# Section 1: 10-Q (FORM 10-Q)

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

# FORM 10-Q

(Mark one)

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

**For the quarterly period ended March 31, 2013**

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

**For the transition period from to .**

**Commission File Number 333-27641**

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

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

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

**None**
**(Title of Class)**

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 smaller reporting company or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Check one:

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

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 March 31, 2013 |
|---|---|
| **Common Stock, $0.01 par value per share** | **35,366,824** |

**BANK OF THE OZARKS, INC.**
**FORM 10-Q**
**March 31, 2013**

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**PART I. FINANCIAL INFORMATION**

Item 1. **Financial Statements**

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

| | Unaudited March 31, 2013 | Unaudited March 31, 2012 | December 31, 2012 |
|---|---|---|---|
| | (Dollars in thousands, except per share amounts) | | |
| **ASSETS** | | | |
| Cash and due from banks | $ 160,699 | $ 142,964 | $ 206,500 |
| Interest earning deposits | 1,876 | 798 | 1,467 |
| Cash and cash equivalents | 162,575 | 143,762 | 207,967 |
| Investment securities – available for sale (“AFS”) | 487,648 | 434,197 | 494,266 |
| Loans and leases | 2,157,771 | 1,889,756 | 2,115,834 |
| Purchased loans not covered by Federal Deposit Insurance Corporation (“FDIC”) loss share agreements (“purchased non-covered loans”) | 38,071 | 3,400 | 41,534 |
| Loans covered by FDIC loss share agreements (“covered loans”) | 544,268 | 755,761 | 596,239 |
| Allowance for loan and lease losses | (38,422) | (38,632) | (38,738) |
| Net loans and leases | 2,701,688 | 2,610,285 | 2,714,869 |
| FDIC loss share receivable | 132,699 | 239,724 | 152,198 |
| Premises and equipment, net | 227,458 | 202,266 | 225,754 |
| Foreclosed assets not covered by FDIC loss share agreements | 11,290 | 17,825 | 13,924 |
| Foreclosed assets covered by FDIC loss share agreements | 51,040 | 71,950 | 52,951 |
| Accrued interest receivable | 12,785 | 11,714 | 13,201 |
| Bank owned life insurance (“BOLI”) | 124,928 | 62,654 | 123,846 |
| Intangible assets, net | 11,258 | 11,698 | 11,827 |
| Other, net | 28,449 | 31,307 | 29,404 |
| Total assets | $3,951,818 | $3,837,382 | $4,040,207 |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** | | | |
| Deposits: | | | |
| Demand non-interest bearing | $ 588,841 | $ 491,191 | $ 578,528 |
| Savings and interest bearing transaction | 1,653,886 | 1,576,861 | 1,741,678 |
| Time | 748,345 | 859,010 | 780,849 |
| Total deposits | 2,991,072 | 2,927,062 | 3,101,055 |
| Repurchase agreements with customers | 30,714 | 43,686 | 29,550 |
| Other borrowings | 280,756 | 280,786 | 280,763 |
| Subordinated debentures | 64,950 | 64,950 | 64,950 |
| FDIC clawback payable | 25,384 | 24,796 | 25,169 |
| Accrued interest payable and other liabilities | 31,810 | 50,033 | 27,614 |
| Total liabilities | 3,424,686 | 3,391,313 | 3,529,101 |
| Commitments and contingencies | | | |
| Stockholders’ equity: | | | |
| Preferred stock; $0.01 par value; 1,000,000 shares authorized; no shares outstanding at March 31, 2013 and 2012 or at December 31, 2012 | 0 | 0 | 0 |
| Common stock; $0.01 par value; 50,000,000 shares authorized; 35,366,824, 34,570,630 and 35,271,724 shares issued and outstanding at March 31, 2013, March 31, 2012 and December 31, 2012, respectively | 354 | 346 | 353 |
| Additional paid-in capital | 76,102 | 53,784 | 73,043 |
| Retained earnings | 438,194 | 377,951 | 423,485 |
| Accumulated other comprehensive income | 9,029 | 10,565 | 10,783 |
| Total stockholders’ equity before noncontrolling interest | 523,679 | 442,646 | 507,664 |
| Noncontrolling interest | 3,453 | 3,423 | 3,442 |
| Total stockholders’ equity | 527,132 | 446,069 | 511,106 |
| Total liabilities and stockholders’ equity | $3,951,818 | $3,837,382 | $4,040,207 |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| | (Dollars in thousands, except per share amounts) | |
| Interest income: | | |
| Loans and leases | $ 29,880 | $ 28,208 |
| Purchased non-covered loans | 989 | 88 |
| Covered loans | 12,864 | 16,695 |
| Investment securities: | | |
| Taxable | 1,285 | 715 |
| Tax-exempt | 3,744 | 4,235 |
| Deposits with banks and federal funds sold | 7 | 2 |
| Total interest income | 48,769 | 49,943 |
| Interest expense: | | |
| Deposits | 1,546 | 2,915 |
| Repurchase agreements with customers | 7 | 21 |
| Other borrowings | 2,649 | 2,700 |
| Subordinated debentures | 428 | 474 |
| Total interest expense | 4,630 | 6,110 |
| Net interest income | 44,139 | 43,833 |
| Provision for loan and lease losses | (2,728) | (3,076) |
| Net interest income after provision for loan and lease losses | 41,411 | 40,757 |
| Non-interest income: | | |
| Service charges on deposit accounts | 4,722 | 4,693 |
| Mortgage lending income | 1,741 | 1,101 |
| Trust income | 883 | 774 |
| Bank owned life insurance income | 1,083 | 576 |
| Accretion of FDIC loss share receivable, net of amortization of FDIC clawback payable | 2,392 | 2,305 |
| Other income from loss share and purchased non-covered loans, net | 2,155 | 1,983 |
| Net gains on investment securities | 156 | 1 |
| Gains on sales of other assets | 1,974 | 1,555 |
| Other | 1,251 | 822 |
| Total non-interest income | 16,357 | 13,810 |
| Non-interest expense: | | |
| Salaries and employee benefits | 15,694 | 14,052 |
| Net occupancy and equipment | 4,514 | 3,878 |
| Other operating expenses | 9,023 | 10,677 |
| Total non-interest expense | 29,231 | 28,607 |
| Income before taxes | 28,537 | 25,960 |
| Provision for income taxes | 8,526 | 7,950 |
| Net income | 20,011 | 18,010 |
| Net income attributable to noncontrolling interest | (11) | (1) |
| Net income available to common stockholders | $ 20,000 | $ 18,009 |
| Basic earnings per common share | $ 0.57 | $ 0.52 |
| Diluted earnings per common share | $ 0.56 | $ 0.52 |
| Dividends declared per common share | $ 0.15 | $ 0.11 |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Net income | $20,011 | $18,010 |
| Other comprehensive income (loss): | | |
| Unrealized gains and losses on investment securities AFS | (2,729) | 2,039 |
| Tax effect of unrealized gains and losses on investment securities AFS | 1,069 | (800) |
| Reclassification of gains and losses on investment securities AFS included in net income | (156) | (1) |
| Tax effect of reclassification of gains and losses on investment securities AFS included in net income | 62 | 0 |
| Total other comprehensive income (loss) | (1,754) | 1,238 |
| Total comprehensive income | $18,257 | $19,248 |

See accompanying notes to consolidated financial statements.

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

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Non-Controlling Interest | Total |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| Balances – January 1, 2012 | $ 345 | $ 51,145 | $363,734 | $ 9,327 | $ 3,422 | $427,973 |
| Net income | 0 | 0 | 18,010 | 0 | 0 | 18,010 |
| Net income attributable to noncontrolling interest | 0 | 0 | (1) | 0 | 1 | 0 |
| Total other comprehensive income | 0 | 0 | 0 | 1,238 | 0 | 1,238 |
| Common stock dividends | 0 | 0 | (3,792) | 0 | 0 | (3,792) |
| Issuance of 106,750 shares of common stock for exercise of stock options | 1 | 1,692 | 0 | 0 | 0 | 1,693 |
| Tax benefit (expense) on exercise and forfeiture of stock options | 0 | 394 | 0 | 0 | 0 | 394 |
| Stock-based compensation expense | 0 | 553 | 0 | 0 | 0 | 553 |
| Balances – March 31, 2012 | $ 346 | $ 53,784 | $377,951 | $ 10,565 | $ 3,423 | $446,069 |
| Balances – January 1, 2013 | 353 | 73,043 | 423,485 | 10,783 | 3,442 | 511,106 |
| Net income | 0 | 0 | 20,011 | 0 | 0 | 20,011 |
| Net income attributable to noncontrolling interest | 0 | 0 | (11) | 0 | 11 | 0 |
| Total other comprehensive income (loss) | 0 | 0 | 0 | (1,754) | 0 | (1,754) |
| Common stock dividends | 0 | 0 | (5,291) | 0 | 0 | (5,291) |
| Issuance of 95,100 shares of common stock for exercise of stock options | 1 | 1,367 | 0 | 0 | 0 | 1,368 |
| Tax benefit (expense) on exercise and forfeiture of stock options | 0 | 700 | 0 | 0 | 0 | 700 |
| Stock-based compensation expense | 0 | 992 | 0 | 0 | 0 | 992 |
| Balances – March 31, 2013 | $ 354 | $ 76,102 | $438,194 | $ 9,029 | $ 3,453 | $527,132 |

See accompanying notes to consolidated financial statements

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

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Cash flows from operating activities: | | |
| Net income | $ 20,011 | $ 18,010 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation | 1,891 | 1,678 |
| Amortization | 568 | 509 |
| Net income attributable to noncontrolling interest | (11) | (1) |
| Provision for loan and lease losses | 2,728 | 3,076 |
| Provision for losses on foreclosed assets | 121 | 994 |
| Net amortization of investment securities AFS | 106 | 36 |
| Net gains on investment securities AFS | (156) | (1) |
| Originations of mortgage loans held for sale | (59,880) | (50,793) |
| Proceeds from sales of mortgage loans held for sale | 76,103 | 47,553 |
| Accretion of purchased non-covered loans and covered loans | (13,853) | (16,783) |
| Accretion of FDIC loss share receivable, net of amortization of FDIC clawback payable | (2,392) | (2,305) |
| Gains on sales of other assets | (1,974) | (1,555) |
| Deferred income tax expense (benefit) | 67 | (217) |
| Increase in cash surrender value of BOLI | (1,083) | (576) |
| Tax benefit on exercise of stock options | (700) | (582) |
| Stock-based compensation expense | 992 | 553 |
| Changes in assets and liabilities: | | |
| Accrued interest receivable | 416 | 1,155 |
| Other assets, net | 1,017 | 2,527 |
| Accrued interest payable and other liabilities | 7,374 | (11,736) |
| Net cash provided (used) by operating activities | 31,345 | (8,458) |
| Cash flows from investing activities: | | |
| Proceeds from sales of investment securities AFS | 999 | 2,449 |
| Proceeds from maturities/calls/paydowns of investment securities AFS | 39,540 | 7,794 |
| Purchases of investment securities AFS | (38,249) | (3,529) |
| Net (advances) repayments of loans and leases not covered by FDIC loss share agreements | (55,599) | 2,696 |
| Payments received on covered loans | 48,633 | 52,892 |
| Payments received from FDIC under loss share agreements | 22,565 | 46,117 |
| Other net decreases in covered assets and FDIC loss share receivable | 8,322 | 2,012 |
| Purchases of premises and equipment | (4,121) | (1,438) |
| Proceeds from sales of other assets | 13,294 | 12,859 |
| Cash invested in unconsolidated investments and noncontrolling interest | (72) | 0 |
| Net cash provided by investing activities | 35,312 | 121,852 |
| Cash flows from financing activities: | | |
| Net decrease in deposits | (109,983) | (16,857) |
| Net repayments of other borrowings | (7) | (21,061) |
| Net increase in repurchase agreements with customers | 1,164 | 10,876 |
| Proceeds from exercise of stock options | 1,368 | 1,693 |
| Tax benefit on exercise of stock options | 700 | 582 |
| Cash dividends paid on common stock | (5,291) | (3,792) |
| Net cash used by financing activities | (112,049) | (28,559) |
| Net (decrease) increase in cash and cash equivalents | (45,392) | 84,835 |
| Cash and cash equivalents – beginning of period | 207,967 | 58,927 |
| Cash and cash equivalents – end of period | $ 162,575 | $143,762 |

See accompanying notes to consolidated financial statements.

**BANK OF THE OZARKS, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
Unaudited

## 1. Organization and Principles of Consolidation

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

## 2. Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") in Article 10 of Regulation S-X and in accordance with the instructions to Form 10-Q and GAAP for interim financial information. Certain information, accounting policies and footnote disclosures normally included in complete financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2012.

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 presentation of the accompanying consolidated financial statements. Operating results for the three months ended March 31, 2013 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 presentation. These reclassifications had no impact on previously reported net income. Additionally, as provided for under GAAP, management has up to 12 months following the date of a business combination transaction to finalize the fair values of acquired assets and assumed liabilities. Once management has finalized the fair values of acquired assets and assumed liabilities within this 12-month period, management considers such values to be the day 1 fair values ("Day 1 Fair Values").

## 3. Pending Acquisition

On January 24, 2013, the Company entered into a definitive agreement and plan of merger (the "Agreement") with The First National Bank of Shelby ("First National Bank"), in Shelby, North Carolina, pursuant to which the Company expects to acquire all of the outstanding common stock of First National Bank in a transaction valued at approximately $67.8 million, including approximately $64.0 million of merger consideration for the outstanding common stock of First National Bank and approximately $3.8 million representing the value of real property which is being simultaneously purchased from parties related to First National Bank and on which certain First National Bank offices are located. At March 31, 2013, total assets of First National Bank were approximately $716 million.

Under the terms of the Agreement, each outstanding share of common stock of First National Bank will be converted, at the election of each First National Bank shareholder, into the right to receive shares of the Company's common stock, plus cash in lieu of any fractional share, or the right to receive cash, all subject to certain conditions and potential adjustments, provided that at least 51%, or approximately $32.6 million, of the merger consideration paid to First National Bank shareholders will consist of shares of the Company's common stock. The number of Company shares to be issued will be determined based on First National Bank shareholder elections and the Company's 10-day average closing stock price as of the fifth business day prior to the closing date, provided that, for purpose of determining the price of the Company's common stock, such stock shall be valued at not less than $27.00 per share and not more than $44.20 per share. Upon the closing of the transaction, First National Bank will merge into the Company's bank subsidiary. Completion of the transaction is subject to certain closing conditions, including customary regulatory approvals and the approval of the shareholders of First National Bank.

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## 4. Earnings Per Common Share ("EPS")

Basic EPS is computed by dividing reported earnings available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is computed by dividing reported earnings available to common stockholders by the weighted-average number of common shares outstanding after consideration of the dilutive effect, if any, of the Company's outstanding common stock options using the treasury stock method. Options to purchase 254,550 shares of the Company's common stock for the three months ended March 31, 2013 were excluded from the diluted EPS calculations as inclusion would have been antidilutive. No options to purchase shares of the Company's common stock for the three months ended March 31, 2012 were excluded from the diluted EPS calculation as all options were dilutive.

Basic and diluted EPS are computed as follows:

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| | (In thousands, except per share amounts) | |
| Numerator: | | |
| Distributed earnings allocated to common stock | $ 5,291 | $ 3,792 |
| Undistributed earnings allocated to common stock | 14,709 | 14,217 |
| Net earnings allocated to common stock | $ 20,000 | $ 18,009 |
| Denominator: | | |
| Denominator for basic EPS – weighted-average common shares | 35,322 | 34,537 |
| Effect of dilutive securities – stock options | 309 | 289 |
| Denominator for diluted EPS – weighted-average common shares and assumed conversions | 35,631 | 34,826 |
| Basic EPS | $ 0.57 | $ 0.52 |
| Diluted EPS | $ 0.56 | $ 0.52 |

## 5. Investment Securities

At March 31, 2013 and 2012 and at December 31, 2012, the Company classified all of its investment securities portfolio as AFS. Accordingly, its 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.

The following table presents the amortized cost and estimated fair value of investment securities as of the dates indicated. The Company's holdings of "other equity securities" include Federal Home Loan Bank of Dallas ("FHLB – Dallas"), Federal Home Loan Bank of Atlanta ("FHLB-Atlanta") and First National Banker's Bankshares, Inc. ("FNBB") shares, which do not have readily determinable fair values and are carried at cost.

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| **March 31, 2013:** | | | | |
| Obligations of state and political subdivisions | $366,753 | $ 14,441 | $ (958) | $380,236 |
| U.S. Government agency securities | 91,589 | 1,488 | (114) | 92,963 |
| Corporate obligations | 748 | 0 | 0 | 748 |
| Other equity securities | 13,701 | 0 | 0 | 13,701 |
| Total | $472,791 | $ 15,929 | $ (1,072) | $487,648 |
| **December 31, 2012:** | | | | |
| Obligations of state and political subdivisions | $345,224 | $ 16,586 | $ (293) | $361,517 |
| U.S. Government agency securities | 116,835 | 1,466 | (17) | 118,284 |
| Corporate obligations | 776 | 0 | 0 | 776 |
| Other equity securities | 13,689 | 0 | 0 | 13,689 |
| Total | $476,524 | $ 18,052 | $ (310) | $494,266 |
| **March 31, 2012:** | | | | |
| Obligations of state and political subdivisions | $355,113 | $ 15,847 | $ (552) | $370,408 |
| U.S. Government agency securities | 43,860 | 2,088 | 0 | 45,948 |
| Other equity securities | 17,841 | 0 | 0 | 17,841 |
| Total | $416,814 | $ 17,935 | $ (552) | $434,197 |

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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, 2013:** | | | | | | |
| Obligations of state and political subdivisions | $ 49,071 | $ 850 | $ 7,267 | $ 108 | $ 56,338 | $ 958 |
| U.S. Government agency securities | 21,436 | 114 | 0 | 0 | 21,436 | 114 |
| Total temporarily impaired securities | $ 70,507 | $ 964 | $ 7,267 | $ 108 | $ 77,774 | $ 1,072 |
| **December 31, 2012:** | | | | | | |
| Obligations of states and political subdivisions | $ 14,085 | $ 188 | $ 7,324 | $ 105 | $ 21,409 | $ 293 |
| U.S. Government agency securities | 14,320 | 17 | 0 | 0 | 14,320 | 17 |
| Total temporarily impaired securities | $ 28,405 | $ 205 | $ 7,324 | $ 105 | $ 35,729 | $ 310 |
| **March 31, 2012:** | | | | | | |
| Obligations of state and political subdivisions | $ 7,737 | $ 178 | $ 6,533 | $ 374 | $ 14,270 | $ 552 |
| Total temporarily impaired securities | $ 7,737 | $ 178 | $ 6,533 | $ 374 | $ 14,270 | $ 552 |

In evaluating the Company's unrealized loss positions for other-than-temporary impairment for the investment securities portfolio, management considers the credit quality of the issuer, the nature and cause of the unrealized loss, the severity and duration of the impairments and other factors. At March 31, 2013 management determined the unrealized losses were the result of fluctuations in interest rates and did not reflect deteriorations of the credit quality of the investments. Accordingly, management considers these unrealized losses to be temporary in nature. The Company does not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not be required to sell these investment securities before fair value recovers to amortized cost.

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

| | March 31, 2013 | |
|---|---|---|
| Maturity or Estimated Repayment | Amortized Cost | Estimated Fair Value |
| | (Dollars in thousands) | |
| One year or less | $ 45,313 | $ 45,634 |
| After one year to five years | 34,461 | 35,257 |
| After five years to ten years | 71,459 | 72,880 |
| After ten years | 321,558 | 333,877 |
| Total | $472,791 | $487,648 |

For purposes of this maturity distribution, all investment securities AFS are shown based on their contractual maturity date, except (i) FHLB – Dallas and FNBB stock with no contractual maturity date are shown in the longest maturity category and (ii) U.S. Government agency securities backed by residential mortgages are allocated among various maturities based on an estimated repayment schedule utilizing Bloomberg median prepayment speeds and interest rate levels at the measurement dates. 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.

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Sales activities in the Company's investment securities AFS for the periods indicated were as follows:

| | Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Sales proceeds | $ 999 | $ 2,449 |
| Gross realized gains | $ 156 | $ 1 |
| Gross realized losses | 0 | 0 |
| Net gains on investment securities | $ 156 | $ 1 |

## 6. Allowance for Loan and Lease Losses ("ALLL")

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

| | Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Beginning balance | $38,738 | $39,169 |
| Non-covered loans and leases charged off | (1,347) | (2,214) |
| Recoveries of non-covered loans and leases previously charged off | 331 | 127 |
| Net non-covered loans and leases charged off | (1,016) | (2,087) |
| Covered loans charged off | (2,028) | (1,526) |
| Net charge-offs – total loans and leases | (3,044) | (3,613) |
| Provision for loan and lease losses: | | |
| Non-covered loans and leases | 700 | 1,550 |
| Covered loans | 2,028 | 1,526 |
| Total provision | 2,728 | 3,076 |
| Ending balance | $38,422 | $38,632 |

At March 31, 2013 and 2012, the Company identified covered loans acquired in its FDIC-assisted acquisitions where 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. As a result the Company recorded partial charge-offs, net of adjustments to the FDIC loss share receivable and the FDIC clawback payable, totaling $2.0 million for such loans during the first quarter of 2013 and $1.5 million for such loans during the first quarter of 2012. The Company also recorded provision for loan and lease losses of $2.0 million during the first quarter of 2013 and $1.5 million during the first quarter of 2012 to cover such charge-offs. In addition to those net charge-offs, the Company also transferred certain of these covered loans to covered foreclosed assets. As a result, the Company had $51.2 million and $10.3 million, respectively, of impaired covered loans at March 31, 2013 and 2012.

As of and for the three months ended March 31, 2013 and 2012, the Company had no impaired purchased non-covered loans and recorded no charge-offs, partial charge-offs or provision for such loans.

