018, and incorporated herein by reference).
10.3*	Third Amended and Restated Non-Employee Director Stock Plan dated May 7, 2018 (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2018, and incorporated herein by reference).
10.4*	Form of Restricted Stock Award Agreement for grants under the Third Amended and Restated Non-Employee Director Stock Plan dated May 7, 2018 (previously filed as Exhibit 10.2 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2018, and incorporated herein by reference).
11.1	Earnings Per Share Computation (included in Note 3 to the Consolidated Financial Statements).
12.1	Computation of Ratios of Earnings to Fixed Charges, filed herewith.
31.1	Certification of Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes Oxley Act of 2002, filed herewith.
31.2	Certification of Chief Financial Officer and Chief Accounting Officer, pursuant to Section 302 of the Sarbanes Oxley Act of 2002, filed herewith.
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2	Certification of Chief Financial Officer and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.

*Management contract or a compensatory plan or arrangement.

Exhibit 12.1

Bank of the Ozarks
Calculation of Ratio of Earnings to Fixed Charges

The following table presents the calculation of the consolidated ratio of earnings to fixed charges for the periods presented.

	Three Months Ended March 31,	Years Ended December 31,				
	2018	2017	2016	2015	2014	2013
		(Dollars in thousands)				
Earnings:						
Add:						
Net income before income taxes	$ 147,106	$580,523	$ 424,358	$ 276,769	$ 172,447	$ 131,414
Fixed charges	40,025	116,360	61,813	28,041	21,225	18,831
Other	4	12	2	2	1	3
Less:						
Interest capitalized	(73)	(230)	(47)	(30)	(24)	(24)
Noncontrolling interest of subsidiaries	(11)	46	101	61	(18)	28
Earnings	$ 187,051	$696,711	$ 486,227	$ 304,843	$ 193,631	$ 150,252
Fixed Charges:						
Interest expense:						
Deposits	$ 34,392	$ 96,083	$ 48,593	$ 17,716	$ 8,566	$ 6,103
FHLB advances, subordinated notes and subordinated debentures	5,324	19,081	12,457	9,852	12,389	12,531
Interest capitalized	73	230	47	30	24	57
Estimated interest included within rental expense	236	966	716	443	246	140
Preferred dividend requirements	—	—	—	—	—	—
Fixed charges	$ 40,025	$116,360	$ 61,813	$ 28,041	$ 21,225	$ 18,831
Ratio of Earnings to Fixed Charges (including deposit interest)	4.67	5.99	7.87	10.87	9.12	7.98
Ratio of Earnings to Fixed Charges (excluding deposit interest)	27.10	29.62	33.10	27.81	14.62	11.33

The ratio of earnings to fixed charges is computed in accordance with item 503 of Regulation S-K by dividing (1) income before income taxes, fixed charges and amortization of capitalized interest, less interest capitalized and noncontrolling interest in income of subsidiaries that have not incurred fixed charges by (2) total fixed charges. For purposes of computing this ratio:

- fixed charges, including interest on deposits, include all interest expense, interest capitalized and the estimated portion of rental expense attributable to interest, net of income from subleases; and
- fixed charges, excluding interest on deposits, include interest expense (other than on deposits), interest capitalized and the estimated portion of rental expense attributable to interest, net of income from subleases.

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

Date: May 8, 2018

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

Date: May 8, 2018

/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 of the Ozarks (the Bank) on Form 10-Q for the period ended March 31, 2018, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, George Gleason, Chairman and Chief Executive Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

May 8, 2018

/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 of the Ozarks (the Bank) on Form 10-Q for the period ended March 31, 2018, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, Greg McKinney, Chief Financial Officer and Chief Accounting Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

May 8, 2018

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