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The following table is a summary of the Company's allowance for loan and lease losses as of and for the three months ended March 31, 2013 and 2012, and as of and for the year ended December 31, 2012.

| | Beginning Balance | Charge-offs | Recoveries | Provision | Ending Balance |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **Three months ended March 31, 2013:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 4,820 | $ (280) | $ 95 | $ (78) | $ 4,557 |
| Non-farm/non-residential | 10,107 | (41) | 102 | 893 | 11,061 |
| Construction/land development | 12,000 | (58) | 5 | (631) | 11,316 |
| Agricultural | 2,878 | 0 | 2 | 23 | 2,903 |
| Multifamily residential | 2,030 | 0 | 0 | (40) | 1,990 |
| Commercial and industrial | 3,655 | (716) | 9 | 113 | 3,061 |
| Consumer | 1,015 | (61) | 58 | 22 | 1,034 |
| Direct financing leases | 2,050 | (80) | 9 | 161 | 2,140 |
| Other | 183 | (111) | 51 | 237 | 360 |
| Covered loans | 0 | (2,028) | 0 | 2,028 | 0 |
| Total | $38,738 | $ (3,375) | $ 331 | $ 2,728 | $38,422 |
| **Year ended December 31, 2012:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 3,848 | $ (1,312) | $ 107 | $ 2,177 | $ 4,820 |
| Non-farm/non-residential | 12,203 | (1,226) | 18 | (888) | 10,107 |
| Construction/land development | 9,478 | (466) | 106 | 2,882 | 12,000 |
| Agricultural | 3,383 | (997) | 141 | 351 | 2,878 |
| Multifamily residential | 2,564 | 0 | 0 | (534) | 2,030 |
| Commercial and industrial | 4,591 | (1,323) | 35 | 352 | 3,655 |
| Consumer | 1,209 | (732) | 238 | 300 | 1,015 |
| Direct financing leases | 1,632 | (361) | 2 | 777 | 2,050 |
| Other | 261 | (219) | 8 | 133 | 183 |
| Covered loans | 0 | (6,195) | 0 | 6,195 | 0 |
| Total | $39,169 | $ (12,831) | $ 655 | $11,745 | $38,738 |
| **Three months ended March 31, 2012:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 3,848 | $ (383) | $ 14 | $ 1,480 | $ 4,959 |
| Non-farm/non-residential | 12,203 | (591) | 8 | (1,269) | 10,351 |
| Construction/land development | 9,478 | (305) | 7 | 1,864 | 11,044 |
| Agricultural | 3,383 | 0 | 8 | (265) | 3,126 |
| Multifamily residential | 2,564 | 0 | 0 | (565) | 1,999 |
| Commercial and industrial | 4,591 | (540) | 5 | (109) | 3,947 |
| Consumer | 1,209 | (147) | 47 | 39 | 1,148 |
| Direct financing leases | 1,632 | (124) | 0 | 309 | 1,817 |
| Other | 261 | (124) | 38 | 66 | 241 |
| Covered loans | 0 | (1,526) | 0 | 1,526 | 0 |
| Total | $39,169 | $ (3,740) | $ 127 | $ 3,076 | $38,632 |

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

| | Allowance for Loan and Lease Losses | | | Loans and Leases Excluding Purchased Non-Covered Loans and Covered Loans | | |
|---|---|---|---|---|---|---|
| | ALLL for Individually Evaluated Impaired Loans and Leases | ALLL for All Other Loans and Leases | Total ALLL | Individually Evaluated Impaired Loans and Leases | All Other Loans and Leases | Total Loans and Leases |
| | (Dollars in thousands) | | | | | |
| **March 31, 2013:** | | | | | | |
| Real estate: | | | | | | |
| Residential 1-4 family | $ 440 | $ 4,117 | $ 4,557 | $ 2,681 | $ 253,947 | $ 256,628 |
| Non-farm/non-residential | 36 | 11,025 | 11,061 | 3,166 | 820,525 | 823,691 |
| Construction/land development | 0 | 11,316 | 11,316 | 334 | 622,968 | 623,302 |
| Agricultural | 349 | 2,554 | 2,903 | 1,106 | 48,354 | 49,460 |
| Multifamily residential | 0 | 1,990 | 1,990 | 0 | 142,714 | 142,714 |
| Commercial and industrial | 661 | 2,400 | 3,061 | 853 | 126,889 | 127,742 |
| Consumer | 0 | 1,034 | 1,034 | 49 | 28,502 | 28,551 |
| Direct financing leases | 0 | 2,140 | 2,140 | 0 | 71,420 | 71,420 |
| Other | 2 | 358 | 360 | 15 | 34,248 | 34,263 |
| Total | $ 1,488 | $ 36,934 | $ 38,422 | $ 8,204 | $2,149,567 | $2,157,771 |
| **December 31, 2012:** | | | | | | |
| Real estate: | | | | | | |
| Residential 1-4 family | $ 518 | $ 4,302 | $ 4,820 | $ 2,906 | $ 269,146 | $ 272,052 |
| Non-farm/non-residential | 53 | 10,054 | 10,107 | 2,898 | 805,008 | 807,906 |
| Construction/land development | 7 | 11,993 | 12,000 | 542 | 578,234 | 578,776 |
| Agricultural | 254 | 2,624 | 2,878 | 985 | 49,634 | 50,619 |
| Multifamily residential | 0 | 2,030 | 2,030 | 0 | 141,243 | 141,243 |
| Commercial and industrial | 649 | 3,006 | 3,655 | 761 | 159,043 | 159,804 |
| Consumer | 0 | 1,015 | 1,015 | 33 | 29,748 | 29,781 |
| Direct financing leases | 0 | 2,050 | 2,050 | 0 | 68,022 | 68,022 |
| Other | 2 | 181 | 183 | 22 | 7,609 | 7,631 |
| Total | $ 1,483 | $ 37,255 | $ 38,738 | $ 8,147 | $2,107,687 | $2,115,834 |
| **March 31, 2012:** | | | | | | |
| Real estate: | | | | | | |
| Residential 1-4 family | $ 421 | $ 4,538 | $ 4,959 | $ 3,646 | $ 258,582 | $ 262,228 |
| Non-farm/non-residential | 72 | 10,279 | 10,351 | 2,840 | 741,508 | 744,348 |
| Construction/land development | 0 | 11,044 | 11,044 | 1,108 | 487,643 | 488,751 |
| Agricultural | 8 | 3,118 | 3,126 | 373 | 56,667 | 57,040 |
| Multifamily residential | 0 | 1,999 | 1,999 | 0 | 126,959 | 126,959 |
| Commercial and industrial | 768 | 3,179 | 3,947 | 1,625 | 107,025 | 108,650 |
| Consumer | 3 | 1,145 | 1,148 | 56 | 34,118 | 34,174 |
| Direct financing leases | 0 | 1,817 | 1,817 | 0 | 56,691 | 56,691 |
| Other | 2 | 239 | 241 | 20 | 10,895 | 10,915 |
| Total | $ 1,274 | $ 37,358 | $ 38,632 | $ 9,668 | $1,880,088 | $1,889,756 |

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

| | Satisfactory | Moderate | Watch | Substandard | Total |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **March 31, 2013:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family [(1)] | $ 249,396 | $ 0 | $ 1,641 | $ 5,591 | $ 256,628 |
| Non-farm/non-residential | 665,298 | 97,517 | 48,170 | 12,706 | 823,691 |
| Construction/land development | 438,742 | 134,417 | 35,128 | 15,015 | 623,302 |
| Agricultural | 25,658 | 11,111 | 9,662 | 3,029 | 49,460 |
| Multifamily residential | 109,268 | 32,268 | 399 | 779 | 142,714 |
| Commercial and industrial | 96,163 | 27,126 | 2,355 | 2,098 | 127,742 |
| Consumer [(1)] | 27,919 | 0 | 204 | 428 | 28,551 |
| Direct financing leases | 70,187 | 1,233 | 0 | 0 | 71,420 |
| Other [(1)] | 32,357 | 1,584 | 261 | 61 | 34,263 |
| Total | $1,714,988 | $305,256 | $ 97,820 | $ 39,707 | $2,157,771 |
| **December 31, 2012:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family [(1)] | $ 263,737 | $ 0 | $ 3,146 | $ 5,169 | $ 272,052 |
| Non-farm/non-residential | 649,494 | 109,429 | 38,231 | 10,752 | 807,906 |
| Construction/land development | 395,821 | 130,057 | 37,069 | 15,829 | 578,776 |
| Agricultural | 25,854 | 12,105 | 9,509 | 3,151 | 50,619 |
| Multifamily residential | 112,360 | 24,092 | 4,009 | 782 | 141,243 |
| Commercial and industrial | 121,898 | 31,338 | 3,950 | 2,618 | 159,804 |
| Consumer [(1)] | 29,079 | 0 | 424 | 278 | 29,781 |
| Direct financing leases | 66,657 | 1,365 | 0 | 0 | 68,022 |
| Other [(1)] | 6,116 | 1,204 | 239 | 72 | 7,631 |
| Total | $1,671,016 | $309,590 | $ 96,577 | $ 38,651 | $2,115,834 |
| **March 31, 2012:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family[(1)] | $ 253,977 | $ 0 | $ 2,025 | $ 6,226 | $ 262,228 |
| Non-farm/non-residential | 568,098 | 104,520 | 54,920 | 16,810 | 744,348 |
| Construction/land development | 281,536 | 159,588 | 40,861 | 6,766 | 488,751 |
| Agricultural | 30,397 | 11,826 | 7,491 | 7,326 | 57,040 |
| Multifamily residential | 79,165 | 43,271 | 3,734 | 789 | 126,959 |
| Commercial and industrial | 85,783 | 15,190 | 3,472 | 4,205 | 108,650 |
| Consumer[(1)] | 33,195 | 0 | 496 | 483 | 34,174 |
| Direct financing leases | 54,699 | 1,673 | 24 | 295 | 56,691 |
| Other[(1)] | 8,645 | 1,826 | 296 | 148 | 10,915 |
| Total | $1,395,495 | $337,894 | $113,319 | $ 43,048 | $1,889,756 |

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

The Company's credit quality indicators consist of an internal grading system used to assign grades to all loans and leases except residential 1-4 family loans, consumer loans, covered loans, purchased non-covered loans and certain other loans. The grade for each individual loan or lease is determined by the account officer and other approving officers at the time the loan or lease is made and changed from time to time to reflect an ongoing assessment of loan or lease risk. Grades are reviewed on specific loans and leases from time to time by senior management and as part of the Company's internal loan review process. These risk elements include the following: (1) for non-farm/non-residential, multifamily residential, and agricultural real estate loans, the debt service coverage ratio (income from the property in excess of operating expenses compared to loan repayment requirements), operating results of the owner in the case of owner-occupied properties, the loan-to-value ratio, the age, condition, value, nature and marketability of the collateral and the specific risks and volatility of income, property value and operating results typical of properties of that type; (2) for construction and land development loans, the perceived feasibility of the project including the ability to sell developed lots or improvements constructed for resale or ability to lease property constructed for lease, the quality and nature of contracts for presale or preleasing, if any, experience and ability of the developer and loan-to-value and loan-to-cost ratios; (3) for commercial and industrial loans and leases, the operating results of the commercial, industrial or professional enterprise, the borrower's or lessee's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in the applicable industry and the age, condition, value, nature and marketability of collateral; and (4) for other loans and leases, the operating results, experience and ability of the borrower or lessee, historical and expected market conditions and the age, condition, value, nature and marketability of the collateral. In addition, for each category the Company considers secondary sources of income and the financial strength of the borrower or lessee and any guarantors. The following categories of credit quality indicators are used by the Company.

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

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

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

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

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

| | FV 1 | FV 2 | Total Covered Loans |
|---|---|---|---|
| | | (Dollars in thousands) | |
| **March 31, 2013:** | | | |
| Real estate: | | | |
| Residential 1-4 family | $138,427 | $ 5,872 | $144,299 |
| Non-farm/non-residential | 239,511 | 25,485 | 264,996 |
| Construction/land development | 73,589 | 18,700 | 92,289 |
| Agricultural | 17,162 | 1,001 | 18,163 |
| Multifamily residential | 9,755 | 142 | 9,897 |
| Commercial and industrial | 13,317 | 0 | 13,317 |
| Consumer | 352 | 43 | 395 |
| Other | 912 | 0 | 912 |
| Total | $493,025 | $51,243 | $544,268 |
| **December 31, 2012:** | | | |
| Real estate: | | | |
| Residential 1-4 family | $146,687 | $ 5,661 | $152,348 |
| Non-farm/non-residential | 271,705 | 16,399 | 288,104 |
| Construction/land development | 90,321 | 14,766 | 105,087 |
| Agricultural | 18,937 | 753 | 19,690 |
| Multifamily residential | 9,871 | 830 | 10,701 |
| Commercial and industrial | 18,495 | 1 | 18,496 |
| Consumer | 123 | 53 | 176 |
| Other | 1,637 | 0 | 1,637 |
| Total | $557,776 | $38,463 | $596,239 |
| **March 31, 2012:** | | | |
| Real estate: | | | |
| Residential 1-4 family | $187,960 | $ 1,902 | $189,862 |
| Non-farm/non-residential | 356,939 | 3,651 | 360,590 |
| Construction/land development | 132,741 | 4,690 | 137,431 |
| Agricultural | 23,435 | 70 | 23,505 |
| Multifamily residential | 15,876 | 0 | 15,876 |
| Commercial and industrial | 26,606 | 0 | 26,606 |
| Consumer | 854 | 0 | 854 |
| Direct financing leases | 0 | 0 | 0 |
| Other | 1,037 | 0 | 1,037 |
| Total | $745,448 | $10,313 | $755,761 |

For covered loans, management separately monitors this portfolio and periodically reviews loans contained within this portfolio against the factors and assumptions used in determining the Day 1 Fair Values. To the extent that a loan is performing in accordance with management's expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is rated FV 1, is not included in any of the Company's credit quality ratios, is not considered to be an impaired loan and is not considered in the determination of the required allowance for loan and lease losses. To the extent that a loan's performance has deteriorated from management's expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is rated FV 2, is included in certain of the Company's credit quality metrics, is generally considered an impaired loan, and is considered in the determination of the required level of allowance for loan and lease losses. At March 31, 2013 and 2012 and December 31, 2012, the Company had no allowance for its covered loans because all losses had been charged off on covered loans whose performance had deteriorated from management's expectations established in conjunction with the determination of the Day 1 Fair Values.

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

| | Purchased Non-Covered Loans Without Evidence of Credit Deterioration at Acquisition | | | | | Purchased Non-Covered Loans With Evidence of Credit Deterioration at Acquisition | | Total Purchased Non-Covered Loans |
|---|---|---|---|---|---|---|---|---|
| | FV 33 | FV 44 | FV 55 | FV 36 | FV 77 | FV 66 | FV 88 | |
| | (Dollars in thousands) | | | | | | | |
| **March 31, 2013:** | | | | | | | | |
| Real estate | $4,841 | $ 9,292 | $ 8,656 | $1,218 | $ 0 | $ 4,011 | $ 0 | $ 28,018 |
| Commercial and industrial | 325 | 1,485 | 1,166 | 375 | 0 | 640 | 0 | 3,991 |
| Consumer | 728 | 140 | 67 | 1,246 | 0 | 1,310 | 0 | 3,491 |
| Other | 159 | 114 | 88 | 2,020 | 0 | 190 | 0 | 2,571 |
| Total | $6,053 | $11,031 | $ 9,977 | $4,859 | $ 0 | $ 6,151 | $ 0 | $ 38,071 |
| **December 31, 2012:** | | | | | | | | |
| Real estate | $5,042 | $10,218 | $ 8,705 | $1,229 | $ 0 | $ 4,089 | $ 0 | $ 29,283 |
| Commercial and industrial | 576 | 1,802 | 1,788 | 384 | 0 | 783 | 0 | 5,333 |
| Consumer | 857 | 231 | 79 | 1,341 | 0 | 1,660 | 0 | 4,168 |
| Other | 222 | 110 | 102 | 2,071 | 0 | 245 | 0 | 2,750 |
| Total | $6,697 | $12,361 | $10,674 | $5,025 | $ 0 | $ 6,777 | $ 0 | $ 41,534 |
| **March 31, 2012:** | | | | | | | | |
| Real estate | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 65 | $ 0 | $ 65 |
| Commercial and industrial | 0 | 0 | 0 | 0 | 0 | 309 | 0 | 309 |
| Consumer | 0 | 0 | 0 | 0 | 0 | 2,985 | 0 | 2,985 |
| Other | 0 | 0 | 0 | 0 | 0 | 41 | 0 | 41 |
| Total | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 3,400 | $ 0 | $ 3,400 |

At the time of acquisition of purchased non-covered loans, management individually evaluates substantially all loans acquired in the transaction. For those purchased loans without evidence of credit deterioration, management evaluates each reviewed loan using an internal grading system with a grade assigned to each loan at the date of acquisition. The grade for each purchased non-covered loan is reviewed subsequent to the date of acquisition any time a loan is renewed or extended or at any time information becomes available to the Company that provides material insight regarding the loan's performance, the borrower or the underlying collateral. To the extent that a loan is performing in accordance with management's initial expectations, such loan is not considered impaired and is not considered in the determination of the required allowance for loan and lease losses. To the extent that current information indicates it is probable that the Company will not be able to collect all amounts according to the contractual terms thereon, such loan is considered impaired and is considered in the determination of the required level of allowance for loan and lease losses.

The following grades are used for purchased non-covered loans without evidence of credit deterioration.

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.

In determining the Day 1 Fair Values of purchased non-covered loans without evidence of credit deterioration at the date of acquisition, management includes (i) no carry over of any previously recorded allowance for loan losses and (ii) an adjustment of the unpaid principal balance to reflect an appropriate market rate of interest, given the risk profile and grade assigned to each loan. This adjustment will be accreted into earnings as an adjustment to the yield on purchased non-covered loans, using the effective yield method, over the remaining life of each loan.

Purchased non-covered loans that contain evidence of credit deterioration on the date of purchase are accounted for in accordance with the provisions of GAAP applicable to loans acquired with deteriorated credit quality. At the time such purchased non-covered loans with evidence of credit deterioration are acquired, management individually evaluates each loan to determine the estimated fair value of each loan. This evaluation includes no carryover of any previously recorded allowance for loan and lease losses. In determining the estimated fair value of purchased non-covered loans with evidence of credit deterioration, management considers a number of factors including, among other things, the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, estimated holding periods, and net present value of cash flows expected to be received.

Management separately monitors purchased non-covered loans with evidence of credit deterioration on the date of purchase and periodically reviews such loans contained within this portfolio against the factors and assumptions used in determining the Day 1 Fair Values. A loan is reviewed (i) any time it is renewed or extended, (ii) at any other time additional information becomes available to the Company that provides material additional insight regarding the loan’s performance, the status of the borrower, or the quality or value of the underlying collateral, or (iii) in conjunction with the annual review of projected cash flows of each acquired portfolio. Management separately reviews, on an annual basis, the performance of the portfolio of purchased non-covered loans with evidence of credit deterioration, or more frequently to the extent that material information becomes available regarding the performance of an individual loan, to make determinations of the constituent loans’ performance and to consider whether there has been any significant change in performance since management’s initial expectations established in conjunction with the determination of the Day 1 Fair Values. To the extent that a loan is performing in accordance with or exceeding management’s performance expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is rated FV 66, is not included in any of the credit quality ratios, is not considered to be a nonaccrual or impaired loan, and is not considered in the determination of the required allowance for loan and lease losses. To the extent that a loan’s performance has deteriorated from management’s expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is rated FV 88, is included in certain of the Company’s credit quality metrics, is generally considered an impaired loan, and is considered in the determination of the required level of allowance for loan and lease losses. Any improvement in the expected performance of such loan would result in a reversal of the provision for loan and lease losses to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income

The Company had no loans rated FV 88 at March 31, 2013 and 2012 or December 31, 2012. Additionally, the Company had no allowance for its purchased non-covered loans at March 31, 2013 and 2012 or December 31, 2012 as (i) all such loans were performing in accordance with management’s expectations established in conjunction with the determination of the Day 1 Fair Values or (ii) all purchased non-covered loans with losses had been fully charged off.

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The following table is a summary of impaired loans and leases, excluding purchased non-covered loans and covered loans, as of and for the three months ended March 31, 2013.

| | Principal Balance | Net Charge-offs to Date | Principal Balance, Net of Charge-offs | Specific Allowance | Weighted Average Carrying Value |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| **March 31, 2013:** | | | | | |
| Impaired loans and leases for which there is a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 3,046 | $ (1,688) | $ 1,358 | $ 440 | $ 1,513 |
| Non-farm/non-residential | 175 | (8) | 167 | 36 | 185 |
| Construction/land development | 90 | (90) | 0 | 0 | 25 |
| Agricultural | 711 | (12) | 699 | 349 | 629 |
| Commercial and industrial(1) | 2,323 | (1,723) | 600 | 661 | 581 |
| Consumer | 12 | (12) | 0 | 0 | 0 |
| Other | 257 | (247) | 10 | 2 | 10 |
| Total impaired loans and leases with a related ALLL | 6,614 | (3,780) | 2,834 | 1,488 | 2,943 |
| Impaired loans and leases for which there is not a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | 1,534 | (211) | 1,323 | 0 | 1,281 |
| Non-farm/non-residential | 3,606 | (607) | 2,999 | 0 | 2,848 |
| Construction/land development | 466 | (132) | 334 | 0 | 412 |
| Agricultural | 610 | (203) | 407 | 0 | 416 |
| Multifamily residential | 133 | (133) | 0 | 0 | 0 |
| Commercial and industrial | 678 | (425) | 253 | 0 | 226 |
| Consumer | 72 | (23) | 49 | 0 | 40 |
| Other | 25 | (20) | 5 | 0 | 9 |
| Total impaired loans and leases without a related ALLL | 7,124 | (1,754) | 5,370 | 0 | 5,232 |
| Total impaired loans and leases | $13,738 | $ (5,534) | $ 8,204 | $ 1,488 | $ 8,175 |

(1) Includes $83,000 of specific allowance related to the unfunded portion of an unexpired letter of credit for a previous customer of the Bank.

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The following table is a summary of impaired loans and leases, excluding purchased non-covered loans and covered loans, as of and for the year ended December 31, 2012.

| | Principal Balance | Net Charge-offs to Date | Principal Balance, Net of Charge-offs | Specific Allowance | Weighted Average Carrying Value – Year Ended December 31, 2012 |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **December 31, 2012:** | | | | | |
| Impaired loans and leases for which there is a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 3,316 | $ (1,648) | $ 1,668 | $ 518 | $ 1,622 |
| Non-farm/non-residential | 203 | 0 | 203 | 53 | 234 |
| Construction/land development | 141 | (90) | 51 | 7 | 38 |
| Agricultural | 632 | (73) | 559 | 254 | 291 |
| Commercial and industrial(1) | 2,085 | (1,523) | 562 | 649 | 620 |
| Consumer | 15 | (12) | 3 | 0 | 8 |
| Other | 223 | (213) | 10 | 2 | 24 |
| Total impaired loans and leases with a related ALLL | 6,615 | (3,559) | 3,056 | 1,483 | 2,837 |
| Impaired loans and leases for which there is not a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | 1,531 | (293) | 1,238 | 0 | 1,721 |
| Non-farm/non-residential | 3,363 | (668) | 2,695 | 0 | 2,432 |
| Construction/land development | 628 | (137) | 491 | 0 | 600 |
| Agricultural | 733 | (307) | 426 | 0 | 374 |
| Multifamily residential | 133 | (133) | 0 | 0 | 0 |
| Commercial and industrial | 614 | (415) | 199 | 0 | 426 |
| Consumer | 50 | (20) | 30 | 0 | 31 |
| Other | 65 | (53) | 12 | 0 | 13 |
| Total impaired loans and leases without a related ALLL | 7,117 | (2,026) | 5,091 | 0 | 5,597 |
| Total impaired loans and leases | $13,732 | $ (5,585) | $ 8,147 | $ 1,483 | $ 8,434 |

(1) Includes $95,000 of specific allowance related to the unfunded portion of an unexpired letter of credit for a previous customer of the Bank.

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The following table is a summary of impaired loans and leases, excluding purchased non-covered loans and covered loans, as of and for the three months ended March 31, 2012.

| | Principal Balance | Net Charge-offs to Date | Principal Balance, Net of Charge-offs | Specific Allowance | Weighted Average Carrying Value |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **March 31, 2012:** | | | | | |
| Impaired loans and leases for which there is a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 3,101 | $ (1,651) | $ 1,450 | $ 421 | $ 1,488 |
| Non-farm/non-residential | 273 | 0 | 273 | 72 | 1,528 |
| Construction/land development | 171 | (171) | 0 | 0 | 74 |
| Agricultural | 94 | (12) | 82 | 8 | 41 |
| Commercial and industrial(1) | 2,475 | (1,767) | 708 | 768 | 1,003 |
| Consumer | 54 | (32) | 22 | 3 | 48 |
| Other | 46 | (35) | 11 | 2 | 10 |
| Total impaired loans and leases with a related ALLL | 6,214 | (3,668) | 2,546 | 1,274 | 4,192 |
| Impaired loans and leases for which there is not a related ALLL: | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | 3,001 | (805) | 2,196 | 0 | 1,955 |
| Non-farm/non-residential | 3,143 | (576) | 2,567 | 0 | 1,810 |
| Construction/land development | 3,583 | (2,475) | 1,108 | 0 | 1,980 |
| Agricultural | 471 | (180) | 291 | 0 | 514 |
| Multifamily residential | 133 | (133) | 0 | 0 | 0 |
| Commercial and industrial | 1,478 | (561) | 917 | 0 | 505 |
| Consumer | 91 | (57) | 34 | 0 | 24 |
| Other | 29 | (20) | 9 | 0 | 5 |
| Total impaired loans and leases without a related ALLL | 11,929 | (4,807) | 7,122 | 0 | 6,793 |
| Total impaired loans and leases | $18,143 | $ (8,475) | $ 9,668 | $ 1,274 | $10,985 |

(1) Includes $128,000 of specific allowance related to the unfunded portion of an unexpired letter of credit for a previous customer of the Bank.

Management has determined that certain of the Company's impaired loans and leases do not require any specific allowance at March 31, 2013 and 2012 or at December 31, 2012 because (i) management's analysis of such individual loans and leases resulted in no impairment or (ii) all identified impairment on such loans and leases has previously been charged off.

Interest income on impaired loans and leases is recognized on a cash basis when and if actually collected. Total interest income recognized on impaired loans and leases for the three months ended March 31, 2013 and 2012 and for the year ended December 31, 2012 was not material.

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The following table is an aging analysis of past due loans and leases, excluding purchased non-covered loans and covered 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, 2013:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 2,220 | $ 943 | $ 3,163 | $ 253,465 | $ 256,628 |
| Non-farm/non-residential | 3,427 | 2,917 | 6,344 | 817,347 | 823,691 |
| Construction/land development | 313 | 107 | 420 | 622,882 | 623,302 |
| Agricultural | 233 | 796 | 1,029 | 48,431 | 49,460 |
| Multifamily residential | 0 | 0 | 0 | 142,714 | 142,714 |
| Commercial and industrial | 511 | 221 | 732 | 127,010 | 127,742 |
| Consumer | 236 | 42 | 278 | 28,273 | 28,551 |
| Direct financing leases | 0 | 0 | 0 | 71,420 | 71,420 |
| Other | 10 | 0 | 10 | 34,253 | 34,263 |
| Total | $ 6,950 | $ 5,026 | $11,976 | $2,145,795 | $2,157,771 |
| **December 31, 2012:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 3,656 | $ 1,160 | $ 4,816 | $ 267,236 | $ 272,052 |
| Non-farm/non-residential | 3,284 | 2,524 | 5,808 | 802,098 | 807,906 |
| Construction/land development | 868 | 329 | 1,197 | 577,579 | 578,776 |
| Agricultural | 952 | 570 | 1,522 | 49,097 | 50,619 |
| Multifamily residential | 312 | 0 | 312 | 140,931 | 141,243 |
| Commercial and industrial | 1,091 | 185 | 1,276 | 158,528 | 159,804 |
| Consumer | 425 | 57 | 482 | 29,299 | 29,781 |
| Direct financing leases | 0 | 0 | 0 | 68,022 | 68,022 |
| Other | 9 | 0 | 9 | 7,622 | 7,631 |
| Total | $10,597 | $ 4,825 | $15,422 | $2,100,412 | $2,115,834 |
| **March 31, 2012:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 2,431 | $ 2,225 | $ 4,656 | $ 257,572 | $ 262,228 |
| Non-farm/non-residential | 3,006 | 2,678 | 5,684 | 738,664 | 744,348 |
| Construction/land development | 691 | 907 | 1,598 | 487,153 | 488,751 |
| Agricultural | 612 | 235 | 847 | 56,193 | 57,040 |
| Multifamily residential | 318 | 0 | 318 | 126,641 | 126,959 |
| Commercial and industrial | 1,403 | 347 | 1,750 | 106,900 | 108,650 |
| Consumer | 355 | 75 | 430 | 33,744 | 34,174 |
| Direct financing leases | 18 | 277 | 295 | 56,396 | 56,691 |
| Other | 50 | 0 | 50 | 10,865 | 10,915 |
| Total | $ 8,884 | $ 6,744 | $15,628 | $1,874,128 | $1,889,756 |

(1) Includes $0.6 million, $1.0 million and $1.6 million at March 31, 2013, December 31, 2012 and March 31, 2012, respectively, of loans and leases, excluding purchased non-covered loans and covered loans, on nonaccrual status.

(2) All loans and leases greater than 90 days past due, excluding purchased non-covered loans and covered loans, were on nonaccrual status at March 31, 2013 and 2012 and December 31, 2012.

(3) Includes $2.9 million, $3.3 million and $3.0 million of loans and leases, excluding purchased non-covered loans and covered loans, on nonaccrual status at March 31, 2013, December 31, 2012 and March 31, 2012, respectively.

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

| | 30-89 Days Past Due | 90 Days or More | Total Past Due | Current | Total Covered Loans |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **March 31, 2013:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 10,263 | $ 19,527 | $ 29,790 | $114,509 | $144,299 |
| Non-farm/non-residential | 12,416 | 50,173 | 62,589 | 202,407 | 264,996 |
| Construction/land development | 7,404 | 38,357 | 45,761 | 46,528 | 92,289 |
| Agricultural | 1,614 | 3,441 | 5,055 | 13,108 | 18,163 |
| Multifamily residential | 1,557 | 2,670 | 4,227 | 5,670 | 9,897 |
| Commercial and industrial | 676 | 3,772 | 4,448 | 8,869 | 13,317 |
| Consumer | 178 | 8 | 186 | 209 | 395 |
| Other | 0 | 0 | 0 | 912 | 912 |
| Total | $ 34,108 | $117,948 | $152,056 | $392,212 | $544,268 |
| **December 31, 2012:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 9,539 | $ 20,958 | $ 30,497 | $121,851 | $152,348 |
| Non-farm/non-residential | 18,476 | 55,753 | 74,229 | 213,875 | 288,104 |
| Construction/land development | 6,693 | 42,604 | 49,297 | 55,790 | 105,087 |
| Agricultural | 1,063 | 3,338 | 4,401 | 15,289 | 19,690 |
| Multifamily residential | 0 | 3,345 | 3,345 | 7,356 | 10,701 |
| Commercial and industrial | 901 | 4,133 | 5,034 | 13,462 | 18,496 |
| Consumer | 29 | 5 | 34 | 142 | 176 |
| Other | 0 | 0 | 0 | 1,637 | 1,637 |
| Total | $ 36,701 | $130,136 | $166,837 | $429,402 | $596,239 |
| **March 31, 2012:** | | | | | |
| Real estate: | | | | | |
| Residential 1-4 family | $ 11,124 | $ 26,591 | $ 37,715 | $152,147 | $189,862 |
| Non-farm/non-residential | 23,720 | 64,995 | 88,715 | 271,875 | 360,590 |
| Construction/land development | 2,663 | 53,211 | 55,874 | 81,557 | 137,431 |
| Agricultural | 2,586 | 6,170 | 8,756 | 14,749 | 23,505 |
| Multifamily residential | 169 | 3,716 | 3,885 | 11,991 | 15,876 |
| Commercial and industrial | 581 | 4,007 | 4,588 | 22,018 | 26,606 |
| Consumer | 122 | 104 | 226 | 628 | 854 |
| Other | 0 | 130 | 130 | 907 | 1,037 |
| Total | $ 40,965 | $158,924 | $199,889 | $555,872 | $755,761 |

At March 31, 2013 and 2012 and December 31, 2012, a significant portion of the Company’s covered loans were contractually past due, including many that were 90 days or more past due. However, the elevated level of delinquencies of covered loans at the dates of acquisition was considered in the Company’s performance expectations used in its determination of the Day 1 Fair Values for all covered loans. Accordingly, all covered loans continue to accrete interest income and all covered loans rated “FV 1” continue to perform in accordance with management’s expectations established in conjunction with the determination of the Day 1 Fair Values.

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

| | 30-89 Days Past Due | 90 Days or More | Total Past Due | Current | Total Purchased Non-Covered Loans |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **March 31, 2013:** | | | | | |
| Real estate | $ 1,798 | $1,094 | $ 2,892 | $25,126 | $28,018 |
| Commercial and industrial | 346 | 84 | 430 | 3,561 | 3,991 |
| Consumer | 197 | 136 | 333 | 3,158 | 3,491 |
| Other | 220 | 81 | 301 | 2,270 | 2,571 |
| Total | $ 2,561 | $1,395 | $ 3,956 | $34,115 | $38,071 |
| **December 31, 2012:** | | | | | |
| Real estate | $ 3,061 | $3,025 | $ 6,086 | $23,197 | $29,283 |
| Commercial and industrial | 855 | 2,589 | 3,444 | 1,889 | 5,333 |
| Consumer | 431 | 1,295 | 1,726 | 2,442 | 4,168 |
| Other | 434 | 259 | 693 | 2,057 | 2,750 |
| Total | $ 4,781 | $7,168 | $11,949 | $29,585 | $41,534 |
| **March 31, 2012:** | | | | | |
| Real estate | $ 11 | $ 0 | $ 11 | $ 54 | $ 65 |
| Commercial and industrial | 216 | 0 | 216 | 93 | 309 |
| Consumer | 203 | 145 | 348 | 2,637 | 2,985 |
| Other | 0 | 0 | 0 | 41 | 41 |
| Total | $ 430 | $ 145 | $ 575 | $ 2,825 | $ 3,400 |

## 7. Foreclosed Assets Not Covered by FDIC Loss Share Agreements

The following table is a summary of the amount and type of foreclosed assets not covered by FDIC loss share agreements as of the dates indicated.

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Real estate: | | |
| Residential 1-4 family | $ 1,854 | $ 2,863 |
| Non-farm/non-residential | 2,382 | 2,481 |
| Construction/land development | 6,480 | 8,072 |
| Agricultural | 393 | 378 |
| Total real estate | 11,109 | 13,794 |
| Commercial and industrial | 159 | 102 |
| Consumer | 22 | 28 |
| Foreclosed assets not covered by FDIC loss share agreements | $11,290 | $ 13,924 |

The following table is a summary of activity within foreclosed assets not covered by FDIC loss share agreements for the periods indicated.

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Balance – beginning of period | $13,924 | $ 31,762 |
| Loans transferred into foreclosed assets | 915 | 3,220 |
| Sales of foreclosed assets | (3,428) | (16,163) |
| Writedowns of foreclosed assets | (121) | (994) |
| Balance – end of period | $11,290 | $ 17,825 |

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## 8. Supplemental Data for Cash Flows

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

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Cash paid during the period for: | | |
| Interest | $ 4,606 | $ 6,190 |
| Taxes | 4,552 | 16,205 |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Net change in unrealized gains/losses on investment securities AFS | (2,885) | 2,038 |
| Loans transferred to foreclosed assets not covered by FDIC loss share agreements | 915 | 3,220 |
| Loans advanced for sales of foreclosed assets not covered by FDIC loss share agreements | 41 | 12,549 |
| Covered loans transferred to covered foreclosed assets | 8,036 | 8,792 |
| Unsettled AFS investment security purchases | 4,006 | 0 |

## 9. Guarantees and Commitments

Outstanding standby letters of credit are contingent commitments issued by the Company generally to guarantee the performance of a customer in third party arrangements. The maximum amount of future payments the Company could be required to make under these guarantees at March 31, 2013 was $17.7 million. The Company holds collateral to support guarantees when deemed necessary. Collateralized commitments at March 31, 2013 totaled $17.5 million.

At March 31, 2013 the Company had outstanding commitments to extend credit, excluding mortgage IRLC's, totaling $789 million. While the majority of these commitments are expected to be disbursed within the next 12 months, the contractual maturities are as follows:

| Contractual Maturities at March 31, 2013<br>Maturity | Amount |
|---|---|
| (Dollars in thousands) | |
| 2013 | $118,566 |
| 2014 | 117,754 |
| 2015 | 262,541 |
| 2016 | 146,799 |
| 2017 | 107,535 |
| Thereafter | 35,914 |
| Total | $789,109 |

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## 10. Stock-Based Compensation

The Company has a nonqualified stock option plan for certain employees of the Company. This plan provides for the granting of nonqualified options to purchase shares of common stock in the Company. No option may be granted under this plan for less than the fair market value of the common stock, defined by the plan as the average of the highest reported asked price and the lowest reported bid price, on the date of the grant. The benefits or amounts that may be received by or allocated to any particular officer or employee of the Company under this plan will be determined in the sole discretion of the Company's board of directors or its personnel and compensation committee. While the vesting period and the termination date for the employee plan options are determined when options are granted, all such employee options outstanding at March 31, 2013 were issued with a vesting date three years after issuance and an expiration date seven years after issuance.

The Company also has a nonqualified stock option plan for non-employee directors. This plan permits each director who is not otherwise an employee of the Company, or any subsidiary, to receive options to purchase 2,000 shares of the Company's common stock on the day following his or her election as a director of the Company at each annual meeting of stockholders and up to 2,000 shares upon election or appointment for the first time as a director of the Company. No option may be granted under this plan for less than the fair market value of the common stock, defined by the plan as the average of the highest reported asked price and the lowest reported bid price, on the date of the grant. These options are exercisable immediately and expire ten years after issuance.

All shares issued in connection with options exercised under both the employee and non-employee director stock option plans are in the form of newly issued shares.

The following table summarizes stock option activity for both the employee and non-employee director stock option plans for the three months ended March 31, 2013.

| | Options | Weighted-Average Exercise Price/Share | Weighted-Average Remaining Contractual Life (in years) | Aggregate Intrinsic Value (in thousands)(1) |
|---|---|---|---|---|
| Outstanding – January 1, 2013 | 957,150 | $ 22.12 | | |
| Granted | 0 | 0.00 | | |
| Exercised | (95,100) | 14.38 | | |
| Forfeited | (7,700) | 25.01 | | |
| Outstanding – March 31, 2013 | 854,350 | 22.96 | 5.1 | $ 18,276(1) |
| Fully vested and exercisable –March 31, 2013 | 225,000 | $ 15.45 | 3.5 | $ 6,501(1) |
| Expected to vest in future periods | 512,545 | | | |
| Fully vested and expected to vest – March 31, 2013(2) | 737,545 | $ 22.45 | 5.0 | $ 16,151(1) |

(1) Based on closing price of $44.35 per share on March 28, 2013.
(2) At March 31, 2013 the Company estimates that outstanding options to purchase 116,805 shares of its common stock will not vest and will be forfeited prior to their vesting date.

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, 2013 and 2012 was $2.2 million and $1.5 million, respectively.

No options to purchase shares of the Company's stock were issued during the three months ended March 31, 2013 or 2012. Stock-based compensation expense for stock options included in non-interest expense was $0.4 million and $0.2 million for the three months ended March 31, 2013 and 2012, respectively. Total unrecognized compensation cost related to non-vested stock option grants was $2.5 million at March 31, 2013 and is expected to be recognized over a weighted-average period of 2.2 years.

The Company has a restricted stock plan that permits issuance of up to 800,000 shares of restricted stock or restricted stock units. All officers and employees of the Company are eligible to receive awards under the restricted stock plan. The benefits or amounts that may be received by or allocated to any particular officer or employee of the Company under the restricted stock plan will be determined in the sole discretion of the Company's board of directors or its personnel and compensation committee. Shares of common stock issued under the restricted stock plan may be shares of original issuance, shares held in treasury or shares that have been reacquired by the Company. All restricted stock awards outstanding at March 31, 2013 were issued with a vesting date of three years after issuance.

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

| | Three Months Ended March 31, 2013 |
|---|---|
| Outstanding – January 1, 2013 | 295,250 |
| Granted | 0 |
| Forfeited | 0 |
| Vested | 0 |
| Outstanding – March 31, 2013 | 295,250 |
| Weighted-average grant date fair value | $ 26.05 |

The fair value of the restricted stock awards is amortized to compensation expense over the vesting period (generally three years) and is based on the market price of the Company's common stock at the date of grant multiplied by the number of shares granted that are expected to vest. Stock-based compensation expense for restricted stock included in non-interest expense was $0.6 million and $0.3 million for the three months ended March 31, 2013 and 2012, respectively. Unrecognized compensation expense for non-vested restricted stock awards was $4.9 million at March 31, 2013 and is expected to be recognized over a weighted-average period of 2.2 years.

On April 15, 2013, as provided for under the Company's nonqualified stock option plan for non-employee directors, the Company's board of directors approved the issuance of options to purchase, in the aggregate, 22,000 shares of the Company's common stock to the non-employee directors elected at the Company's 2013 annual shareholder's meeting. These shares were issued on April 16, 2013, are immediately exercisable and expire ten years after the issuance. Total compensation expense for these option grants is $0.3 million and will be recognized during the second quarter of 2013.

## 11. Fair Value Measurements

The Company measures certain of its assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset or liability. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, fair value is used either annually or on a non-recurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes.

The Company 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.

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The following table sets forth the Company's assets and liabilities for the dates indicated that are accounted for at fair value.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | (Dollars in thousands) | | |
| **March 31, 2013:** | | | | |
| Assets: | | | | |
| Investment securities AFS(1): | | | | |
| Obligations of state and political subdivisions | $ 0 | $359,009 | $ 21,227 | $380,236 |
| U.S. Government agency securities | 0 | 66,089 | 26,874 | 92,963 |
| Corporate obligations | 0 | 748 | 0 | 748 |
| Total investment securities AFS | 0 | 425,846 | 48,101 | 473,947 |
| Impaired non-covered loans and leases | 0 | 0 | 6,716 | 6,716 |
| Impaired covered loans | 0 | 0 | 51,243 | 51,243 |
| Foreclosed assets not covered by FDIC loss share agreements | 0 | 0 | 11,290 | 11,290 |
| Foreclosed assets covered by FDIC loss share agreements | 0 | 0 | 51,040 | 51,040 |
| Total assets at fair value | $ 0 | $425,846 | $168,390 | $594,236 |
| **December 31, 2012:** | | | | |
| Assets: | | | | |
| Investment securities AFS(1): | | | | |
| Obligations of state and political subdivisions | $ 0 | $332,107 | $ 29,410 | $361,517 |
| U.S. Government agency securities | 0 | 43,522 | 74,762 | 118,284 |
| Corporate obligations | 0 | 776 | 0 | 776 |
| Total investment securities AFS | 0 | 376,405 | 104,172 | 480,577 |
| Impaired non-covered loans and leases | 0 | 0 | 6,664 | 6,664 |
| Impaired covered loans | 0 | 0 | 38,463 | 38,463 |
| Foreclosed assets not covered by FDIC loss share agreements | 0 | 0 | 13,924 | 13,924 |
| Foreclosed assets covered by FDIC loss share agreements | 0 | 0 | 52,951 | 52,951 |
| Total assets at fair value | $ 0 | $376,405 | $216,174 | $592,579 |
| **March 31, 2012:** | | | | |
| Assets: | | | | |
| Investment securities AFS(1): | | | | |
| Obligations of state and political subdivisions | $ 0 | $346,903 | $ 23,505 | $370,408 |
| U.S. Government agency securities | 0 | 45,948 | 0 | 45,948 |
| Total investment securities AFS | 0 | 392,851 | 23,505 | 416,356 |
| Impaired non-covered loans and leases | 0 | 0 | 8,394 | 8,394 |
| Impaired covered loans | 0 | 0 | 10,313 | 10,313 |
| Foreclosed assets not covered by FDIC loss share agreements | 0 | 0 | 17,825 | 17,825 |
| Foreclosed assets covered by FDIC loss share agreements | 0 | 0 | 71,950 | 71,950 |
| Total assets at fair value | $ 0 | $392,851 | $131,987 | $524,838 |

(1) Does not include $13.7 million at March 31, 2013; $13.7 million at December 31, 2012 and $17.8 million at March 31, 2012 of FHLB – Dallas, FHLB – Atlanta and FNBB stock that do not have readily determinable fair values and are carried at cost.

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The following table presents information related to Level 3 non-recurring fair value measurements at March 31, 2013.

| Description | | Fair Values at March 31, 2013 | Technique | Unobservable Inputs |
|---|---|---|---|---|
| | | (Dollars in thousands) | | |
| Impaired non-covered loans and leases | $ | 6,716 | Third party appraisal or discounted cash flows | 1. Management discount based on underlying collateral characteristics and market conditions<br>2. Life of loan |
| Impaired covered loans | $ | 51,243 | Third party appraisal and/or discounted cash flows | 1. Life of loan |
| Foreclosed assets not covered by FDIC loss share agreements | $ | 11,290 | Third party appraisals, broker price opinions and/or discounted cash flows | 1. Management discount based on collateral characteristics and market conditions<br>2. Discount rate<br>3. Holding period |
| Foreclosed assets covered by FDIC loss share agreements | $ | 51,040 | Third party appraisals and/or discounted cash flows | 1. Discount rate<br>2. Holding period |

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

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

The investment securities the Company acquired with the Genala acquisition were comprised of U.S. Government agency securities and obligations of state and political subdivisions. The Company used the matrix pricing provided by its third party pricing services in determining the fair value of the Genala investment securities at March 31, 2013. The Company also made additional fair value adjustments to certain U.S. Government agency securities with optional call dates that have elapsed or have a relatively short time until they elapse. These discount factors ranged from 9 basis points to 93 basis points and resulted in carrying value of $26.9 million for these investment securities at March 31, 2013. As a result, the Company considers the investment securities that required additional fair value adjustments as Level 3 instruments in the fair value hierarchy.

The Company has determined that certain of its investment securities had a limited to non-existent trading market at March 31, 2013. As a result, the Company considers these investments as Level 3 in the fair value hierarchy. Specifically, the fair values of certain obligations of state and political subdivisions consisting primarily of certain unrated private placement bonds (the "private placement bonds") in the amount of $21.2 million at March 31, 2013 were calculated using Level 3 hierarchy inputs and assumptions as the trading market for such securities was determined to be "not active". This determination was based on the limited number of trades or, in certain cases, the existence of no reported trades for the private placement bonds. The private placement bonds are generally prepayable at par value at the option of the issuer. As a result, management believes the private placement bonds should be individually valued at the lower of (i) the matrix pricing provided by the Company's third party pricing services for comparable unrated municipal securities or (ii) par value. At March 31, 2013, the third parties' pricing matrices valued the Company's portfolio of private placement bonds at $21.8 million which exceeded the aggregate of the lower of the matrix pricing or par value of the private placement bonds by $0.6 million. Accordingly, at March 31, 2013 the Company reported the private placement bonds at $21.2 million which was the lower of the matrix pricing or par value.

Impaired non-covered loans and leases – Fair values are measured on a nonrecurring basis and are based on the underlying collateral value of the impaired loan or lease, net of holding and selling costs, or the estimated discounted cash flows for such loan or lease. At March 31, 2013 the Company had reduced the carrying value of its impaired loans and leases (all of which are included in nonaccrual loans and leases) by $9.7 million to the estimated fair value of $6.7 million for such loans and leases. The $9.7 million adjustment to reduce the carrying value of impaired loans and leases to estimated fair value consisted of $8.2 million of partial charge-offs and $1.5 million of specific loan and lease loss allocations.

Impaired covered loans – Impaired covered loans are measured at fair value on a non-recurring basis. In determining such fair value, management considers a number of factors including, among other things, the remaining life of the loan, estimated collateral value, estimated holding period and net present value of cash flows expected to be received. As a result, impaired covered loans include both a non-accretable difference (the credit component of the impaired loan) and an accretable difference (the yield component of the impaired loan). The accretable difference is the difference between the expected cash flows and the net present value of expected cash flows and is accreted into earnings using the effective yield method. In determining the net present value of expected cash flows, the Company uses discount rates ranging from 6.0% to 9.5% per annum. As of March 31, 2013, the Company identified purchased loans covered by FDIC loss share agreements acquired in its FDIC-assisted acquisitions where 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. As a result the Company recorded partial charge-offs, net of adjustments to the FDIC loss share receivable and the FDIC clawback payable, totaling $2.0 million for such loans during the first quarter of 2013. The Company also recorded provision for loan and lease losses of $2.0 million during the first quarter of 2013 to cover such charge-offs. As a result, the Company had $51.2 million of impaired covered loans at March 31, 2013.

Foreclosed assets not covered by FDIC loss share agreements – Repossessed personal properties and real estate acquired through or in lieu of foreclosure are measured on a non-recurring basis and are initially recorded at the lesser of current principal investment or fair value less estimated cost to sell (generally 8% to 10%) at the date of repossession or foreclosure. Valuations of these assets are periodically reviewed by management with the carrying value of such assets adjusted to the then estimated fair value net of estimated selling costs, if lower, until disposition. Fair values of foreclosed and repossessed assets are generally based on third party appraisals, broker price opinions or other valuations of the property, resulting in a Level 3 classification.

Foreclosed assets covered by FDIC loss share agreements – Foreclosed assets covered by FDIC loss share agreements, or covered foreclosed assets, are recorded at estimated fair value on the date of acquisition. In estimating the fair value of covered foreclosed assets, management considers a number of factors including, among others, appraised value, estimated selling prices, estimated selling costs, estimating holding periods and net present value of cash flows expected to be received. A discount rate ranging from 8.0% to 9.5% per annum was used to determine the net present value of covered foreclosed assets. Valuations of these assets are periodically reviewed by management with the carrying value of such assets adjusted to the then estimated fair value net of estimated selling costs, if lower, until disposition.

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

| | Investment Securities AFS (Dollars in thousands) |
|---|---|
| Balance – January 1, 2013 | $ 104,172 |
| Total realized gains (losses) included in earnings | 0 |
| Total unrealized gains (losses) included in comprehensive income | (108) |
| Paydowns | (27,570) |
| Transfers in and/or out of Level 3 | (28,393) |
| Balance – March 31, 2013 | $ 48,101 |
| Balance – January 1, 2012 | $ 24,192 |
| Total realized gains (losses) included in earnings | 0 |
| Total unrealized gains (losses) included in comprehensive income | 84 |
| Paydowns | (421) |
| Sales | (350) |
| Transfers in and/or out of Level 3 | 0 |
| Balance – March 31, 2012 | $ 23,505 |

## 12. Fair Value of Financial Instruments

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

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

Investment securities – The Company utilizes independent third parties as its principal pricing sources for determining fair value of investment securities which are measured on a recurring basis. As a result, the Company receives estimates of fair values from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities traded in an active market, fair values are based on quoted market prices if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities, broker quotes or comprehensive interest rate tables, pricing matrices or a combination thereof. For investment securities traded in a market that is not active, fair value is determined using unobservable inputs. All fair value estimates received by the Company for its investment securities are reviewed and approved on a quarterly basis by the Company's Investment Portfolio Manager and its Chief Financial Officer. The Company's investments in the common stock of the FHLB – Dallas, FHLB – Atlanta and FNBB totaling $13.7 million at March 31, 2013, $13.7 million at December 31, 2012 and $17.8 million at March 31, 2012 do not have readily determinable fair values and are carried at cost.

Loans and leases – The fair value of loans and leases net of allowance for loan and lease losses is estimated by discounting the future cash flows using the current rate at which similar loans or leases would be made to borrowers or lessees with similar credit ratings and for the same remaining maturities.

FDIC loss share receivable – The fair value of the FDIC loss share receivable is based on the net present value of future cash proceeds expected to be received from the FDIC under the provisions of the loss share agreements using a discount rate that is based on current market rates.

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

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

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

Subordinated 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 were not material at March 31, 2013 and 2012 or at December 31, 2012 and are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements.

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 Company does not know whether the fair values represent values at which the respective financial instruments could be sold individually or in the aggregate.

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The following table presents the estimated fair values for the dates indicated and the fair value hierarchy of the Company's financial instruments.

| | Fair Value Hierarchy | March 31, 2013 Carrying Amount | March 31, 2013 Estimated Fair Value | March 31, 2012 Carrying Amount | March 31, 2012 Estimated Fair Value | December 31, 2012 Carrying Amount | December 31, 2012 Estimated Fair Value |
|---|---|---|---|---|---|---|---|
| | | (Dollars in thousands) | | | | | |
| Financial assets: | | | | | | | |
| Cash and cash equivalents | Level 1 | $ 162,575 | $ 162,575 | $ 143,762 | $ 143,762 | $ 207,967 | $ 207,967 |
| Investment securities AFS | Levels 2 and 3 | 487,648 | 487,648 | 434,197 | 434,197 | 494,266 | 494,266 |
| Loans and leases, net of ALLL | Level 3 | 2,701,688 | 2,688,826 | 2,610,285 | 2,595,503 | 2,714,869 | 2,683,896 |
| FDIC loss share receivable | Level 3 | 132,699 | 132,470 | 239,724 | 239,577 | 152,198 | 152,565 |
| Financial liabilities: | | | | | | | |
| Demand, savings and interest bearing transaction deposits | Level 1 | $2,242,727 | $2,242,727 | $2,068,052 | $2,068,052 | $2,320,206 | $2,320,206 |
| Time deposits | Level 2 | 748,345 | 748,918 | 859,010 | 865,098 | 780,849 | 781,784 |
| Repurchase agreements with customers | Level 1 | 30,714 | 30,714 | 43,686 | 46,686 | 29,550 | 29,550 |
| Other borrowings | Level 2 | 280,756 | 326,367 | 280,786 | 337,641 | 280,763 | 328,881 |
| Subordinated debentures | Level 2 | 64,950 | 30,603 | 64,950 | 30,523 | 64,950 | 30,523 |

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

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

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Beginning balance of AOCI – unrealized gains and losses on investment securities AFS | $10,783 | $ 9,327 |
| AOCI before reclassifications | (1,660) | 1,239 |
| Amounts reclassified from AOCI | (94) | (1) |
| Total other comprehensive income (loss) | (1,754) | 1,238 |
| Ending balance of AOCI – unrealized gains and losses on investment securities AFS | $ 9,029 | $10,565 |

Amounts reclassified from AOCI to net gains on investment securities in the Consolidiated Statements of Income related entirely to unrealized gains/losses on investment securities AFS. For the three months ended March 31, 2013 and 2012, respectively, amounts reclassified for net gains on investment securities were $156,000 and $1,000, with related tax effects of $62,000 and $0.

## 14. Recent Accounting Pronouncements

In June 2011, the FASB issued ASU 2011-05, "*Presentation of Comprehensive Income,*" which revises the manner in which entities present comprehensive income in their financial statements. The provisions of ASU 2011-05 require reporting the components of comprehensive income in either (i) a continuous statement of comprehensive income or (ii) two separate but consecutive statements. ASU 2011-05 does not change the items that must be reported in other comprehensive income but rather removes the presentation option of including other comprehensive income in the statement of stockholders' equity. The new presentation disclosures required by ASU 2011-05 were effective for interim and annual periods beginning after January 1, 2012. As this ASU amended only the presentation of comprehensive income, the adoption did not have an impact on the Company's financial position, results of operations or liquidity. In December 2011, the FASB deferred certain provisions of ASU 2011-05 that would have required companies to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement of income and statement of other comprehensive income. In February 2013, the FASB issued ASU 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Comprehensive Income,” that requires disclosure, either in a single footnote or parenthetically on the face of the financial statements, of the effect of significant items reclassified from accumulated other comprehensive income to their respective line items in the statement of net income. The effective date of this ASU 2013-02 was for reporting periods beginning January 1, 2013. The adoption of these provisions did not have a material impact on its financial position, results of operations or liquidity, but did increase the Company’s disclosures regarding amounts reclassified out of accumulated comprehensive income.

In July 2012, the FASB issued ASU No. 2012-02 “*Intangibles – Goodwill and Other (Topic 350) – Testing Indefinite-Lived Intangible Assets for Impairment*” that amends the guidance related to testing indefinite-lived intangible assets, other than goodwill, for impairment. The provisions of ASU 2012-02 allow for a qualitative assessment in testing an indefinite-lived intangible asset for impairment before calculating the fair value of the asset. If the qualitative assessment determines that it is more likely than not that the asset is impaired, then a quantitative assessment of the fair value of the asset is required; otherwise, the quantitative calculation is not necessary. The provisions of ASU 2012-02 were effective January 1, 2013 and did not have a material impact on the Company’s financial position, results of operations, or liquidity.

In October 2012, the FASB issued ASU No. 2012-06 “*Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution*,” to address diversity in practice about how to subsequently measure an indemnification asset for a government-assisted acquisition that includes a loss-sharing agreement. Specifically, this standard update requires a reporting entity to account for a change in the subsequent measurement of the indemnification asset on the same basis as the changes in the asset subject to indemnification. As a result, for any change in expected cash flows of an indemnified asset that is immediately recognized in earnings, the associated change in the indemnification asset is immediately recognized in earnings. For any change in expected cash flows of an indemnified asset that is amortized or accreted into earnings over time, the associated change in the indemnification asset is accreted or amortized into earnings over the shorter of the contractual term of the indemnification agreement or the remaining life of the indemnified asset. The provisions of ASU 2012-06 are being applied prospectively beginning January 1, 2013. The adoption of these provisions did not have a material change on the accounting for the Company’s loss share receivable from the FDIC under its current loss share agreements.

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

Bank of the Ozarks, Inc. (the "Company") is a bank holding company whose primary business is commercial banking conducted through its wholly-owned state chartered bank subsidiary – Bank of the Ozarks (the "Bank"). The Company's results of operations depend primarily on net interest income, which is the difference between the interest income from earning assets, such as loans, leases, purchased loans not covered by Federal Deposit Insurance Corporation ("FDIC") loss share agreements ("purchased non-covered loans"), loans covered by FDIC loss share agreements ("covered loans") and investments, and the interest expense incurred on interest bearing liabilities, such as deposits, borrowings and subordinated debentures. The Company also generates non-interest income, including service charges on deposit accounts, mortgage lending income, trust income, bank owned life insurance ("BOLI") income, accretion of FDIC loss share receivable, net of amortization of FDIC clawback payable, other income from loss share and purchased non-covered loans, and gains on investment securities and from sales of other assets.

## Overview

During the first quarter of 2013, the Company continued its loan and lease growth, while maintaining a strong net interest margin and improving its asset quality ratios. Key highlights of the Company's 2013 first quarter performance are below.

- Excluding purchased non-covered loans and covered loans, the Company's loan and lease portfolio increased approximately $42 million to $2.16 billion at March 31, 2013 compared to $2.12 billion as of December 31, 2012.
- The balance of the Company's unfunded commitments increased approximately $20 million from $769 million as of December 31, 2012 to $789 million at March 31, 2013.
- Total common shareholders' equity increased approximately $16 million to $524 million at March 31, 2013 compared to $508 million as of December 31, 2012.
- The Company's net income available to common shareholders for the three months ended March 31, 2013 was $20.0 million or $0.56 diluted earnings per common share, compared to $18.0 million, or $0.52 diluted earnings per common share for the same period during 2012.
- Mortgage lending income of $1.7 million for the first quarter 2013 was the second highest quarterly mortgage lending income in Company's history.
- The Company's cost of interest bearing deposits for the three months ended March 31, 2013 was 0.26%, a reduction of five basis points ("bps") compared to the fourth quarter of 2012 and a reduction of 22 bps compared to the first quarter of 2012. The Company's net interest margin was 5.83% for the first quarter of 2013.
- Excluding covered loans and purchased non-covered loans, the Company's net charge-off ratio was 0.19% for the first quarter of 2013 compared to 0.28% for the fourth quarter of 2012 and compared to 0.44% for the first quarter of 2012.
- On January 24, 2013, the Company entered into a definitve agreement and plan of merger with The First National Bank of Shelby ("First National Bank"), in Shelby, North Carolina. This transaction is expected to close in the second or third quarter of 2013 and is subject to certain closing conditions, including customary regulatory approvals and the approval of the shareholders of First National Bank.

## Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements. The Company's determination of (i) the provisions to and the adequacy of the allowance for loan and lease losses ("ALLL"), (ii) the fair value of its investment securities portfolio, (iii) the fair value of foreclosed assets not covered by FDIC loss share agreements and (iv) the fair value of the assets acquired and liabilities assumed pursuant to business combination transactions all involve a higher degree of judgment and complexity than its other significant accounting policies. Accordingly, the Company considers the determination of (i) provisions to and the adequacy of the ALLL, (ii) the fair value of its investment securities portfolio, (iii) the fair value of foreclosed assets not covered by FDIC loss share agreements and (iv) the fair value of the assets acquired and liabilities assumed pursuant to business combination transactions to be critical accounting policies.

*Provisions to and adequacy of the allowance for loan and lease losses.* The ALLL is established through a provision for such losses charged against income. All or portions of loans or leases, excluding purchased non-covered loans and covered loans, deemed to be uncollectible are charged against the ALLL when management believes that collectibility of all or some portion of outstanding principal is unlikely. Subsequent recoveries, if any, of loans or leases previously charged off are credited to the ALLL.

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The ALLL is maintained at a level management believes will be adequate to absorb probable incurred losses in the loan and lease portfolio. Provisions to and the adequacy of the ALLL are based on evaluations of the loan and lease portfolio utilizing objective and subjective criteria. The objective criteria primarily include an internal grading system and specific allowances. In addition to these objective criteria, the Company subjectively assesses the adequacy of the ALLL and the need for additions thereto, with consideration given to the nature and mix of the portfolio, including concentrations of credit; general economic and business conditions, including national, regional and local business and economic conditions that may affect borrowers' or lessees' ability to pay; expectations regarding the current business cycle; trends that could affect collateral values and other relevant factors. The Company also utilizes a peer group analysis and a historical analysis to validate the overall adequacy of its ALLL. Changes in any of these criteria or the availability of new information could require adjustment of the ALLL in future periods. While a specific allowance has been calculated for impaired loans and leases and for loans and leases where the Company has otherwise determined a specific reserve is appropriate, no portion of the Company's ALLL is restricted to any individual loan or lease or group of loans or leases, and the entire ALLL is available to absorb losses from any and all loans and leases.

The Company's internal grading system assigns one of nine grades to all loans and leases, with each grade being assigned a specific allowance allocation percentage, except residential 1-4 family loans, consumer loans, purchased non-covered loans, and covered loans.

The grade for each graded individual loan or lease is determined by the account officer and other approving officers at the time the loan or lease is made and changed from time to time to reflect an ongoing assessment of loan or lease risk. Grades are reviewed on specific loans and leases from time to time by senior management and as part of the Company's internal loan review process. These risk elements include, among others, the following: (1) for non-farm/non-residential, multifamily residential, and agricultural real estate loans, the debt service coverage ratio (income from the property in excess of operating expenses compared to loan repayment requirements), operating results of the owner in the case of owner-occupied properties, the loan-to-value ratio, the age, condition, value, nature and marketability of the collateral and the specific risks and volatility of income, property value and operating results typical of properties of that type; (2) for construction and land development loans, the perceived feasibility of the project including the ability to sell developed lots or improvements constructed for resale or ability to lease property constructed for lease, the quality and nature of contracts for presale or preleasing, if any, experience and ability of the developer and loan-to-cost and loan-to-value ratios; (3) for commercial and industrial loans and leases, the operating results of the commercial, industrial or professional enterprise, the borrower's or lessee's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in the applicable industry and the age, condition, value, nature and marketability of collateral; and (4) for non-real estate agricultural loans and leases, the operating results, experience and ability of the borrower or lessee, historical and expected market conditions and the age, condition, value, nature and marketability of collateral. In addition, for each category the Company considers secondary sources of income and the financial strength of the borrower or lessee and any guarantors.

Residential 1-4 family and consumer loans are assigned an allowance allocation percentage based on past due status.

Allowance allocation percentages for the various risk grades and past due categories for residential 1-4 family and consumer loans are determined by management and are adjusted periodically. In determining these allowance allocation percentages, management considers, among other factors, historical loss percentages and a variety of subjective criteria in determining the allowance allocation percentages.

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

For covered loans, management separately monitors this portfolio and periodically reviews loans contained within this portfolio against the factors and assumptions used in determining the Day 1 Fair Values. To the extent that a loan's performance has deteriorated from management's expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is considered in the determination of the required level of ALLL. To the extent that a revised loss estimate exceeds the loss estimate established in the determination of the Day 1 Fair Values, such deterioration will result in an allowance allocation or a charge-off.

For purchased non-covered loans, management segregates this portfolio into loans that contain evidence of credit deterioration on the date of purchase and loans that do not contain evidence of credit deterioration on the date of purchase. Purchased non-covered loans with evidence of credit deterioration are regularly monitored and are periodically reviewed by management. To the extent that a loan's performance has deteriorated from management's expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is considered in the determination of the required level of ALLL. To the extent that a revised loss estimate exceeds the loss estimate established in the determination of Day 1 Fair Values, such determination will result in an allowance allocation or a charge-off.

All other purchased non-covered loans are graded by management at the time of purchase. The grades on these purchased non-covered loans are reviewed regularly as part of the ongoing assessment of such loans. To the extent that current information indicates it is possible that the Company will not be able to collect all amounts according to the contractual terms thereof, such loan is considered in the determination of the required level of ALLL and may result in an allowance allocation or a charge-off.

At March 31, 2013 and 2012 and at December 31, 2012, the Company had no allowance for its purchased non-covered loans and its covered loans because all losses had been charged off on such loans whose performance had deteriorated from management's expectations established in conjunction with the determination of the Day 1 Fair Values.

The Company generally places a loan or lease on nonaccrual status when such loan or lease is (i) deemed impaired or (ii) 90 days or more past due, or earlier when doubt exists as to the ultimate collection of payments. The Company may continue to accrue interest on certain loans or leases contractually past due 90 days or more if such loans or leases are both well secured and in the process of collection. At the time a loan or lease is placed on nonaccrual status, interest previously accrued but uncollected is generally reversed and charged against interest income. Nonaccrual loans and leases are generally returned to accrual status when payments are less than 90 days past due and the Company reasonably expects to collect all payments. If a loan or lease is determined to be uncollectible, the portion of the principal determined to be uncollectible will be charged against the ALLL. Loans for which the terms have been modified and for which (i) the borrower is experiencing financial difficulties and (ii) a concession has been granted to the borrower by the Company are considered TDRs and are included in impaired loans and leases. Income on nonaccrual loans or leases, including impaired loans and leases but excluding certain TDRs which continue to accrue interest, is recognized on a cash basis when and if actually collected.

All loans and leases deemed to be impaired are evaluated individually. The Company considers a loan or lease, excluding purchased non-covered loans and covered loans, to be impaired when based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms thereof. The Company considers a purchased non-covered loan with evidence of credit deterioration at the date of purchase and a covered loan to be impaired once a decrease in expected cash flows or other deterioration in the loan's expected performance, subsequent to the determination of the Day 1 Fair Values, results in an allowance allocation, a partial or full charge-off or in a provision for loan and lease losses. Purchased non-covered loans without evidence of credit deterioration at the date of purchase are considered impaired when current information indicates it is probable that the Company will not be able to collect all amounts due according to the contractual terms thereof. Most of the Company's nonaccrual loans and leases, excluding purchased non-covered loans and covered loans, and all TDRs are considered impaired. The majority of the Company's impaired loans and leases are dependent upon collateral for repayment. For such loans and leases, impairment is measured by comparing collateral value, net of holding and selling costs, to the current investment in the loan or lease. For all other impaired loans and leases, the Company compares estimated discounted cash flows to the current investment in the loan or lease. To the extent that the Company's current investment in a particular loan or lease exceeds its estimated net collateral value or its estimated discounted cash flows, the impaired amount is specifically considered in the determination of the ALLL or is charged off as a reduction of the ALLL.

The Company also maintains an ALLL for certain loans and leases, excluding purchased non-covered loans and covered loans, not considered impaired where (i) the customer is continuing to make regular payments, although payments may be past due, (ii) there is a reasonable basis to believe the customer may continue to make regular payments, although there is also an elevated risk that the customer may default, and (iii) the collateral or other repayment sources are likely to be insufficient to recover the current investment in the loan or lease if a default occurs. The Company individually evaluates such loans and leases to determine if an ALLL is needed for these loans and leases. For the purpose of calculating the amount of such ALLL, management assumes that (i) no further regular payments occur and (ii) all sums recovered will come from liquidation of collateral and collection efforts from other payment sources. To the extent that the Company's current investment in a particular loan or lease evaluated for such an ALLL exceeds its net collateral value or its estimated discounted cash flows, such excess is considered allocated ALLL for purposes of the determination of the ALLL.

The Company may also include further allowance allocation for risk-rated loans, including commercial real estate loans and excluding purchased non-covered loans and covered loans, that are in markets determined by management to be "stressed". Stressed markets may include any specific geography experiencing (i) high unemployment substantially above the U.S. average, (ii) significant over-development in one or more commercial real estate categories, (iii) recent or announced loss of a major employer or significant workforce reductions, (iv) significant declines in real estate values and (v) various other factors. The additional ALLL for such stressed markets compensates for the expectation that a higher risk of loss is anticipated for the "work-out" or liquidation of a real estate loan in a stressed market versus a market that is not experiencing any significant levels of stress. The required allocation percentage applicable to real estate loans in stressed markets may be applied to the total market or it may be determined at the individual loan level based on collateral value, loan-to-value or loan-to-cost ratios, strength of the borrower and/or guarantor, viability of the underlying project and other factors. The Company had no allowance allocation for loans in stressed markets at March 31, 2013 and 2012 or December 31, 2012.

The Company may also consider other qualitative factors in future periods for additional ALLL allocations, including, among other factors, (1) credit quality trends (including trends in nonperforming loans and leases expected to result from existing conditions), (2) seasoning of the loan and lease portfolio, (3) specific industry conditions affecting portfolio segments, (4) the Company’s expansion into new markets and (5) the offering of new loan and lease products.

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

*Fair value of the investment securities portfolio.* The Company has classified all of its investment securities as available for sale (“AFS”). Accordingly, its investment securities are stated at estimated fair value in the consolidated financial statements with unrealized gains and losses, net of related income taxes, reported as a separate component of stockholders’ equity and any related changes are included in accumulated other comprehensive income.

The Company utilizes independent third parties as its principal sources for determining fair value of investment securities which are measured on a recurring basis. As a result, the Company receives estimates of fair values from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities traded in an active market, the fair values are obtained from independent pricing services and are based on quoted market prices if available. If quoted market prices are not available, fair values are based on market prices for comparable securities, broker quotes or comprehensive interest rate tables, pricing matrices or a combination thereof. For investment securities traded in a market that is not active, fair value is determined using unobservable inputs. Additionally, the valuation of investment securities acquired in FDIC-assisted or traditional acquisitions may include certain unobservable inputs. All fair value estimates received by the Company from its investment securities are reviewed and approved on a quarterly basis by the Company’s Investment Portfolio Manager and its Chief Financial Officer.

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

*Fair value of foreclosed assets not covered by FDIC loss share agreements.* Repossessed personal properties and real estate acquired through or in lieu of foreclosure are initially recorded at the lesser of current principal investment or fair value less estimated cost to sell at the date of repossession or foreclosure. 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. Fair values of these assets are generally based on third party appraisals, broker price opinions or other valuations of the property.

*Fair value of assets acquired and liabilities assumed pursuant to business combination transactions.* Assets acquired and liabilities assumed in business combinations are recorded at estimated fair value on their purchase date. Loans covered by FDIC loss share agreements, or covered loans, are accounted for in accordance with the provisions of GAAP applicable to loans acquired with deteriorated credit quality and pursuant to the American Institutes of Certified Public Accountants’ (“AICPA”) December 18, 2009 letter in which the AICPA summarized the Securities and Exchange Commission’s (“SEC”) view regarding the accounting in subsequent periods for discount accretion associated with non-credit impaired loans acquired in a business combination or asset purchase. Considering, among other factors, the general lack of adequate underwriting, proper documentation, appropriate loan structure and insufficient equity contributions for a large number of these acquired loans, and the uncertainty of the borrowers’ and/or guarantors’ ability or willingness to make contractually required (or any) principal and interest payments, management has determined that a significant portion of the loans acquired in FDIC-assisted acquisitions had evidence of credit deterioration since origination. Accordingly, management has elected to apply the provisions of GAAP applicable to loans acquired with deteriorated credit quality as provided by the AICPA’s December 18, 2009 letter, to all loans acquired in its FDIC-assisted acquisitions.

At the time such covered loans are acquired, management individually evaluates substantially all loans acquired in the transaction. This evaluation allows management to determine the estimated fair value of the covered loans (not considering any FDIC loss sharing agreements) and includes no carryover of any previously recorded ALLL. In determining the estimated fair value of covered loans, management considers a number of factors including, among other things, the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, estimated holding periods, and net present value of cash flows expected to be received. To the extent that any covered loan is not specifically reviewed, management applies a loss estimate to that loan based on the average expected loss rates for the purchased loans that were individually reviewed in that covered loan portfolio.

In determining the Day 1 Fair Values of covered loans, management calculates a non-accretable difference (the credit component of the covered loans) and an accretable difference (the yield component of the covered loans). The non-accretable difference is the difference between the contractually required payments and the cash flows expected to be collected in accordance with management's determination of the Day 1 Fair Values. Subsequent decreases to the expected cash flows will generally result in a provision for loan and lease losses. Subsequent increases in cash flows will result in a reversal of the provision for loan and lease losses to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income. Any such increase or decrease in expected cash flows will result in a corresponding decrease or increase, respectively, of the FDIC loss share receivable for the portion of such reduced or additional loss expected to be collected from the FDIC.

The accretable difference on covered loans is the difference between the expected cash flows and the net present value of expected cash flows. Such difference is accreted into earnings using the effective yield method over the term of the loans. In determining the net present value of the expected cash flows, the Company used discount rates ranging from 6.0% to 9.5% per annum depending on the risk characteristics of each individual loan. At March 31, 2013, the weighted average period during which management expects to receive the estimated cash flows for its covered loan portfolio (not considering any payment under the FDIC loss share agreements) is 2.2 years.

Management separately monitors the covered loan portfolio and periodically reviews loans contained within this portfolio against the factors and assumptions used in determining the Day 1 Fair Values. A loan is typically reviewed (i) when it is modified or extended, (ii) when material information becomes available to the Company that provides additional insight regarding the loan's performance, the status of the borrower, or the quality or value of the underlying collateral, or (iii) in conjunction with the annual review of projected cash flows which include a substantial portion of each acquired covered loan portfolio. Management separately reviews, on an annual basis, the performance of the portfolio of covered loans, or more frequently to the extent that material information becomes available regarding the performance of an individual loan, to make determinations of the constituent loans' performance and to consider whether there has been any significant change in performance since management's initial expectations established in conjunction with the determination of the Day 1 Fair Values. To the extent that a loan is performing in accordance with management's expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is not included in any of the Company's credit quality ratios, is not considered to be an impaired loan, and is not considered in the determination of the required ALLL. To the extent that a loan's performance has deteriorated from management's expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is generally included in certain of the Company's credit quality metrics, may be considered an impaired loan, and is considered in the determination of the required level of ALLL. Any improvement in the expected performance of a covered loan would result in a reversal of the provision for loan and lease losses to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

At the time of acquisition of purchased non-covered loans, management individually evaluates substantially all loans acquired in the transaction. For those purchased loans without evidence of credit deterioration, management evaluates each reviewed loan using an internal grading system with a grade assigned to each loan at the date of acquisition. The grade for each purchased non-covered loan is reviewed subsequent to the date of acquisition any time a loan is renewed or extended or at any time information becomes available to the Company that provides material insight regarding the loan's performance, the borrower or the underlying collateral. To the extent that a loan is performing in accordance with management's initial expectations, such loan is not considered impaired and is not considered in the determination of the required ALLL. To the extent that current information indicates it is possible that the Company will not be able to collect all amounts according to the contractual terms thereof, such loan is considered impaired and is considered in the determination of the required level of ALLL.

In determining the Day 1 Fair Values of purchased non-covered loans without evidence of credit deterioration at the date of acquisition, management includes (i) no carry over of any previously recorded ALLL and (ii) an adjustment of the unpaid principal balance to reflect an appropriate market rate of interest, given the risk profile and grade assigned to each loan. This adjustment will be accreted into earnings as an adjustment to the yield on purchased non-covered loans, using the effective yield method, over the remaining life of each loan.

Purchased non-covered loans that contain evidence of credit deterioration on the date of purchase are accounted for in accordance with the provisions of GAAP applicable to loans acquired with deteriorated credit quality. At the time such purchased non-covered loans with evidence of credit deterioration are acquired, management individually evaluates each loan to determine the estimated fair value of each loan. This evaluation includes no carryover of any previously recorded ALLL. In determining the estimated fair value of purchased non-covered loans with evidence of credit deterioration, management considers a number of factors including, among other things, the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, estimated holding periods, and net present value of cash flows expected to be received.

In determining the Day 1 Fair Values of purchased non-covered loans with evidence of credit deterioration, management calculates a non-accretable difference (the credit component of the purchased loans) and an accretable difference (the yield component of the purchased loans). The non-accretable difference is the difference between the contractually required payments and the cash flows expected to be collected in accordance with management's determination of the Day 1 Fair Values. Subsequent decreases to the expected cash flows will generally result in a provision for loan and lease losses. Subsequent increases in cash flows will result in a reversal of the provision for loan and lease losses to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

The accretable difference on purchased non-covered loans with evidence of credit deterioration is the difference between the expected cash flows and the net present value of expected cash flows. Such difference is accreted into earnings using the effective yield method over the term of the loans. In determining the net present value of the expected cash flows, the Company used discount rates ranging from 6.0% to 9.5% per annum depending on the risk characteristics of each individual loan.

Management separately monitors purchased non-covered loans with evidence of credit deterioration on the date of purchase and periodically reviews such loans contained within this portfolio against the factors and assumptions used in determining the Day 1 Fair Values. A loan is reviewed (i) any time it is renewed or extended, (ii) at any other time additional information becomes available to the Company that provides material additional insight regarding the loan's performance, the status of the borrower, or the quality or value of the underlying collateral, or (iii) in conjunction with the annual review of projected cash flows of each acquired portfolio. Management separately reviews, on an annual basis, the performance of the portfolio of purchased non-covered loans with evidence of credit deterioration, or more frequently to the extent that material information becomes available regarding the performance of an individual loan, to make determinations of the constituent loans' performance and to consider whether there has been any significant change in performance since management's initial expectations established in conjunction with the determination of the Day 1 Fair Values. To the extent that a loan is performing in accordance with or exceeding management's performance expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is not included in any of the credit quality ratios, is not considered to be a nonaccrual or impaired loan, and is not considered in the determination of the required ALLL. To the extent that a loan's performance has deteriorated from management's expectation established in conjunction with the determination of the Day 1 Fair Values, such loan is included in certain of the Company's credit quality metrics, is generally considered an impaired loan, and is considered in the determination of the required level of ALLL. Any improvement in the expected performance of such loan would result in a reversal of the provision for loan and lease losses to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

Foreclosed assets covered by FDIC loss share agreements, or covered foreclosed assets, are recorded at Day 1 Fair Values. In estimating the Day 1 Fair Values of covered foreclosed assets, management considers a number of factors including, among others, appraised value, estimated selling prices, estimated selling costs, estimated holding periods and net present value of cash flows expected to be received. Discount rates ranging from 8.0% to 9.5% per annum were used to determine the net present value of covered foreclosed assets.

In connection with the Company's FDIC-assisted acquisitions, the Company has recorded an FDIC loss share receivable to reflect the indemnification provided by the FDIC. Currently, the expected losses on covered assets for each of the Company's loss share agreements would result in expected recovery of approximately 80% of incurred losses. Since the indemnified items are covered loans and covered foreclosed assets, which are measured at Day 1 Fair Values, the FDIC loss share receivable is also measured and recorded at Day 1 Fair Values, and is calculated by discounting the cash flows expected to be received from the FDIC. An initial discount rate of 5.0% per annum was used to determine the net present value of the FDIC loss share receivable. These cash flows are estimated by multiplying estimated losses by the reimbursement rates as set forth in the loss share agreements. The balance of the FDIC loss share receivable is adjusted periodically to reflect changes in expectations of discounted cash flows, expense reimbursements under the loss share agreements and other factors. The Company is accreting the present value discount on its FDIC loss share receivable over the shorter of (i) the contractual term of the indemnification agreement (ten years for the single family loss share agreement, and five years for the non-single family loss share agreements) or (ii) the remaining life of the indemnified asset.

Pursuant to the clawback provisions of the loss share agreements for the Company's FDIC-assisted acquisitions, the Company may be required to reimburse the FDIC should actual losses be less than certain thresholds established in each loss share agreement. The amount of the clawback provision for each acquisition is measured and recorded at Day 1 Fair Values. It is calculated as the difference between management's estimated losses on covered loans and covered foreclosed assets and the loss threshold contained in each loss share agreement, multiplied by the applicable clawback provisions contained in each loss share agreement. This clawback amount, which is payable to the FDIC upon termination of the applicable loss share agreement, is then discounted back to net present value, generally over 10 years, using a discount rate of 5.0% per annum. To the extent that actual losses on covered loans and covered foreclosed assets are less than estimated losses, the applicable clawback payable to the FDIC upon termination of the loss share agreements will increase. To the extent that actual losses on covered loans and covered foreclosed assets are more than estimated losses, the applicable clawback payable to the FDIC upon termination of the loss share agreements will decrease.

The Day 1 Fair Values of investment securities acquired in business combinations are generally based on quoted market prices, broker quotes, comprehensive interest rate tables or pricing matrices, or a combination thereof. Additionally, these valuations may include certain unobservable inputs. The Day 1 Fair Values of assumed liabilities in business combinations is generally the amount payable by the Company necessary to completely satisfy the assumed obligations.

## ANALYSIS OF RESULTS OF OPERATIONS

The following discussion explains the Company's financial position and results of operations as of and for the three months ended March 31, 2013 and should be read in conjunction with the consolidated financial statements and related notes presented elsewhere in this report. Annualized results for these interim periods may not be indicative of results for the full year or future periods

### General

Net income available to common stockholders for the Company was $20.0 million for the first quarter of 2013, an 11.0% increase from $18.0 million for the first quarter of 2012. Diluted earnings per common share were $0.56 for the first quarter of 2013, a 7.7% increase from $0.52 for the first quarter of 2012.

The Company's annualized return on average assets was 2.06% for the first quarter of 2013 compared to 1.91% for the first quarter of 2012. Its annualized return on average common stockholders' equity was 15.77% for the first quarter of 2013 compared to 16.75% for the first quarter of 2012.

Total assets were $3.95 billion at March 31, 2013 compared to $4.04 billion at December 31, 2012. Loans and leases, excluding purchased non-covered loans and covered loans, were $2.16 billion at March 31, 2013 compared to $2.12 billion at December 31, 2012. Total loans and leases, including purchased non-covered loans and covered loans, were $2.74 billion at March 31, 2013 compared to $2.75 billion at December 31, 2012. Deposits were $2.99 billion at March 31, 2013 compared to $3.10 billion at December 31, 2012.

Common stockholders' equity was $524 million at March 31, 2013 compared to $508 million at December 31, 2012. Book value per common share was $14.81 at March 31, 2013 compared to $14.39 at December 31, 2012. Tangible book value per common share was $14.49 at March 31, 2013 compared to $14.06 at December 31, 2012. Changes in common stockholders' equity, book value per common share and tangible book value per common share reflect earnings, dividends paid, stock option and stock grant transactions, changes in unrealized gains and losses on investment securities AFS, and, for tangible book value per common share, changes in intangible assets.

### Net Interest Income

Net interest income is analyzed in this discussion and the following tables on a fully taxable equivalent ("FTE") basis. The adjustment to convert certain income to a FTE basis consists of dividing federal tax-exempt income by one minus the Company's statutory federal income tax rate of 35%. The FTE adjustments to net interest income were $2.0 million and $2.3 million for the quarters ended March 31, 2013 and 2012, respectively. No adjustments have been made in this analysis for income exempt from state income taxes or for interest expense deductions disallowed under the provisions of the Internal Revenue Code as a result of investment in certain tax-exempt securities.

Net interest income for the first quarter of 2013 increased to $46.2 million compared to $46.1 million for the first quarter of 2012. Net interest margin was 5.83% for the first quarter of 2013 compared to 5.98% for the first quarter of 2012. The increase in net interest income was primarily due to growth in the Company's average earning assets which increased 3.5% for the first quarter of 2013 compared to the first quarter of 2012, partially offset by the decrease in net interest margin.

The Company's net interest margin decreased 15 bps to 5.83% for the first quarter of 2013 compared to 5.98% for the same period in 2012. This decrease was primarily due to a 36 bps decrease in yields on average earning assets, which was partially offset by a 19 bps reduction in rates paid on interest bearing liabilities.

Yields on earning assets decreased 36 bps to 6.41% for the first quarter of 2013 compared to 6.77% for the first quarter of 2012. The yield on the Company's portfolio of loans and leases, excluding purchased non-covered loans and covered loans, decreased 33 bps for the first quarter of 2013 compared to the first quarter of 2012, partially offset by the 55 bps increase in the yield on covered loans for the first quarter of 2013 compared to the first quarter of 2012. The decrease in yield on the Company's loan and lease portfolio was primarily attributable to the extremely low interest rates environment experienced in recent years and increased pricing competition from many of the Company's competitors. The Company's yield on earning assets was also impacted by its yields on its purchased non-covered loans and its investment securities portfolio.

The decline in rates on average interest bearing liabilities was primarily due to the declines in rates on interest bearing deposits, the largest component of the Company's interest bearing liabilities. Rates on interest bearing deposits decreased 22 bps for the first quarter of 2013 compared to the first quarter of 2012. This decrease in the rate on interest bearing deposits was principally due to (i) a change in mix of the Company's interest bearing deposits due to growth in the volume of savings and interest bearing transaction accounts resulting in an increase in the average balance of these deposits to 68.6% of total average interest bearing deposits for the first quarter of 2013 compared to 63.5% for the first quarter of 2012 and (ii) effectively managing the repricing of both time deposits and savings and interest bearing transaction deposits which resulted in lower rates paid on deposits as they were renewed or otherwise repriced. The net interest spread between the Company's loans and leases, excluding purchased non-covered loans and covered loans, and its deposits was 5.44% for the first quarter of 2013 compared to 5.55% for the first quarter of 2012.

The Company's other borrowing sources include (i) repurchase agreements with customers ("repos"), (ii) other borrowings comprised primarily of federal funds purchased and Federal Home Loan Bank of Dallas ("FHLB – Dallas") advances, and (iii) subordinated debentures. The rates on repos decreased 12 bps for the first quarter of 2013 compared to the first quarter of 2012. The rates on the Company's other borrowings, which consist primarily of fixed rate callable FHLB – Dallas advances, increased 20 bps in the first quarter of 2013 compared to the first quarter of 2012. The rates paid on the Company's subordinated debentures, which are tied to a spread over the 90-day London Interbank Offered Rate ("LIBOR") and reset periodically, decreased 27 bps in the first quarter of 2013 compared to the first quarter of 2012.

The increase in average earning assets for the first quarter of 2013 compared to the first quarter of 2012 was primarily due to increases in the average balances of loans and leases of $242 million, partially offset by a decrease in the average balance of covered loans and leases of $211 million.

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

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | | 2012 | | |
| | Average Balance | Income/ Expense | Yield/ Rate | Average Balance | Income/ Expense | Yield/ Rate |
| | (Dollars in thousands) | | | | | |
| **ASSETS** | | | | | | |
| Earning assets: | | | | | | |
| Interest earning deposits and federal funds sold | $ 2,850 | $ 7 | 1.00% | $ 827 | $ 2 | 0.81% |
| Investment securities: | | | | | | |
| Taxable | 140,395 | 1,285 | 3.71 | 85,906 | 715 | 3.35 |
| Tax-exempt – FTE | 334,424 | 5,760 | 6.99 | 349,939 | 6,516 | 7.49 |
| Loans and leases – FTE | 2,124,721 | 29,884 | 5.70 | 1,882,344 | 28,215 | 6.03 |
| Purchased non-covered loans | 40,046 | 989 | 10.01 | 4,097 | 88 | 8.60 |
| Covered loans | 570,105 | 12,864 | 9.15 | 780,969 | 16,695 | 8.60 |
| Total earning assets – FTE | 3,212,541 | 50,789 | 6.41 | 3,104,082 | 52,231 | 6.77 |
| Non-interest earning assets | 717,097 | | | 697,528 | | |
| Total assets | $3,929,638 | | | $3,801,610 | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | |
| Interest bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| Savings and interest bearing transaction | $1,665,324 | $ 864 | 0.21% | $1,550,154 | $ 1,376 | 0.36% |
| Time deposits of $100,000 or more | 334,805 | 289 | 0.35 | 396,762 | 669 | 0.68 |
| Other time deposits | 426,712 | 393 | 0.37 | 494,457 | 870 | 0.71 |
| Total interest bearing deposits | 2,426,841 | 1,546 | 0.26 | 2,441,373 | 2,915 | 0.48 |
| Repurchase agreements with customers | 33,953 | 7 | 0.09 | 38,675 | 21 | 0.21 |
| Other borrowings | 280,758 | 2,649 | 3.83 | 299,073 | 2,700 | 3.63 |
| Subordinated debentures | 64,950 | 428 | 2.67 | 64,950 | 474 | 2.94 |
| Total interest bearing liabilities | 2,806,502 | 4,630 | 0.67 | 2,844,071 | 6,110 | 0.86 |
| Non-interest bearing liabilities: | | | | | | |
| Non-interest bearing deposits | 551,348 | | | 452,292 | | |
| Other non-interest bearing liabilities | 53,966 | | | 69,285 | | |
| Total liabilities | 3,411,816 | | | 3,365,648 | | |
| Common stockholders' equity | 514,378 | | | 432,536 | | |
| Noncontrolling interest | 3,444 | | | 3,426 | | |
| Total liabilities and stockholders' equity | $3,929,638 | | | $3,801,610 | | |
| Net interest income – FTE | | $46,159 | | | $46,121 | |
| Net interest margin – FTE | | | 5.83% | | | 5.98% |

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The following table reflects how changes in the volume of interest earning assets and interest bearing liabilities and changes in interest rates have affected the Company's interest income, interest expense and net interest income 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, 2013 Over Three Months Ended March 31, 2012 | | |
|---|---|---|---|
| | Volume | Yield/ Rate | Net Change |
| | | (Dollars on thousands) | |
| Increase (decrease) in: | | | |
| Interest income – FTE: | | | |
| Interest earning deposits and federal funds sold | $ 5 | $ — | $ 5 |
| Investment securities: | | | |
| Taxable | 499 | 71 | 570 |
| Tax-exempt – FTE | (267) | (489) | (756) |
| Loans and leases – FTE | 3,409 | (1,740) | 1,669 |
| Purchased non-covered loans | 887 | 14 | 901 |
| Covered loans | (4,759) | 928 | (3,831) |
| Total interest income – FTE | (226) | (1,216) | (1,442) |
| Interest expense: | | | |
| Savings and interest bearing transaction | 60 | (572) | (512) |
| Time deposits of $100,000 or more | (53) | (327) | (380) |
| Other time deposits | (63) | (414) | (477) |
| Repurchase agreements with customers | (1) | (13) | (14) |
| Other borrowings | (173) | 122 | (51) |
| Subordinated debentures | — | (46) | (46) |
| Total interest expense | (230) | (1,250) | (1,480) |
| Increase in net interest income – FTE | $ 4 | $ 34 | $ 38 |

**Non-Interest Income**

The Company's non-interest income consists primarily of service charges on deposit accounts, mortgage lending income, trust income, BOLI income, accretion of FDIC loss share receivable, net of amortization of FDIC clawback payable, other income from loss share and purchased non-covered loans, and gains on investment securities and on sales of other assets.

Non-interest income for the first quarter of 2013 increased 18.4% to $16.4 million compared to $13.8 million for the first quarter of 2012.

Service charges on deposit accounts increased 0.6% to $4.72 million for the first quarter of 2013 compared to $4.69 million for the first quarter of 2012.

Mortgage lending income increased 58.1% to $1.74 million for the first quarter of 2013 compared to $1.10 million for the first quarter of 2012. The volume of originations of mortgage loans available for sale increased 17.9% for the first quarter of 2013 compared to the first quarter of 2012. During the first quarter of 2013, approximately 64% of the Company's originations of mortgage loans available for sale were related to mortgage refinancings and approximately 36% were related to new home purchases, compared to approximately 68% for refinancings and approximately 32% for new home purchases in the first quarter of 2012.

Trust income was $0.88 million in the first quarter of 2013, an increase of 14.1% from $0.77 million for the first quarter of 2012, primarily as a result of growth in the Company's personal trust business.

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The Company recognized $2.39 million of income from the accretion of the FDIC loss share receivable, net of amortization of the FDIC clawback payable, during the first quarter of 2013 compared to $2.31 million during the first quarter of 2012. The FDIC loss share receivable reflects the indemnification provided by the FDIC in FDIC-assisted acquisitions, and the FDIC clawback payable represents the obligation of the Company to reimburse the FDIC should actual losses be less than certain thresholds established in each loss share agreement. The FDIC loss share receivable and the FDIC clawback payable are both carried at net present value.

As the Company collects payments in future periods from the FDIC under the loss share agreements, the balance of the FDIC loss share receivable, absent any significant revisions of the amounts expected to be collected under the loss share agreements, will decline, resulting in a corresponding decrease in the accretion of the FDIC loss share receivable. During the first quarter of 2013, the Company determined that the collection rate of its receivable from the FDIC under the loss share agreements for two of its acquired banks was occurring faster than previously estimated. As a result, the Company increased its accretion rate of the FDIC loss share receivable for both banks, resulting in additional accretion income during the first quarter of 2013 compared to the first quarter of 2012 and compared to the fourth quarter of 2012. This elevated accretion rate for these two acquired banks absent further revisions to either the timing or amount of cash flow expected to be collected from the FDIC under the loss share agreements, will remain elevated although the actual amount of accretion income will decline in future quarters as the outstanding balance of the FDIC loss share receivable decreases.

Because any amounts due under the FDIC clawback payable are due at the conclusion of the loss share agreements, absent any significant revision of the amounts expected to be paid to the FDIC under the clawback provisions of the loss share agreements, the amortization of this liability is not expected to change significantly over the next several quarters.

Other income from loss share and purchased non-covered loans, net was $2.16 million in the first quarter of 2013 compared to $1.98 million in the first quarter of 2012.

Net gains on sales of other assets were $1.97 million in the first quarter of 2013 compared to $1.56 million in the first quarter of 2012. These net gains on sales of other assets were primarily due to net gains on sales of covered foreclosed assets. Because the estimated fair value of covered foreclosed assets includes a net present value component, which is not accreted into income over the expected holding period of the covered foreclosed assets, the sale of a majority of the Company’s covered foreclosed assets has resulted in gains.

The following table presents non-interest income for the three months ended March 31, 2013 and 2012.

**Non-Interest Income**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2013** | **2012** |
| | (Dollars in thousands) | |
| Service charges on deposit accounts | $ 4,722 | $ 4,693 |
| Mortgage lending income | 1,741 | 1,101 |
| Trust income | 883 | 774 |
| BOLI income | 1,083 | 576 |
| Accretion of FDIC loss share receivable, net of amortization of FDIC clawback payable | 2,392 | 2,305 |
| Other income from loss share and purchased non-covered loans, net | 2,155 | 1,983 |
| Gains on investment securities | 156 | 1 |
| Gains on sales of other assets | 1,974 | 1,555 |
| Other | 1,251 | 822 |
| Total non-interest income | $16,357 | $13,810 |

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### Non-Interest Expense

The Company's non-interest expense consists of salaries and employee benefits, net occupancy and equipment and other operating expenses. Non-interest expense increased 2.2% to $29.2 million for the first quarter of 2013 compared to $28.6 million for the first quarter of 2012.

Salaries and employee benefits, the Company's largest components of non-interest expense, increased 11.7% to $15.7 million in the first quarter of 2013 compared to $14.1 million in the first quarter of 2012. The Company had 1,110 full time equivalent employees at March 31, 2013, an increase of 0.6% from 1,103 at March 31, 2012.

Net occupancy and equipment expense for the first quarter of 2013 increased 16.4% to $4.5 million compared to $3.9 million for the first quarter of 2012. At March 31, 2013 the Company had 117 offices compared to 113 offices at March 31, 2012.

The Company's efficiency ratio (non-interest expense divided by the sum of net interest income – FTE and non-interest income) was 46.8% for the first quarter of 2013 compared to 47.7% for the first quarter of 2012.

The following table presents non-interest expense for the three months ended March 31, 2013 and 2012.

**Non-Interest Expense**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2013 | 2012 |
| | (Dollars in thousands) | |
| Salaries and employee benefits | $15,694 | $14,052 |
| Net occupancy and equipment | 4,514 | 3,878 |
| Other operating expenses: | | |
| Postage and supplies | 809 | 813 |
| Advertising and public relations | 354 | 882 |
| Telephone and data lines | 823 | 822 |
| Professional and outside services | 1,186 | 726 |
| Software expense | 1,396 | 675 |
| Travel and meals | 645 | 538 |
| FDIC insurance | 420 | 375 |
| FDIC and state assessments | 172 | 178 |
| ATM expense | 218 | 209 |
| Loan collection and repossession expense | 766 | 2,071 |
| Writedowns of foreclosed assets | 121 | 994 |
| Amortization of intangibles | 568 | 509 |
| Other | 1,545 | 1,885 |
| Total non-interest expense | $29,231 | $28,607 |

### Income Taxes

The provision for income taxes was $8.5 million for the first quarter of 2013 compared to $8.0 million for the first quarter of 2012. The effective income tax rate was 29.9% for the first quarter of 2013 compared to 30.6% for the first quarter of 2012. The effective tax rates for the periods were affected by various factors including non-taxable income and non-deductible expenses.

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## ANALYSIS OF FINANCIAL CONDITION

### Loan and Lease Portfolio

At March 31, 2013 the Company's loan and lease portfolio, excluding purchased non-covered loans and covered loans, was $2.16 billion, compared to $2.12 billion at December 31, 2012 and $1.89 billion at March 31, 2012. Real estate loans, the Company's 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 $1.90 billion at March 31, 2013, compared to $1.85 billion at December 31, 2012 and $1.68 billion at March 31, 2012. The amount and type of loans and leases outstanding, excluding purchased non-covered loans and covered loans, at March 31, 2013 and 2012 and at December 31, 2012 and their respective percentage of the total loan and lease portfolio are reflected in the following table.

**Loan and Lease Portfolio**

| | March 31, 2013 | | March 31, 2012 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | |
| Real estate: | | | | | | |
| Residential 1-4 family | $ 256,628 | 11.9% | $ 262,228 | 13.9% | $ 272,052 | 12.9% |
| Non-farm/non-residential | 823,691 | 38.2 | 744,348 | 39.4 | 807,906 | 38.1 |
| Construction/land development | 623,302 | 28.9 | 488,751 | 25.9 | 578,776 | 27.4 |
| Agricultural | 49,460 | 2.3 | 57,040 | 3.0 | 50,619 | 2.4 |
| Multifamily residential | 142,714 | 6.6 | 126,959 | 6.6 | 141,243 | 6.7 |
| Total real estate | 1,895,795 | 87.9 | 1,679,326 | 88.8 | 1,850,596 | 87.5 |
| Commercial and industrial | 127,742 | 5.9 | 108,650 | 5.7 | 159,804 | 7.6 |
| Consumer | 28,551 | 1.3 | 34,174 | 1.9 | 29,781 | 1.4 |
| Direct financing leases | 71,420 | 3.3 | 56,691 | 3.0 | 68,022 | 3.2 |
| Other | 34,263 | 1.6 | 10,915 | 0.6 | 7,631 | 0.3 |
| Total loans and leases | $2,157,771 | 100.0% | $1,889,756 | 100.0% | $2,115,834 | 100.0% |

The amount and percentage of the Company's loan and lease portfolio, excluding purchased non-covered loans and covered loans, by office of origination are reflected in the following table.

**Loan and Lease Portfolio by State of Originating Office**

| Loans and Leases Attributable to Offices In | March 31, 2013 | | March 31, 2012 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | |
| Arkansas | $1,039,871 | 48.2% | $1,023,603 | 54.2% | $1,048,102 | 49.5% |
| Texas | 970,145 | 44.9 | 792,265 | 41.9 | 935,593 | 44.2 |
| North Carolina | 101,038 | 4.7 | 65,765 | 3.5 | 87,859 | 4.2 |
| Georgia | 40,146 | 1.9 | 7,152 | 0.4 | 40,391 | 1.9 |
| Alabama | 5,959 | 0.3 | 491 | — | 3,337 | 0.2 |
| South Carolina | 393 | — | 37 | — | 91 | — |
| Florida | 219 | — | 443 | — | 461 | — |
| Total | $2,157,771 | 100.0% | $1,889,756 | 100.0% | $2,115,834 | 100.0% |

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The amount and type of the Company's real estate loans, excluding covered loans and purchased non-covered loans, at March 31, 2013, 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, excluding covered loans and purchased non-covered loans, in that state or MSA exceed $10.0 million.

**Geographic Distribution of Real Estate Loans**

| | Residential 1-4 Family | Non-Farm/Non-Residential | Construction/ Land Development | Agricultural | Multifamily Residential | Total |
|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | |
| Arkansas: | | | | | | |
| Little Rock – North Little Rock – Conway, AR MSA | $104,897 | $194,273 | $ 115,322 | $ 8,734 | $ 10,130 | $433,356 |
| Fort Smith, AR – OK MSA | 27,420 | 32,025 | 5,194 | 3,238 | 8,223 | 76,100 |
| Fayetteville – Springdale – Rogers, AR – MO MSA | 9,635 | 21,065 | 17,633 | 5,281 | 3,069 | 56,683 |
| Hot Springs, AR MSA | 5,296 | 8,759 | 9,056 | — | 951 | 24,062 |
| Western Arkansas (1) | 23,038 | 31,758 | 4,116 | 6,271 | 1,271 | 66,454 |
| Northern Arkansas (2) | 47,867 | 17,094 | 6,980 | 20,945 | 554 | 93,440 |
| All other Arkansas (3) | 6,790 | 13,414 | 1,858 | 3,261 | 161 | 25,484 |
| Total Arkansas | 224,943 | 318,388 | 160,159 | 47,730 | 24,359 | 775,579 |
| Texas: | | | | | | |
| Dallas–Fort Worth–Arlington, TX MSA | 12,935 | 140,303 | 166,219 | — | 38,078 | 357,535 |
| Houston – The Woodlands – Baytown, TX MSA | — | 42,652 | 51,963 | — | 14,850 | 109,465 |
| San Antonio – New Braunfels, TX MSA | — | 2,752 | 22,538 | — | — | 25,290 |
| Austin – Round Rock, TX MSA | — | 5,256 | 18,571 | — | — | 23,827 |
| Texarkana, TX – AR MSA | 9,035 | 6,688 | 7,291 | 553 | 1,278 | 24,845 |
| Beaumont – Port Arthur, TX MSA | — | — | — | — | 16,490 | 16,490 |
| College Station – Bryan, TX MSA | — | — | — | — | 18,245 | 18,245 |
| All other Texas (3) | 1,045 | 20,697 | 5,333 | 129 | 3,771 | 30,975 |
| Total Texas | 23,015 | 218,348 | 271,915 | 682 | 92,712 | 606,672 |
| North Carolina/South Carolina: | | | | | | |
| Charlotte – Gastonia – Concord, NC – SC MSA | 2,135 | 43,310 | 25,246 | — | 4,817 | 75,508 |
| Charleston-North Charleston, SC MSA | — | 6,224 | 769 | — | 6,122 | 13,115 |
| All other North Carolina (3) | — | 26,640 | 28,152 | 477 | — | 55,269 |
| All other South Carolina (3) | 1,208 | 4,133 | 4,967 | — | — | 10,308 |
| Total North Carolina/South Carolina | 3,343 | 80,307 | 59,134 | 477 | 10,939 | 154,200 |
| California: | | | | | | |
| Sacramento – Roseville – Arden – Arcade, CA MSA | — | — | 45,147 | — | — | 45,147 |
| All other California(3) | — | 8,592 | — | — | — | 8,592 |
| Total California | — | 8,592 | 45,147 | — | — | 53,739 |
| Georgia: | | | | | | |
| Atlanta – Sandy Springs – Roswell, GA MSA | 1,121 | 25,063 | 1,357 | 147 | 6,709 | 34,397 |
| All other Georgia (3) | 1,431 | 8,130 | 493 | 50 | 145 | 10,249 |
| Total Georgia | 2,552 | 33,193 | 1,850 | 197 | 6,854 | 44,646 |
| Virginia: | | | | | | |
| Washington – Arlington – Alexandria, DC – VA – MD – WV MSA | — | 2,649 | 25,506 | — | — | 28,155 |
| Harrisburg, VA MSA | — | — | 12,825 | — | — | 12,825 |
| All other Virginia(3) | — | 1,924 | 455 | — | — | 2,379 |
| Total Virginia | — | 4,573 | 38,786 | — | — | 43,359 |
| Boston – Cambridge – Quincy, MA MSA | — | 27,150 | — | — | — | 27,150 |
| Oklahoma: | | | | | | |
| Lawton, OK MSA | — | — | 10,266 | — | — | 10,266 |
| All other Oklahoma (3) | 185 | 9,450 | 3,832 | — | — | 13,467 |
| Total Oklahoma | 185 | 9,450 | 14,098 | — | — | 23,733 |

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**Geographic Distribution of Real Estate Loans – continued**

| | Residential 1-4 Family | Non-Farm/Non-Residential | Construction/ Land Development | Agricultural | Multifamily Residential | Total |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| Mississippi: | | | | | | |
| Gulfport – Biloxi – Pascagoula, MS MSA | — | 13,130 | — | — | 3,947 | 17,077 |
| All other Mississippi (3) | — | 878 | — | — | — | 878 |
| Total Mississippi | — | 14,008 | — | — | 3,947 | 17,955 |
| Tennessee: | | | | | | |
| Memphis, TN – MS – AR MSA | 118 | 14,526 | — | — | — | 14,644 |
| All other Tennessee (3) | — | 1,827 | 1,329 | — | — | 3,156 |
| Total Tennessee | 118 | 16,353 | 1,329 | — | — | 17,800 |
| Missouri: | | | | | | |
| Kansas City, MO – KS MSA | 122 | 2,670 | 9,407 | — | — | 12,199 |
| All other Missouri (3) | 726 | 2,798 | 187 | 374 | — | 4,085 |
| Total Missouri | 848 | 5,468 | 9,594 | 374 | — | 16,284 |
| Hartford – West Hartford – East Hartford, CT MSA | — | 14,762 | — | — | — | 14,762 |
| Seattle – Tacoma – Bellevue, WA MSA | — | — | 14,587 | — | — | 14,587 |
| Baltimore – Columbia – Townson, MD MSA | — | 11,216 | — | — | — | 11,216 |
| Alabama | 517 | 5,327 | 779 | — | 3,903 | 10,526 |
| All other states (4) | 1,107 | 56,556 | 5,924 | — | — | 63,587 |
| Total real estate loans | $256,628 | $823,691 | $ 623,302 | $ 49,460 | $142,714 | $1,895,795 |

(1) This geographic area includes the following counties in Western Arkansas: Johnson, Logan, Pope and Yell.
(2) This geographic area includes the following counties in Northern Arkansas: Baxter, Boone, Marion, Newton, Searcy and Van Buren.
(3) These geographic areas include all MSA and non-MSA areas that are not separately reported.
(4) Includes all states not separately presented above.

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The amount and type of non-farm/non-residential loans, excluding purchased non-covered loans and covered loans, at March 31, 2013 and 2012 and at December 31, 2012, and their respective percentage of the total non-farm/non-residential loan portfolio are reflected in the following table.

**Non-Farm/Non-Residential Loans**

| | March 31, 2013 | | March 31, 2012 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | |
| Retail, including shopping centers and strip centers | $327,912 | 39.8% | $268,609 | 36.1% | $323,017 | 40.0% |
| Churches and schools | 41,271 | 5.0 | 43,434 | 5.8 | 42,270 | 5.2 |
| Office, including medical offices | 128,670 | 15.6 | 115,300 | 15.5 | 123,534 | 15.3 |
| Office warehouse, warehouse and mini-storage | 37,338 | 4.5 | 56,592 | 7.6 | 38,355 | 4.7 |
| Gasoline stations and convenience stores | 8,653 | 1.1 | 12,058 | 1.6 | 8,752 | 1.1 |
| Hotels and motels | 96,539 | 11.7 | 73,424 | 9.9 | 92,298 | 11.4 |
| Restaurants and bars | 35,766 | 4.3 | 32,212 | 4.3 | 33,421 | 4.1 |
| Manufacturing and industrial facilities | 38,043 | 4.6 | 25,478 | 3.4 | 32,950 | 4.1 |
| Nursing homes and assisted living centers | 24,468 | 3.0 | 31,606 | 4.3 | 29,501 | 3.7 |
| Hospitals, surgery centers and other medical | 49,304 | 6.0 | 51,048 | 6.9 | 49,797 | 6.2 |
| Golf courses, entertainment and recreational facilities | 9,842 | 1.2 | 12,751 | 1.7 | 10,022 | 1.2 |
| Other non-farm/non residential | 25,885 | 3.2 | 21,836 | 2.9 | 23,989 | 3.0 |
| Total | $823,691 | 100.0% | $744,348 | 100.0% | $807,906 | 100.0% |

The amount and type of construction/land development loans, excluding purchased non-covered loans and covered loans, at March 31, 2013 and 2012 and at December 31, 2012, and their respective percentage of the total construction/land development loan portfolio are reflected in the following table.

**Construction/Land Development Loans**

| | March 31, 2013 | | March 31, 2012 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | |
| Unimproved land | $ 89,716 | 14.4% | $ 97,374 | 19.9% | $ 89,379 | 15.5% |
| Land development and lots: | | | | | | |
| 1-4 family residential and multifamily | 184,733 | 29.6 | 153,852 | 31.5 | 175,929 | 30.4 |
| Non-residential | 70,803 | 11.4 | 97,940 | 20.0 | 70,861 | 12.2 |
| Construction: | | | | | | |
| 1-4 family residential: | | | | | | |
| Owner occupied | 14,585 | 2.4 | 11,019 | 2.3 | 13,785 | 2.4 |
| Non-owner occupied: | | | | | | |
| Pre-sold | 6,880 | 1.1 | 4,192 | 0.9 | 6,218 | 1.1 |
| Speculative | 33,722 | 5.4 | 37,066 | 7.6 | 32,554 | 5.6 |
| Multifamily | 109,884 | 17.6 | 10,353 | 2.1 | 89,770 | 15.5 |
| Industrial, commercial and other | 112,979 | 18.1 | 76,955 | 15.7 | 100,280 | 17.3 |
| Total | $623,302 | 100.0% | $488,751 | 100.0% | $578,776 | 100.0% |

Many of the Company's construction and development loans provide for the use of interest reserves. When the Company underwrites construction and development loans, it considers 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. Based on the total project costs and other factors, the Company determines the required borrower cash equity contribution and the maximum amount the Company is willing to loan. In the vast majority of cases, the Company requires that all of the borrower's cash equity contribution be contributed prior to any material 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 the Company funding the loan later as the project progresses, and accordingly the

Company typically funds the majority of the construction period interest through loan advances. However, when the Company initially determines the borrower's cash equity requirement, the Company typically requires borrower's cash equity in an amount 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. The Company advanced construction period interest on construction and development loans totaling $2.3 million in the first quarter of 2013. While the Company advanced these sums as part of the funding process, the Company believes that the borrowers in effect had in most cases already provided for these sums as part of their initial equity contribution. Specifically, the maximum committed balance of all construction and development loans which provide for the use of interest reserves at March 31, 2013 was approximately $861 million, of which $431 million was outstanding at March 31, 2013 and $430 million remained to be advanced. The weighted average loan to cost on such loans, assuming such loans are ultimately fully advanced, will be approximately 60%, which means that the weighted average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, will be approximately 40%. 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 52%.

The following table reflects loans and leases, excluding purchased non-covered loans and covered loans, as of March 31, 2013 grouped by expected amortizations, expected paydowns or the earliest repricing opportunity for floating rate loans. This cash flow or repricing schedule approximates the Company's ability to reprice the outstanding principal of loans and leases either by adjusting rates on existing loans and leases or reinvesting principal cash flow in new loans and leases.

**Loan and Lease Cash Flows or Repricing**

| | 1 Year or Less | Over 1 Through 2 Years | Over 2 Through 3 Years | Over 3 Years | Total |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| Fixed rate | $ 282,033 | $172,726 | $129,537 | $323,719 | $ 908,015 |
| Floating rate (not at a floor or ceiling rate) | 64,516 | 290 | 107 | 448 | 65,361 |
| Floating rate (at floor rate)(1) | 1,183,939 | 38 | — | 418 | 1,184,395 |
| Floating rate (at ceiling rate) | — | — | — | — | — |
| Total | $1,530,488 | $173,054 | $129,644 | $324,585 | $2,157,771 |
| Percentage of total | 70.9% | 8.0% | 6.0% | 15.1% | 100.0% |
| Cumulative percentage of total | 70.9 | 78.9 | 84.9 | 100.0 | |

(1) The Company has included a floor rate in many of its loans and leases. As a result of such floor rates, many loans and leases will not immediately reprice in a rising rate environment if the interest rate index and margin on such loans and leases continue to result in a computed interest rate less than the applicable floor rate. The earnings simulation model results included in the interest rate risk section of this Management's Discussion and Analysis include consideration of the impact of all interest rate floors and ceilings in loans and leases.

**Purchased Non-Covered Loans**

The amount and type of purchased non-covered loans outstanding are reflected in the following table.

**Purchased Non-Covered Loan Portfolio**

| | March 31, 2013 | March 31, 2012 | December 31, 2012 |
|---|---|---|---|
| | | (Dollars in thousands) | |
| Real estate | $28,018 | $ 65 | $ 29,283 |
| Commercial and industrial | 3,991 | 309 | 5,333 |
| Consumer | 3,491 | 2,985 | 4,168 |
| Other | 2,571 | 41 | 2,750 |
| Total | $38,071 | $3,400 | $ 41,534 |

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The amount and percentage of the Company's purchased non-covered loans, by state of originating office, are reflected in the following table.

**Purchased Non-Covered Loans by State of Originating Office**

| Purchased Non-Covered Loans Attributable to Offices In | March 31, 2013 Amount | % | March 31, 2012 Amount | % | December 31, 2012 Amount | % |
|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | |
| Alabama | $36,762 | 96.6% | $ 195 | 5.7% | $39,845 | 95.9% |
| Georgia | 1,032 | 2.7 | 2,714 | 79.8 | 1,231 | 3.0 |
| Florida | 159 | 0.4 | 309 | 9.1 | 226 | 0.5 |
| North Carolina | 103 | 0.3 | 153 | 4.5 | 200 | 0.5 |
| South Carolina | 15 | — | 29 | 0.9 | 32 | 0.1 |
| Total | $38,071 | 100.0% | $3,400 | 100.0% | $41,534 | 100.0% |

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

**Purchased Non-Covered Loans**

| | March 31, 2013 | March 31, 2012 | December 31, 2012 |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Loans without evidence of credit deterioration at date of purchase: | | | |
| Unpaid principal balance | $32,659 | $ — | $ 35,800 |
| Valuation discount | (701) | — | (1,021) |
| Carrying value | 31,958 | — | 34,779 |
| Loans with evidence of credit deterioration at date of purchase: | | | |
| Unpaid principal balance | 11,211 | 7,313 | 12,171 |
| Valuation discount | (5,098) | (3,913) | (5,416) |
| Carrying value | 6,113 | 3,400 | 6,755 |
| Total carrying value | $38,071 | $ 3,400 | $ 41,534 |

The following table presents purchased non-covered loans grouped by remaining maturities at March 31, 2013 by type and by fixed or floating interest rates. This table is based on contractual maturities and does not reflect amortizations, projected paydowns, the earliest repricing for floating rate loans, accretion or management's estimate of projected cash flows. Many loans have principal paydowns scheduled in periods prior to the period in which they mature, and many variable rate loans are subject to repricing in periods prior to the period in which they mature. Additionally, because income on purchased non-covered loans with evidence of credit deterioration on the date of purchase 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.

**Purchased Non-Covered Loan Maturities**

| | 1 Year or Less | Over 1 Through 5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Real estate | $ 6,368 | $13,284 | $8,366 | $28,018 |
| Commercial and industrial | 1,668 | 1,678 | 645 | 3,991 |
| Consumer | 2,045 | 1,348 | 98 | 3,491 |
| Other | 454 | 2,091 | 26 | 2,571 |
| Total | $10,535 | $18,401 | $9,135 | $38,071 |
| Fixed rate | $ 7,812 | $12,050 | $8,925 | $28,787 |
| Floating rate | 2,723 | 6,351 | 210 | 9,284 |
| Total | $10,535 | $18,401 | $9,135 | $38,071 |

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**Covered Assets, FDIC Loss Share Receivable and FDIC Clawback Payable**

During 2010 and 2011, the Company, through the Bank, acquired substantially all of the assets and assumed substantially all of the deposits and certain other liabilities of seven failed financial institutions in FDIC-assisted acquisitions. A summary of each acquisition is as follows:

**Failed Bank Acquisitions**

| Date of FDIC-Assisted Acquisition | Failed Financial Institution | Location |
|---|---|---|
| March 26, 2010 | Unity National Bank (“Unity”) | Cartersville, Georgia |
| July 16, 2010 | Woodlands Bank (“Woodlands”) | Bluffton, South Carolina |
| September 10, 2010 | Horizon Bank (“Horizon”) | Bradenton, Florida |
| December 17, 2010 | Chestatee State Bank (“Chestatee”) | Dawsonville, Georgia |
| January 14, 2011 | Oglethorpe Bank (“Oglethorpe”) | Brunswick, Georgia |
| April 29, 2011 | First Choice Community Bank (“First Choice”) | Dallas, Georgia |
| April 29, 2011 | The Park Avenue Bank (“Park Avenue”) | Valdosta, Georgia |

Loans comprise the majority of the assets acquired in each of these FDIC–assisted acquisitions and, with the exception of Unity, all but a small amount of consumer loans are subject to loss share agreements with the FDIC whereby the Bank is indemnified against a portion of the losses on covered loans and covered foreclosed assets. In the Unity acquisition, all loans, including consumer loans, are subject to loss share agreement with the FDIC.

In conjunction with each of these acquisitions, the Bank entered into loss share agreements with the FDIC such that the Bank and the FDIC will share in the losses on assets covered under the loss share agreements. Pursuant to the terms of the loss share agreements for the Unity acquisition, on losses up to $65 million, the FDIC will reimburse the Bank for 80% of losses. On losses exceeding $65 million, the FDIC will reimburse the Bank for 95% of losses. Pursuant to the terms of the loss share agreements for the Woodlands, Chestatee, Oglethorpe and First Choice acquisitions, the FDIC will reimburse the Bank for 80% of losses. Pursuant to the terms of the loss share agreements for the Horizon acquisition, the FDIC will reimburse the Bank on single family residential loans and related foreclosed assets for (i) 80% of losses up to $11.8 million, (ii) 30% of losses between $11.8 million and $17.9 million and (iii) 80% of losses in excess of $17.9 million. For non-single family residential loans and related foreclosed assets, the FDIC will reimburse the Bank for (i) 80% of losses up to $32.3 million, (ii) 0% of losses between $32.3 million and $42.8 million and (iii) 80% of losses in excess of $42.8 million. Pursuant to the terms of the loss share agreements for the Park Avenue acquisition, the FDIC will reimburse the Bank for (i) 80% of losses up to $218.2 million, (ii) 0% of losses between $218.2 million and $267.5 million and (iii) 80% of losses in excess of $267.5 million.

The loss share agreements applicable to single family residential mortgage loans and related foreclosed assets provide for FDIC loss sharing and the Bank’s reimbursement to the FDIC for recoveries of covered losses for ten years from the date on which each applicable loss share agreement was entered. The loss share agreements applicable to commercial loans and related foreclosed assets provide for FDIC loss sharing for five years from the date on which each applicable loss share agreement was entered and the Bank’s reimbursement to the FDIC for recoveries of covered losses for an additional three years thereafter.

To the extent that actual losses incurred by the Bank are less than (i) $65 million on the Unity assets covered under the loss share agreements, (ii) $107 million on the Woodlands assets covered under the loss share agreements, (iii) $60 million on the Horizon assets covered under the loss share agreements, (iv) $66 million on the Chestatee assets covered under the loss share agreements, (v) $66 million on the Oglethorpe assets covered under the loss share agreements, (vi) $87 million on the First Choice assets covered under the loss share agreements and (vii) $269 million on the Park Avenue assets covered under loss share agreements, the Bank may be required to reimburse the FDIC under the clawback provisions of the loss share agreements.

The terms of the purchase and assumption agreements for the Unity, Woodlands, Horizon, Chestatee, Oglethorpe, First Choice and Park Avenue acquisitions provide for the FDIC to indemnify the Bank against certain claims, including claims with respect to assets, liabilities or any affiliate not acquired or otherwise assumed by the Bank and with respect to claims based on any action by directors, officers or employees of Unity, Woodlands, Horizon, Chestatee, Oglethorpe, First Choice or Park Avenue.

The covered loans and covered foreclosed assets (collectively “covered assets”) and the related FDIC loss share receivable and the FDIC clawback payable are reported at the net present value of expected future amounts to be paid or received.

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A summary of the covered assets, the FDIC loss share receivable and the FDIC clawback payable is as follows:

**Covered Assets, FDIC Loss Share Receivable and FDIC Clawback Payable**

| | March 31, 2013 | March 31, 2012 | December 31, 2012 |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Covered loans | $544,268 | $ 755,761 | $ 596,239 |
| FDIC loss share receivable | 132,699 | 239,724 | 152,198 |
| Covered foreclosed assets | 51,040 | 71,950 | 52,951 |
| Total | $728,007 | $1,067,435 | $ 801,388 |
| FDIC clawback payable | $ 25,384 | $ 24,796 | $ 25,169 |

*Covered Loans*

The following table presents a summary, by acquisition, of activity within covered loans during the periods indicated.

**Covered Loans**

| | Unity | Woodlands | Horizon | Chestatee | Oglethorpe | First Choice | Park Avenue | Total |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | |
| Carrying value at January 1, 2012 | $96,360 | $131,775 | $79,798 | $74,701 | $ 64,391 | $131,923 | $227,974 | $806,922 |
| Accretion | 1,503 | 2,669 | 1,513 | 1,540 | 1,533 | 2,807 | 5,130 | 16,695 |
| Transfers to covered foreclosed assets | (563) | (852) | (1,284) | (1,539) | (379) | (1,335) | (2,840) | (8,792) |
| Payments received | (5,189) | (5,178) | (3,041) | (4,742) | (3,281) | (9,798) | (21,663) | (52,892) |
| Charge-offs | (3,543) | (1,832) | — | (723) | — | (103) | (98) | (6,299) |
| Other activity, net | 105 | 21 | (12) | (101) | (19) | (72) | 205 | 127 |
| Carrying value at March 31, 2012 | $88,673 | $126,603 | $76,974 | $69,136 | $ 62,245 | $123,422 | $208,708 | $755,761 |
| Carrying value at January 1, 2013 | $72,849 | $ 99,734 | $63,193 | $56,668 | $ 48,093 | $ 91,081 | $164,621 | $596,239 |
| Accretion | 1,526 | 1,980 | 1,237 | 1,183 | 1,205 | 2,025 | 3,708 | 12,864 |
| Transfers to covered foreclosed assets | (1,317) | (1,711) | (1,320) | (412) | (950) | (82) | (2,244) | (8,036) |
| Payments received | (3,502) | (7,354) | (2,790) | (6,451) | (4,303) | (6,684) | (17,549) | (48,633) |
| Charge-offs | (2,042) | (954) | (502) | (648) | (206) | (1,047) | (2,864) | (8,263) |
| Other activity, net | 58 | (27) | 15 | (10) | 60 | 63 | (62) | 97 |
| Carrying value at March 31, 2013 | $67,572 | $ 91,668 | $59,833 | $50,330 | $ 43,899 | $ 85,356 | $145,610 | $544,268 |

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The following table presents a summary of the carrying value and type of covered loans at March 31, 2013 and 2012 and at December 31, 2012.

**Covered Loan Portfolio**

| | March 31, 2013 | March 31, 2012 | December 31, 2012 |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Real estate: | | | |
| Residential 1-4 family | $144,299 | $189,862 | $ 152,348 |
| Non-farm/non-residential | 264,996 | 360,590 | 288,104 |
| Construction/land development | 92,289 | 137,431 | 105,087 |
| Agricultural | 18,163 | 23,505 | 19,690 |
| Multifamily residential | 9,897 | 15,876 | 10,701 |
| Total real estate | 529,644 | 727,264 | 575,930 |
| Commercial and industrial | 13,317 | 26,606 | 18,496 |
| Consumer | 395 | 854 | 176 |
| Other | 912 | 1,037 | 1,637 |
| Total covered loans | $544,268 | $755,761 | $ 596,239 |

The following table presents covered loans grouped by remaining maturities and by type at March 31, 2013. This table is based on contractual maturities and does not reflect accretion of the accretable difference or management's estimate of projected cash flows. Most covered loans have scheduled accretion and/or cash flows projected by management to occur in periods prior to maturity. In addition, because income on covered loans is recognized by accretion of the accretable difference, none of the covered loans are considered to be floating or adjustable rate loans.

**Covered Loan Maturities**

| | 1 Year or Less | Over 1 Through 5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Real estate: | | | | |
| Residential 1-4 family | $ 64,081 | $ 44,298 | $35,920 | $144,299 |
| Non-farm/non-residential | 147,279 | 87,325 | 30,392 | 264,996 |
| Construction/land development | 80,198 | 10,575 | 1,516 | 92,289 |
| Agricultural | 13,336 | 3,746 | 1,081 | 18,163 |
| Multifamily residential | 4,993 | 3,563 | 1,341 | 9,897 |
| Total real estate | 309,887 | 149,507 | 70,250 | 529,644 |
| Commercial and industrial | 6,573 | 2,359 | 4,385 | 13,317 |
| Consumer | 240 | 155 | — | 395 |
| Other | 152 | 6 | 754 | 912 |
| Total covered loans | $316,852 | $152,027 | $75,389 | $544,268 |

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The following table presents a summary, by acquisition, of changes in the accretable difference on covered loans during the periods indicated.

**Accretable Difference on Covered Loans**

| | Unity | Woodlands | Horizon | Chestatee | Oglethorpe | First Choice | Park Avenue | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | | |
| Accretable difference at January 1, 2012 | $10,614 | $ 24,555 | $24,432 | $10,663 | $ 17,338 | $16,900 | $47,147 | $151,649 |
| Accretion | (1,503) | (2,669) | (1,513) | (1,540) | (1,533) | (2,807) | (5,130) | (16,695) |
| Transfers to covered foreclosed assets | — | (30) | (40) | (249) | (36) | (161) | (937) | (1,453) |
| Covered loans paid off | (199) | (94) | (196) | (349) | (418) | (485) | (515) | (2,256) |
| Cash flow revisions as a result of renewals and/or modifications | 1,516 | 1,087 | 128 | 237 | 269 | 18 | 369 | 3,624 |
| Other, net | (54) | 13 | 14 | 49 | 39 | 30 | 115 | 206 |
| Accretable difference at March 31, 2012 | $10,374 | $ 22,862 | $22,825 | $ 8,811 | $ 15,659 | $13,495 | $41,049 | $135,075 |
| Accretable difference at January 1, 2013 | $ 8,574 | $ 17,452 | $16,524 | $ 5,712 | $ 11,372 | $ 9,919 | $27,942 | $ 97,495 |
| Accretion | (1,526) | (1,980) | (1,237) | (1,183) | (1,205) | (2,025) | (3,708) | (12,864) |
| Transfers to covered foreclosed assets | (98) | (138) | (24) | (44) | (25) | (6) | (374) | (709) |
| Covered loans paid off | (226) | (95) | (299) | (269) | (188) | (508) | (1,106) | (2,691) |
| Cash flow revisions as a result of renewals and/or modifications | 2,563 | 1,550 | (294) | 655 | 419 | 2,412 | 671 | 7,976 |
| Other, net | 16 | 175 | 25 | 95 | 24 | 106 | 230 | 671 |
| Accretable difference at March 31, 2013 | $ 9,303 | $ 16,964 | $14,695 | $ 4,966 | $ 10,397 | $ 9,898 | $23,655 | $ 89,878 |

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*FDIC Loss Share Receivable*

The following table presents a summary, by acquisition, of activity within the FDIC loss share receivable during the periods indicated.

**FDIC Loss Share Receivable**

| | Unity | Woodlands | Horizon | Chestatee | Oglethorpe | First Choice | Park Avenue | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | | |
| Carrying value at January 1, 2012 | $27,575 | $ 29,177 | $21,757 | $ 29,382 | $ 37,720 | $48,442 | $ 84,992 | $279,045 |
| Accretion income | 92 | 283 | 232 | 249 | 399 | 567 | 778 | 2,600 |
| Cash received from FDIC | (2,873) | (3,434) | (1,601) | (10,955) | (6,086) | (4,788) | (16,380) | (46,117) |
| Reductions of FDIC loss share receivable for payments on covered loans in excess of Day 1 Fair Values | (330) | (830) | (228) | (417) | (914) | (1,170) | (1,686) | (5,575) |
| Increases in FDIC loss share receivable for: | | | | | | | | |
| Charge-offs of covered loans | 2,466 | 1,466 | — | 577 | — | 83 | 79 | 4,671 |
| Write downs of covered foreclosed assets | 500 | 117 | 34 | 613 | — | 111 | 301 | 1,676 |
| Expenses on covered assets reimbursable by FDIC | 504 | 394 | 453 | 349 | 245 | 234 | 897 | 3,076 |
| Other activity, net | 310 | 23 | (56) | 47 | (40) | 43 | 21 | 348 |
| Carrying value at March 31, 2012 | $28,244 | $ 27,196 | $20,591 | $ 19,845 | $ 31,324 | $43,522 | $ 69,002 | $239,724 |
| Carrying value at January 1, 2013 | $19,818 | $ 22,373 | $16,859 | $ 11,162 | $ 23,996 | $17,918 | $ 40,072 | $152,198 |
| Accretion income | 119 | 238 | 77 | 114 | 234 | 713 | 1,204 | 2,699 |
| Cash received from FDIC | (2,013) | (2,524) | (3,418) | (2,828) | (2,325) | (4,226) | (5,231) | (22,565) |
| Reductions of FDIC loss share receivable for payments on covered loans in excess of Day 1 Fair Values | (614) | (1,201) | (503) | (2,024) | (615) | (1,067) | (2,344) | (8,368) |
| Increases in FDIC loss share receivable for: | | | | | | | | |
| Charge-offs of covered loans | 954 | 751 | 401 | 519 | 165 | 838 | 2,291 | 5,919 |
| Writedowns of covered foreclosed assets | 74 | 98 | 83 | 234 | 9 | 133 | 75 | 706 |
| Expenses on covered assets reimbursable by FDIC | 209 | 441 | 347 | 115 | 381 | 239 | 650 | 2,382 |
| Other activity, net | 29 | (284) | (81) | (177) | (226) | (76) | 543 | (272) |
| Carrying value at March 31, 2013 | $18,576 | $ 19,892 | $13,765 | $ 7,115 | $ 21,619 | $14,472 | $ 37,260 | $132,699 |

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*Foreclosed Assets Covered by FDIC Loss Share Agreements*

The following table presents a summary, by acquisition, of activity within covered foreclosed assets during the periods indicated.

**Foreclosed Assets Covered by FDIC Loss Share Agreements**

| | Unity | Woodlands | Horizon | Chestatee | Oglethorpe | First Choice | Park Avenue | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | | |
| Carrying value at January 1, 2012 | $10,272 | $ 14,435 | $3,677 | $ 9,677 | $ 7,132 | $2,224 | $25,490 | $72,907 |
| Transfers from covered loans | 563 | 852 | 1,284 | 1,539 | 379 | 1,335 | 2,840 | 8,792 |
| Sales of covered foreclosed assets | (1,683) | (1,828) | (494) | (535) | (1,264) | (454) | (1,431) | (7,689) |
| Writedowns of covered foreclosed assets | (535) | (256) | (35) | (781) | — | (194) | (259) | (2,060) |
| Carrying value at March 31, 2012 | $ 8,617 | $ 13,203 | $4,432 | $ 9,900 | $ 6,247 | $2,911 | $26,640 | $71,950 |
| Carrying value at January 1, 2013 | $ 8,187 | $ 8,050 | $2,538 | $ 4,211 | $ 6,797 | $3,584 | $19,584 | $52,951 |
| Transfers from covered loans | 1,317 | 1,711 | 1,320 | 412 | 950 | 82 | 2,244 | 8,036 |
| Sales of covered foreclosed assets | (707) | (1,096) | (848) | (410) | (2,085) | (567) | (3,518) | (9,231) |
| Writedowns of covered foreclosed assets | (105) | (130) | (92) | (270) | (10) | (58) | (51) | (716) |
| Carrying value at March 31, 2013 | $ 8,692 | $ 8,535 | $2,918 | $ 3,943 | $ 5,652 | $3,041 | $18,259 | $51,040 |

The following table presents a summary of the carrying value and type of covered foreclosed assets at March 31, 2013 and 2012 and December 31, 2011.

**Covered Foreclosed Assets**

| | March 31, 2013 | March 31, 2012 | December 31, 2012 |
|---|---|---|---|
| | | (Dollars in thousands) | |
| Real estate: | | | |
| Residential 1-4 family | $ 8,849 | $16,413 | $ 12,279 |
| Non-farm/non-residential | 11,262 | 12,323 | 9,570 |
| Construction/land development | 30,419 | 43,062 | 30,602 |
| Agricultural | 71 | — | 449 |
| Multifamily residential | 439 | 152 | 51 |
| Total real estate | 51,040 | 71,950 | 52,951 |
| Repossessions | — | — | — |
| Total covered foreclosed assets | $51,040 | $71,950 | $ 52,951 |

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*FDIC Clawback Payable*

The following table presents a summary, by acquisition, of activity within the FDIC clawback payable during the periods indicated.

**FDIC Clawback Payable**

| | Unity | Woodlands | Horizon | Chestatee | Oglethorpe | First Choice | Park Avenue | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | | |
| Carrying value at January 1, 2012 | $1,709 | $ 3,153 | $1,552 | $ 759 | $ 1,099 | $ 923 | $15,450 | $24,645 |
| Amortization expense | 20 | 37 | 18 | 9 | 13 | 12 | 186 | 295 |
| Changes in FDIC clawback payable related to changes in expected losses on covered assets | (144) | — | — | — | — | — | — | (144) |
| Carrying value at March 31, 2012 | $1,585 | $ 3,190 | $1,570 | $ 768 | $ 1,112 | $ 935 | $15,636 | $24,796 |
| Carrying value at January 1, 2013 | $1,644 | $ 2,986 | $1,468 | $ 794 | $ 1,083 | $ 968 | $16,226 | $25,169 |
| Amortization expense | 20 | 33 | 18 | 9 | 13 | 11 | 203 | 307 |
| Changes in FDIC clawback payable related to changes in expected losses on covered assets | (92) | — | — | — | — | — | — | (92) |
| Carrying value at March 31, 2013 | $1,572 | $ 3,019 | $1,486 | $ 803 | $ 1,096 | $ 979 | $16,429 | $25,384 |

**Nonperforming Assets**

Nonperforming assets consist of (1) nonaccrual loans and leases, (2) accruing loans and leases 90 days or more past due, (3) certain troubled and restructured loans for which a concession has been granted by the Company to the borrower because of a deterioration in the financial position of the borrower (“TDRs”) and (4) real estate or other assets that have been acquired in partial or full satisfaction of loan or lease obligations or upon foreclosure. Purchased non-covered loans and covered assets are not considered to be nonperforming by the Company for purposes of calculation of the nonperforming loans and leases to total loans and leases ratio and the nonperforming assets to total assets ratio, except for their inclusion in total assets. Because purchased non-covered loans and covered assets are not included in the calculations of the Company’s nonperforming loans and leases ratio and nonperforming assets ratio, the Company’s nonperforming loans and leases ratio and nonperforming assets ratio may not be comparable from period to period or with such ratios of other financial institutions, including institutions that have made FDIC-assisted or traditional acquisitions.

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The following table presents information, excluding purchased non-covered and covered assets, concerning nonperforming assets, including nonaccrual loans and leases, TDRs, and foreclosed assets as of the dates indicated.

**Nonperforming Assets**

| | March 31, 2013 | March 31, 2012 | December 31, 2012 |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Nonaccrual loans and leases | $ 8,564 | $11,393 | $ 9,109 |
| Accruing loans and leases 90 days or more past due | — | — | — |
| TDRs | — | — | — |
| Total nonperforming loans and leases | 8,564 | 11,393 | 9,109 |
| Foreclosed assets not covered by FDIC loss share agreements[1] | 11,290 | 17,825 | 13,924 |
| Total nonperforming assets | $19,854 | $29,218 | $ 23,033 |
| Nonperforming loans and leases to total loans and leases[2] | 0.40% | 0.60% | 0.43% |
| Nonperforming assets to total assets[2] | 0.50 | 0.76 | 0.57 |

(1) Repossessed personal properties and real estate acquired through or in lieu of foreclosure are initially recorded at the lesser of current principal investment or estimated market value less estimated cost to sell at the date of repossession or foreclosure. 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.

(2) Excludes purchased non-covered loans and covered assets except for their inclusion in total assets.

As of March 31, 2013, the Company had identified covered loans where 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. As a result the Company recorded partial charge-offs, net of adjustments to the FDIC loss share receivable and the FDIC clawback payable, totaling $2.0 million for such loans during the first quarter of 2013 and $1.5 million during the first quarter of 2012. The Company also recorded provision for loan and lease losses of $2.0 million during the first quarter of 2013 and $1.5 million during the first quarter of 2012. The Company had $51.2 million of impaired covered loans at March 31, 2013 and $10.3 million of impaired covered loans at March 31, 2012.

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

At March 31, 2013, the Company had reduced the carrying value of its loans and leases deemed impaired (all of which were included in nonaccrual loans and leases) by $9.7 million to the estimated fair value of such loans and leases of $6.1 million. The adjustment to reduce the carrying value of impaired loans and leases to estimated fair value consisted of $8.2 million of partial charge-offs and $1.5 million of specific loan and lease loss allocations. These amounts do not include the Company's $47.1 million of impaired covered loans at March 31, 2013.

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The following table presents information concerning the geographic location of nonperforming assets, excluding purchased non-covered loans and covered assets, at March 31, 2013. Nonaccrual loans and leases are reported in the physical location of the principal collateral. Foreclosed assets are reported in the physical location of the asset. Repossessions are reported at the physical location where the borrower resided or had its principal place of business at the time of repossession.

**Geographic Distribution of Nonperforming Assets**

| | Nonperforming Loans and Leases | Foreclosed Assets | Total Nonperforming Assets |
|---|---|---|---|
| | | (Dollars in thousands) | |
| Arkansas | $ 7,553 | $ 7,769 | $ 15,322 |
| Texas | 9 | — | 9 |
| North Carolina | — | 1,070 | 1,070 |
| South Carolina | 983 | 1,219 | 2,202 |
| Georgia | 5 | 254 | 259 |
| Alabama | 1 | 304 | 305 |
| Florida | — | 38 | 38 |
| All other | 13 | 636 | 649 |
| Total | $ 8,564 | $ 11,290 | $ 19,854 |

**Allowance and Provision for Loan and Lease Losses**

The Company’s ALLL was $38.4 million, or 1.78% of total loans and leases, excluding purchased non-covered loans and covered loans, at March 31, 2013, compared with $38.7 million, or 1.83% of total loans and leases, excluding purchased non-covered loans and covered loans, at December 31, 2012 and compared to $38.6 million, or 2.04% of total loans and leases, excluding purchased non-covered loans and covered loans, at March 31, 2012. The Company had no ALLL for purchased non-covered loans or for covered loans at March 31, 2013, December 31, 2012 or March 31, 2012 because all losses had been charged off on purchased non-covered loans and covered loans whose performance had deteriorated from management’s expectations established in conjunction with the determination of the Day 1 Fair Values. Excluding covered loans and purchased non-covered loans, the Company’s ALLL was equal to 449% of its total nonperforming loans and leases at March 31, 2013 compared to 425% at December 31, 2012 and compared to 339% at March 31, 2012. While the Company believes the current ALLL is appropriate, changing economic and other conditions may require future adjustments to the ALLL.

The amount of provision to the ALLL is based on the Company’s analysis of the adequacy of the ALLL utilizing the criteria discussed in the Critical Accounting Policies caption of the Management’s Discussion and Analysis. The provision for loan and lease losses for the first quarter of 2013 was $2.7 million, including $0.7 million for non-covered loans and leases and $2.0 million for covered loans, compared to $3.1 million, including $1.6 million for non-covered loans and leases and $1.5 million for covered loans, in the first quarter of 2012.

The decrease in the Company’s ALLL, the ALLL as a percent of total loans and leases, excluding purchased non-covered loans and covered loans, and the Company’s provision for non-covered loans and leases for the first quarter of 2013 compared to the first quarter of 2012 reflects the reduction in net charge-offs in the first quarter of 2013 compared to the first quarter of 2012 and the full year of 2012 as the real estate market and unemployment levels in many of the Company’s markets have shown improvement in recent quarters. The Company’s increase in its provision for covered loans for the first quarter of 2013 compared to the first quarter of 2012 was due to the increase in net charge off’s of covered loans as more covered loans experienced decreases in their expected cash flows that resulted in partial charge-offs of the carrying value of such covered loans in the first quarter of 2013 compared to the first quarter of 2012.

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An analysis of the allowance for loan and lease losses for the periods indicated is shown in the following table.

**Analysis of the Allowance for Loan and Lease Losses**

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 | Year Ended December 31, 2012 |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Balance, beginning of period | $38,738 | $39,169 | $ 39,169 |
| Non-covered loans and leases charged off: | | | |
| Real estate | 379 | 1,279 | 4,001 |
| Commercial and industrial | 716 | 540 | 1,323 |
| Consumer | 61 | 147 | 732 |
| Direct financing leases | 80 | 124 | 361 |
| Other | 111 | 124 | 219 |
| Total non-covered loans and leases charged off | 1,347 | 2,214 | 6,636 |
| Recoveries of non-covered loans and leases previously charged off: | | | |
| Real estate | 204 | 37 | 372 |
| Commercial and industrial | 9 | 5 | 35 |
| Consumer | 58 | 47 | 238 |
| Direct financing leases | 9 | — | 2 |
| Other | 51 | 38 | 8 |
| Total recoveries of non-covered loans and leases previously charged off | 331 | 127 | 655 |
| Net non-covered loans and leases charged off | 1,016 | 2,087 | 5,981 |
| Covered loans charged off | 2,028 | 1,526 | 6,195 |
| Net charge-offs – total loans and leases | 3,044 | 3,613 | 12,176 |
| Provision for loan and lease losses: | | | |
| Non-covered loans and losses | 700 | 1,550 | 5,550 |
| Covered loans | 2,028 | 1,526 | 6,195 |
| Total provision | 2,728 | 3,076 | 11,745 |
| Balance, end of period | $38,422 | $38,632 | $ 38,738 |
| Net charge-offs of non-covered loans and leases to average non-covered loans and leases (1) | 0.19% (2) | 0.44% (2) | 0.30% |
| Net charge-offs of total loans and leases, including covered loans and purchased non-covered loans, to total loans and leases | 0.45% (2) | 0.54% (2) | 0.46% |
| Allowance for loan and lease losses to total non-covered loans and leases (3) | 1.78% | 2.04% | 1.83% |
| Allowance for loan and lease losses to nonperforming loans and leases (3) | 449% | 339% | 425% |

(1) Excludes covered loans and net charge-offs related to such loans.
(2) Annualized.
(3) Excludes purchased non-covered loans and covered loans.

As of and for the three months ended March 31, 2013 and 2012 and as of and for the year ended December 31, 2012, the Company had no impaired purchased non-covered loans and recorded no charge-offs, partial charge-offs or provision for such loans.

**Investment Securities**

At March 31, 2013 and 2012 and at December 31, 2012, the Company classified all of its investment securities portfolio as available for sale ("AFS"). Accordingly, its 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.

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The following table presents the amortized cost and estimated fair value of investment securities AFS at March 31, 2013 and 2012 and at December 31, 2012. The Company's holdings of "other equity securities" include FHLB – Dallas, Federal Home Loan Bank of Atlanta ("FHLB – Atlanta") and First National Banker's Bankshares, Inc. ("FNBB") shares which do not have readily determinable fair values and are carried at cost.

**Investment Securities**

| | March 31, | | | | December 31, | |
|---|---|---|---|---|---|---|
| | 2013 | | 2012 | | 2012 | |
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (Dollars in thousands) | | | | | |
| Obligations of state and political subdivisions | $366,753 | $380,236 | $355,113 | $370,408 | $345,224 | $361,517 |
| U.S. Government agency securities | 91,589 | 92,963 | 43,860 | 45,948 | 116,835 | 118,284 |
| Corporate obligations | 748 | 748 | — | — | 776 | 776 |
| Other equity securities | 13,701 | 13,701 | 17,841 | 17,841 | 13,689 | 13,689 |
| Total | $472,791 | $487,648 | $416,814 | $434,197 | $476,524 | $494,266 |

The Company's investment securities portfolio is reported at estimated fair value, which included gross unrealized gains of $15.9 million and gross unrealized losses of $1.0 million at March 31, 2013; gross unrealized gains of $18.1 million and gross unrealized losses of $0.3 million at December 31, 2012; and gross unrealized gains of $17.9 million and gross unrealized losses of $0.6 million at March 31, 2012. Management believes that all of its unrealized losses on individual investment securities at March 31, 2013 are the result of fluctuations in interest rates and do not reflect deterioration in the credit quality of these investments. Accordingly, management considers these unrealized losses to be temporary in nature. The Company does not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not be required to sell these investment securities before fair value recovers to amortized cost.

The following table presents unaccreted discounts and unamortized premiums of the Company's investment securities for the dates indicated.

**Unaccreted Discounts and Unamortized Premiums**

| | Amortized Cost | Unaccreted Discount | Unamortized Premium | Par Value |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| **March 31, 2013:** | | | | |
| Obligations of states and political subdivisions | $366,753 | $ 7,949 | $ (1,622) | $373,080 |
| U.S. Government agency securities | 91,589 | 201 | (4,846) | 86,944 |
| Corporate obligations | 748 | — | (21) | 727 |
| Other equity securities | 13,701 | — | — | 13,701 |
| Total | $472,791 | $ 8,150 | $ (6,489) | $474,452 |
| **December 31, 2012:** | | | | |
| Obligations of states and political subdivisions | $345,224 | $ 6,324 | $ (516) | $351,032 |
| U.S. Government agency securities | 116,835 | 279 | (4,935) | 112,179 |
| Corporate obligations | 776 | — | (23) | 753 |
| Other equity securities | 13,689 | — | — | 13,689 |
| Total | $476,524 | $ 6,603 | $ (5,474) | $477,653 |
| **March 31, 2012:** | | | | |
| Obligations of states and political subdivisions | $355,113 | $ 4,751 | $ (191) | $359,673 |
| U.S. Government agency securities | 43,860 | — | (1,379) | 42,481 |
| Other equity securities | 17,841 | — | — | 17,841 |
| Total | $416,814 | $ 4,751 | $ (1,570) | $419,995 |

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The Company had net gains of $156,000 from the sale of $0.8 million of investment securities in the first quarter of 2013 compared with net gains of $1,000 from the sale of $2.4 million of investment securities in the first quarter of 2012. During the quarters ended March 31, 2013 and 2012, respectively, investment securities totaling $39.5 million and $7.8 million matured, were called or were paid down by the issuer. The Company purchased $38.2 million and $3.5 million of investment securities during the quarters ended March 31, 2013 and 2012, respectively.

The Company invests in securities it believes offer good relative value at the time of purchase, and it will, from time to time, reposition its investment securities portfolio. In making decisions to sell or purchase securities, the Company considers credit quality, call features, maturity dates, relative yields, current market factors, interest rate risk and other relevant factors.

The following table presents the types and estimated fair values of the Company's investment securities AFS at March 31, 2013 based on credit ratings by one or more nationally-recognized credit rating agencies.

**Credit Ratings of Investment Securities**

| | AAA(1) | AA(2) | A(3) | BBB(4) | Non-Rated(5) | Total |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| Obligations of states and political subdivisions: | | | | | | |
| Arkansas | $ — | $103,024 | $13,189 | $ 5,317 | $133,176 | $254,706 |
| Texas | 1,229 | 22,671 | 25,091 | 16,750 | 15,606 | 81,347 |
| Alabama | — | 838 | 2,362 | 581 | 3,433 | 7,214 |
| Georgia | — | 1,486 | 2,476 | 303 | 1,904 | 6,169 |
| Kansas | — | — | — | 5,618 | — | 5,618 |
| Louisiana | — | 5,387 | — | — | — | 5,387 |
| West Virginia | — | — | — | 2,476 | 1,372 | 3,848 |
| Washington | — | — | — | — | 2,789 | 2,789 |
| Connecticut | — | — | 2,772 | — | — | 2,772 |
| North Carolina | — | 2,631 | — | — | — | 2,631 |
| Iowa | — | — | 2,606 | — | — | 2,606 |
| Massachusetts | — | — | — | — | 1,986 | 1,986 |
| Florida | — | — | — | — | 1,323 | 1,323 |
| Rhode Island | — | — | — | — | 1,002 | 1,002 |
| Missouri | — | — | — | — | 853 | 853 |
| U.S. Government agency securities | — | 92,963 | — | — | — | 92,963 |
| Corporate obligations | — | — | 733 | — | — | 733 |
| Other equity securities | — | — | — | — | 13,701 | 13,701 |
| Total | $1,229 | $229,000 | $49,229 | $31,045 | $177,145 | $487,648 |
| Percentage of total | 0.3% | 46.9% | 10.1% | 6.4% | 36.3% | 100.0% |
| Cumulative percentage of total | 0.3% | 47.2% | 57.3% | 63.7% | 100.0% | |

(1) Includes securities rated Aaa by Moody's, AAA by Standard & Poor's ("S&P") or a comparable rating by other nationally-recognized credit rating agencies.
(2) Includes securities rated Aa1 to Aa3 by Moody's, AA+ to AA- by S&P or a comparable rating by other nationally-recognized credit rating agencies.
(3) Includes securities rated A1 to A3 by Moody's, A+ to A- by S&P or a comparable rating by other nationally-recognized credit rating agencies.
(4) Includes securities rated Baa1 to Baa3 by Moody's, BBB+ to BBB- by S&P or a comparable rating by other nationally-recognized credit rating agencies.
(5) Includes all securities that are not rated or securities that are not rated but that have a rated credit enhancement where the Company has ignored such credit enhancement. For these securities, the Company has performed its own evaluation of the security and/or the underlying issuer and believes that such security or its issuer has credit characteristics equivalent to those which would warrant a credit rating of investment grade (i.e., Baa3 or better by Moody's or BBB- or better by S&P or a comparable rating by another nationally-recognized credit rating agency).

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**Deposits**

The Company's lending and investment activities are funded primarily by deposits. The amount and type of deposits outstanding at March 31, 2013 and 2012 and at December 31, 2012 and their respective percentage of the total deposits are reflected in the following table.

**Deposits**

| | March 31, 2013 | | March 31, 2012 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | |
| Non-interest bearing | $ 588,841 | 19.7% | $ 491,191 | 16.8% | $ 578,528 | 18.6% |
| Interest bearing: | | | | | | |
| Transaction (NOW) | 720,566 | 24.1 | 718,494 | 24.6 | 806,293 | 26.0 |
| Savings and money market | 933,320 | 31.2 | 858,367 | 29.3 | 935,385 | 30.2 |
| Time deposits less than $100,000 | 415,346 | 13.9 | 480,761 | 16.4 | 443,233 | 14.3 |
| Time deposits of $100,000 or more | 332,999 | 11.1 | 378,249 | 12.9 | 337,616 | 10.9 |
| Total deposits | $2,991,072 | 100.0% | $2,927,062 | 100.0% | $3,101,055 | 100.0% |

The Company's total deposits were $2.99 billion at March 31, 2013 a decrease of 3.55% compared to $3.10 billion at December 31, 2012 and an increase of 2.19% compared to $2.93 billion at March 31, 2012. The Company's non-CD deposits comprised 75.0% of total deposits at March 31, 2013, compared to 74.8% at December 31, 2012 and 70.7% at March 31, 2012. Non-CD deposits totaled $2.24 billion at March 31, 2013, compared to $2.32 billion at December 31, 2012 and $2.07 billion at March 31, 2012.

The amount and percentage of the Company's deposits at March 31, 2013 and 2012 and December 31, 2012, by state of originating office, are reflected in the following table.

**Deposits by State of Originating Office**

| Deposits Attributable to Offices In | March 31, 2013 | | March 31, 2012 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | |
| Arkansas | $1,627,352 | 54.4% | $1,616,713 | 55.2% | $1,714,455 | 55.3% |
| Georgia | 668,697 | 22.4 | 733,238 | 25.1 | 673,702 | 21.7 |
| Texas | 385,939 | 12.9 | 396,537 | 13.6 | 390,532 | 12.6 |
| Alabama | 149,968 | 5.0 | 9,692 | 0.3 | 152,653 | 4.9 |
| Florida | 130,688 | 4.4 | 149,965 | 5.1 | 135,957 | 4.4 |
| North Carolina | 16,007 | 0.5 | 12,473 | 0.4 | 20,057 | 0.7 |
| South Carolina | 12,421 | 0.4 | 8,444 | 0.3 | 13,699 | 0.4 |
| Total | $2,991,072 | 100.0% | $2,927,062 | 100.0% | $3,101,055 | 100.0% |

**Other Interest Bearing Liabilities**

The Company relies on other interest bearing liabilities to supplement the funding of its lending and investing activities. Such liabilities consist of repurchase agreements with customers, other borrowings (primarily federal funds purchased and FHLB – Dallas advances) and subordinated debentures.

The following table reflects the average balance and rate paid for each category of other interest bearing liabilities for the three months ended March 31, 2013 and 2012.

**Average Balances and Rates of Other Interest Bearing Liabilities**

| | Three Months Ended March 31, 2013 | | Three Months Ended March 31, 2012 | |
|---|---|---|---|---|
| | Average Balance | Rate Paid | Average Balance | Rate Paid |
| | (Dollars in thousands) | | | |
| Repurchase agreements with customers | $ 33,953 | 0.09% | $ 38,675 | 0.21% |
| Other borrowings [(1)] | 280,758 | 3.83 | 299,073 | 3.63 |
| Subordinated debentures | 64,950 | 2.67 | 64,950 | 2.94 |
| Total other interest bearing liabilities | $379,661 | 3.29% | $402,698 | 3.19% |

(1) Included in other borrowings at March 31, 2013 and 2012 are FHLB – Dallas advances that contain quarterly call features and mature as follows: 2017, $260.0 million at 3.90% weighted-average interest rate and 2018, $20.0 million at 2.53% weighted-average interest rate.

## CAPITAL RESOURCES AND LIQUIDITY

### Capital Resources

*Subordinated Debentures*. At March 31, 2013, the Company had an aggregate of $64.9 million of subordinated debentures and related trust preferred securities outstanding consisting of (i) $20.6 million of subordinated debentures and securities issued in 2006 that bear interest, adjustable quarterly, at LIBOR plus 1.60%; (ii) $15.4 million of subordinated debentures and securities issued in 2004 that bear interest, adjustable quarterly, at LIBOR plus 2.22%; and (iii) $28.9 million of subordinated debentures and securities issued in 2003 that bear interest, adjustable quarterly, at a weighted-average rate of LIBOR plus 2.925%. These subordinated debentures and securities generally mature 30 years after issuance and may be prepaid at par, subject to regulatory approval, on or after approximately five years from the date of issuance, or at an earlier date upon certain changes in tax laws, investment company laws or regulatory capital requirements. These subordinated debentures and the related trust preferred securities provide the Company additional regulatory capital to support its expected future growth and expansion.

*Common Stockholders' Equity and Tangible Common Stockholder's Equity*. The Company uses its common stockholders' equity ratio and its tangible common stockholders' equity ratio as the principal measures of the strength of its capital. The calculation of the Company's common stockholders' equity ratio and its tangible common stockholders' equity ratio at March 31, 2013 and 2012 and December 31, 2012 are presented in the following table.

**Common Stockholders' Equity and Tangible Common Stockholders' Equity**

| | March 31, 2013 | March 31, 2012 | December 31, 2012 |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Total common stockholders' equity | $ 523,679 | $ 442,646 | $ 507,664 |
| Less: intangible assets | (11,258) | (11,698) | (11,827) |
| Total tangible common stockholders' equity | $ 512,421 | $ 430,948 | $ 495,837 |
| Total assets | $3,951,818 | $3,837,382 | $4,040,207 |
| Less: intangible assets | (11,258) | (11,698) | (11,827) |
| Total tangible assets | $3,940,560 | $3,825,684 | $4,028,380 |
| Common stockholders' equity to total assets | 13.25% | 11.54% | 12.57% |
| Tangible common stockholders' equity to tangible assets | 13.00% | 11.26% | 12.31% |

*Common Stock Dividend Policy*. During the quarter ended March 31, 2013, the Company paid a dividend of $0.15 per common share compared to $0.11 per common share in the quarter ended March 31, 2012. On April 1, 2013, the Company's board of directors approved a dividend of $0.17 per common share that was paid on April 19, 2013. The determination of future dividends on the Company's common stock will depend on conditions existing at that time.

### Capital Compliance

*Regulatory Capital Requirements.* Bank regulatory authorities in the United States impose certain capital standards on all bank holding companies and banks. These capital standards require compliance with certain minimum "risk-based capital ratios" and a minimum "leverage ratio." The risk-based capital ratios consist of (1) Tier 1 capital (i.e. common stockholders' equity excluding goodwill, certain intangibles and net unrealized gains and losses on AFS investment securities, and including, subject to limitations, trust preferred securities ("TPS"), certain types of preferred stock and other qualifying items) to risk-weighted assets and (2) total capital (Tier 1 capital plus Tier 2 capital, including the qualifying portion of the allowance for loan and lease losses and the portion of TPS not counted as Tier 1 capital) to risk-weighted assets. The leverage ratio is measured as Tier 1 capital to adjusted quarterly average assets.

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The Company's and the Bank's risk-based capital and leverage ratios exceeded these minimum requirements, as well as the minimum requirements to be considered "well capitalized", at both March 31, 2013 and December 31, 2012, and are presented in the following tables.

**Consolidated Capital Ratios**

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Tier 1 capital: | | |
| Common stockholders' equity | $ 523,679 | $ 507,664 |
| Allowed amount of trust preferred securities | 63,000 | 63,000 |
| Net unrealized gains on investment securities AFS | (9,030) | (10,783) |
| Less goodwill and certain intangible assets | (11,258) | (11,827) |
| Total tier 1 capital | 566,391 | 548,054 |
| Tier 2 capital: | | |
| Qualifying allowance for loan and lease losses | 38,422 | 37,820 |
| Total risk-based capital | $ 604,813 | $ 585,874 |
| Risk-weighted assets | $3,106,501 | $3,026,495 |
| Adjusted quarterly average assets | $3,918,380 | $3,806,635 |
| Ratios at end of period: | | |
| Tier 1 leverage | 14.45% | 14.40% |
| Tier 1 risk-based capital | 18.23 | 18.11 |
| Total risk-based capital | 19.47 | 19.36 |
| Minimum ratio guidelines: | | |
| Tier 1 leverage (1) | 3.00% | 3.00% |
| Tier 1 risk-based capital | 4.00 | 4.00 |
| Total risk-based capital | 8.00 | 8.00 |
| Minimum ratio guidelines to be "well capitalized": | | |
| Tier 1 leverage | 5.00% | 5.00% |
| Tier 1 risk-based capital | 6.00 | 6.00 |
| Total risk-based capital | 10.00 | 10.00 |

(1) Regulatory authorities require institutions to operate at varying levels (ranging from 100-200 bps) above a minimum Tier 1 leverage ratio of 3% depending upon capitalization classification.

**Capital Ratios of the Bank**

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Stockholders' equity – Tier 1 | $552,027 | $ 536,084 |
| Tier 1 leverage ratio | 14.07% | 14.13% |
| Tier 1 risk-based capital ratio | 17.78 | 17.70 |
| Total risk-based capital ratio | 19.02 | 18.95 |

*Notices of Proposed Rulemaking ("NPR").* On June 7, 2012 the FRB, the Office of Comptroler of Currency and the FDIC jointly issued two NPRs for public comment. The first NPR, "Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions," would revise the general risk-based capital rules to incorporate certain revisions by the Basel Committee on Banking Supervision to the Basel capital framework. The provisions of this NPR would:

- revise the definition of regulatory capital components and related calculations;
- add a new common equity tier 1 capital ratio;
- increase the minimum tier 1 capital ratio requirement from four percent to six percent;
- impose different limitations to qualifying minority interest in regulatory capital;
- incorporate revised regulatory capital requirements into the Prompt Corrective Action ("PCA") Framework;

- implement a new capital conservation buffer that would limit payment of capital distributions and certain discretionary bonus payments to executive officers if the banking organization does not hold certain amounts of common tier 1 capital in addition to the minimum risk-based capital requirements; and
- provide for a transition period for several aspects of the proposed rule, including a phase-out period for certain non-qualifying capital instruments, the new minimum capital ratio requirements, the capital conservation buffer, and the regulatory capital adjustments and deductions.

The specific provisions of the NPR regarding capital requirements would alter the existing definition of capital by imposing, among other requirements, additional constraints on the inclusion of certain items in regulatory capital (including trust preferred securities), require that most accumulated other comprehensive income be included in regulatory capital, and establish a new common equity tier 1 capital requirement. This NPR also would establish a capital conservation buffer that, if not met, could reduce a bank's payout amount for capital distributions and discretionary bonus payments. Additionally, this NPR proposes revisions to the PCA capital category thresholds to reflect new capital ratio requirements. The provisions of this NPR are scheduled to phase in over a number of years with certain changes to the capital requirements beginning in 2013 and phasing in over three years and with the capital conservation buffer requirements beginning in 2016 and phasing in over four years.

The second NPR, "Regulatory Capital Rules: Standardized Approach for Risk-Weighted Assets: Market Discipline and Disclosure Requirements," revised the measurement of risk-weighted assets. The provisions of this NPR would:

- revise risk weights for exposures to foreign sovereign entities, foreign banking organizations and foreign public sector entities;
- revise risk weights for residential mortgages based on loan to value ratios and certain products and underwriting features;
- increase capital requirements for past-due loans, high volatility commercial real estate exposures, and certain short-term loan commitments;
- expand the recognition of collateral and guarantors in determining risk-weighted assets; and
- establish due diligence requirements for securitization exposures.

The provisions of this NPR would take effect on January 1, 2015. At the present time neither of these NPRs has been issued as a final rule or revised and re-proposed for further public comment. Management is currently evaluating these proposed rules and is continuing to monitor developments with these NPRs to determine what affect these NPRs might have on both the Bank's and the Company's regulatory capital requirements.

**Liquidity**

*Bank Liquidity*. 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 the Company may be unable to satisfy current or future funding requirements and needs. The ALCO and Investments Committee ("ALCO"), which reports to the board of directors, has primary responsibility for oversight of the Company's liquidity, funds management, asset/liability (interest rate risk) position and investment portfolio functions.

The objective of managing liquidity risk is to ensure the cash flow requirements resulting from depositor, borrower and other creditor demands are met, as well as operating cash needs of the Company, and the cost of funding such requirements and needs is reasonable. The Company maintains an interest rate risk, liquidity and funds management policy and a contingency funding plan that, among other things, include policies and procedures for managing liquidity risk. Generally the Company relies on deposits, repayments of loans, leases, covered loans and purchased non-covered loans, and repayments of its investment securities as its primary sources of funds. The principal deposit sources utilized by the Company include consumer, commercial and public funds customers in the Company's markets. The Company has used these funds, together with wholesale deposit sources such as brokered deposits, along with FHLB-Dallas advances, federal funds purchased and other sources of short-term borrowings, to make loans and leases, acquire investment securities and other assets and to fund continuing operations.

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

At March 31, 2013 the Company had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) $439 million of available blanket borrowing capacity with the FHLB-Dallas, (2) $212 million of investment securities available to pledge for federal funds or other borrowings, (3) $154 million of available unsecured federal funds borrowing lines and (4) up to $117 million of available borrowing capacity from borrowing programs of the FRB.

The Company anticipates it will continue to rely primarily on deposits, repayments of loans and leases, covered loans and purchased non-covered loans, and repayments of its investment securities to provide liquidity, as well as other funding sources as appropriate. Additionally, where necessary, the sources of borrowed funds described above will be used to augment the Company's primary funding sources.

*Sources and Uses of Funds.* Operating activities provided $31.3 million for the first quarter of 2013 and used $8.5 million for the first quarter of 2012. Net cash used or provided by operating activities is comprised primarily of net income, adjusted for certain non-cash items and for changes in operating assets and liabilities.

Investing activities provided $35.3 million in the quarter ended March 31, 2013 and $121.9 million in the quarter ended March 31, 2012. Net activity in the Company's investment securities portfolio provided $2.3 million and $6.7 million in the quarters ended March 31, 2013 and 2012, respectively. Net non-covered loans and leases used $55.6 million and provided $2.7 million in the quarters ended March 31, 2013 and 2012, respectively. Payments received on covered loans provided $48.6 million and $52.9 million for the quarters ended March 31, 2013 and 2012, respectively, and payments received from the FDIC under loss share agreements provided $22.6 million and $46.1 million for the quarters ended March 31, 2013 and 2012, respectively. Other loss share activity provided $8.3 million and $2.0 million in the quarters ended March 31, 2013 and 2012, respectively. The Company had proceeds from sales of other assets of $13.3 million and $12.9 million in the quarters ended March 31, 2013 and 2012, respectively. Purchases of premises and equipment used $4.1 million and $1.4 million in the quarters ended March 31, 2013 and 2012, respectively.

Financing activities used $112.0 million and $28.6 million in the quarters ended March 31, 2013 and 2012, respectively. Net changes in deposit accounts used $110.0 million and $16.9 million in the quarters ended March 31, 2013 and 2012, respectively. Net repayments of other borrowings and repurchase agreements with customers provided $1.2 million and used $10.2 million in the quarters ended March 31, 2013 and 2012, respectively. The Company paid common stock cash dividends of $5.3 million and $3.8 million in the quarters ended March 31, 2013 and 2012, respectively. Proceeds from and current tax benefits on exercise of stock options provided $2.1 million and $2.3 million during the quarters ended March 31, 2013 and 2012, respectively.

**Growth and Expansion**

The Company expects to continue its growth and *de novo* branching strategy, although it has slowed the pace of new office openings in recent years. In the first quarter of 2012, the Company opened its ninth metro-Dallas area office in The Colony, Texas and a loan production office in Austin, Texas. In the third quarter of 2012, the Company opened its tenth metro-Dallas area office in Southlake, Texas, opened a loan production office in Atlanta, Georgia, relocated from a leased facility to a bank-owned facility in Bluffton, South Carolina, and opened its second office in Mobile, Alabama. During the fourth quarter of 2012, the Company completed relocations of its Wilmington, North Carolina office and its original Mobile, Alabama office from the current leased facilities to bank-owned facilities. In March 2013, the Company replaced its existing Charlotte, North Carolina loan production office with a full-service banking office.

On January 24, 2013 the Company entered into a definitive agreement and plan of merger ("Agreement") with The First National Bank of Shelby ("First National Bank") in Shelby, North Carolina. According to the terms of the Agreement, the Company expects to acquire all of the outstanding common stock of First National Bank in a transaction valued at approximately $67.8 million, including $64.0 million of merger consideration for the outstanding common stock of the First National Bank, and approximately $3.8 million representing the value of real property which is being simultaneously purchased from parties related to First National Bank and on which certain First National Bank offices are located. First National Bank operates 14 North Carolina banking offices in a four county area west of Charlotte including nine offices in Cleveland County, three offices in Gaston County, and one office each in Lincoln and Rutherford Counties. The closing of the transaction with First National Bank is subject to certain conditions, including customary regulatory approvals and the approval of the shareholders of First National Bank.

Opening new offices is subject to availability of qualified personnel and suitable sites, designing, constructing, equipping and staffing such offices, obtaining regulatory and other approvals and many other conditions and contingencies that the Company cannot predict with certainty. The Company may increase or decrease its expected number of new offices as a result of a variety of factors including the Company's financial results, changes in economic or competitive conditions, strategic opportunities or other factors.

During the first quarter of 2013, the Company spent $4.1 million on capital expenditures for premises and equipment. The Company's capital expenditures for the full year of 2013 are expected to be in the range of $11 million to $17 million and include progress payments on construction projects expected to be completed in 2013 or 2014, 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 sites acquired for future development, progress or delays encountered on ongoing and new construction projects, delays in or inability to obtain required approvals and other factors.

## RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 14 to the Consolidated Financial Statements for a discussion of certain recently issued and recently adopted accounting pronouncements.

## FORWARD-LOOKING INFORMATION

This Management's Discussion and Analysis of Financial Condition and Results of Operations, other filings made by the Company with the Securities and Exchange Commission and other oral and written statements or reports by the Company and its management include certain forward-looking statements including, without limitation, statements about economic, real estate market, competitive, employment, credit market and interest rate conditions; plans, goals, beliefs, expectations, thoughts, estimates and outlook for the future; 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, gains (losses) on investment securities and sales of other assets; income from accretion of the FDIC loss share receivable, net of amortization of the FDIC clawback payable; other income from loss share and purchased non-covered loans; 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 and leases; nonperforming assets; net charge-offs; net charge-off ratio; provision and allowance for loan and lease losses; past due loans and leases; current or future litigation; interest rate sensitivity, including the effects of possible interest rate changes; future growth and expansion opportunities including plans for making additional FDIC-assisted and traditional acquisitions and plans for opening new offices and relocating or closing offices; opportunities and goals for future market share growth; expected capital expenditures; loan and lease growth; deposit growth; changes in covered assets; changes in the volume, yield and value of the Company's investment securities portfolio; availability of unused borrowings and other similar forecasts and statements of expectation. Words such as "anticipate," "believe," "could," "estimate," "expect," "goal," "hope," "intend," "look," "may," "plan," "project," "seek," "target," "trend," "will," "would," and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Forward-looking statements made by the Company and its management are based on estimates, projections, beliefs, plans and assumptions of management at the time of such statements and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statement based on the occurrence of future events, the receipt of new information or otherwise.

Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements made by the Company and its management due to certain risks, uncertainties and assumptions. Certain factors that may affect operating results of the Company include, but are not limited to, potential delays or other problems in implementing the Company's growth and expansion strategy 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 additional FDIC-assisted or traditional acquisitions or problems with integrating or managing acquisitions; opportunities to profitably deploy capital; the ability to attract new or retain existing deposits, loans and leases; 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 the Company's net interest margin; general economic, unemployment, credit market and real estate market conditions, including their effect on the creditworthiness of borrowers and lessees, collateral values, the value of investment securities and asset recovery values, including the value of the FDIC loss share receivable and related assets covered by FDIC loss share agreements; changes in legal and regulatory requirements; recently enacted and potential legislation and regulatory actions, including legislation and regulatory actions intended to stabilize economic conditions and credit markets, increase regulation of the financial services industry and protect homeowners or consumers; changes in U.S. government monetary and fiscal policy; possible further downgrade of U.S. Treasury securities; adoption of new accounting standards or changes in existing standards; and adverse results in current or future litigation as well as other factors described in this and other Company reports and statements. 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 the forward-looking statements.

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## SELECTED AND SUPPLEMENTAL FINANCIAL DATA

The following tables set forth selected consolidated financial data of the Company for the three months ended March 31, 2013 and 2012 and supplemental quarterly financial data of the Company for each of the most recent eight quarters beginning with the second quarter of 2011 through the first quarter of 2013. These tables are qualified in their entirety by the consolidated financial statements and related notes presented elsewhere in this report.

### Selected Consolidated Financial Data

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| | (Dollars in thousands, except per share amounts) | |
| **Income statement data:** | | |
| Interest income | $ 48,769 | $ 49,943 |
| Interest expense | 4,630 | 6,110 |
| Net interest income | 44,139 | 43,833 |
| Provision for loan and lease losses | 2,728 | 3,076 |
| Non-interest income | 16,357 | 13,810 |
| Non-interest expense | 29,231 | 28,607 |
| Net income available to common stockholders | 20,000 | 18,009 |
| **Common share and per common share data:** | | |
| Earnings – diluted | $ 0.56 | $ 0.52 |
| Book value | 14.81 | 12.81 |
| Dividends | 0.15 | 0.11 |
| Weighted-average diluted shares outstanding (thousands) | 35,631 | 34,826 |
| End of period shares outstanding (thousands) | 35,367 | 34,571 |
| **Balance sheet data at period end:** | | |
| Total assets | $ 3,951,818 | $ 3,837,382 |
| Loans and leases | 2,157,771 | 1,893,156 |
| Purchased non-covered loans | 38,071 | 3,400 |
| Covered loans | 544,268 | 755,761 |
| Allowance for loan and lease losses | 38,422 | 38,632 |
| FDIC loss share receivable | 132,699 | 239,724 |
| Investment securities AFS | 487,648 | 434,197 |
| Covered foreclosed assets | 51,040 | 71,950 |
| Total deposits | 2,991,072 | 2,927,062 |
| Repurchase agreements with customers | 30,714 | 43,686 |
| Other borrowings | 280,756 | 280,786 |
| Subordinated debentures | 64,950 | 64,950 |
| Total common stockholders' equity | 523,679 | 442,646 |
| Loan and lease (including covered loans and purchased non-covered loans) to deposit ratio | 91.61% | 90.50% |
| **Average balance sheet data:** | | |
| Total average assets | $ 3,929,638 | $ 3,801,610 |
| Total average common stockholders' equity | 514,378 | 432,536 |
| Average common equity to average assets | 13.09% | 11.38% |
| **Performance ratios:** | | |
| Return on average assets* | 2.06% | 1.91% |
| Return on average common stockholders' equity* | 15.77 | 16.75 |
| Net interest margin – FTE* | 5.83 | 5.98 |
| Efficiency ratio | 46.76 | 47.73 |
| Common stock dividend payout ratio | 26.46 | 21.05 |
| **Asset quality ratios:** | | |
| Net charge-offs to average total loans and leases*(1)(2) | 0.19% | 0.44% |
| Nonperforming loans and leases to total loans and leases(2) | 0.40 | 0.60 |
| Nonperforming assets to total assets(2) | 0.50 | 0.76 |
| **Allowance for loan and lease losses as a percentage of:** | | |
| Total loans and leases(2) | 1.78% | 2.04% |
| Nonperforming loans and leases(2) | 449% | 339% |
| **Capital ratios at period end:** | | |
| Tier 1 leverage | 14.45% | 12.75% |
| Tier 1 risk-based capital | 18.23 | 18.54 |
| Total risk-based capital | 19.47 | 19.79 |

* Ratios annualized based on actual days.

(1) Excludes covered loans and net charge-offs related to such loans.

(2) Excludes purchased non-covered loans and covered assets, except for their inclusion in total assets.

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**Supplemental Quarterly Financial Data**
(Dollars in thousands, except per share amounts)

| | 6/30/11 | 9/30/11 | 12/31/11 | 3/31/12 | 6/30/12 | 9/30/12 | 12/31/12 | 3/31/13 |
|---|---|---|---|---|---|---|---|---|
| **Earnings Summary:** | | | | | | | | |
| Net interest income | $ 42,476 | $ 44,336 | $ 45,839 | $ 43,833 | $ 42,298 | $ 44,444 | $ 43,771 | $ 44,139 |
| Federal tax (FTE) adjustment | 2,235 | 2,256 | 2,210 | 2,288 | 2,151 | 2,087 | 2,009 | 2,020 |
| Net interest income (FTE) | 44,711 | 46,592 | 48,049 | 46,121 | 44,449 | 46,531 | 45,780 | 46,159 |
| Provision for loan and lease losses | (3,750) | (1,500) | (4,275) | (3,076) | (3,055) | (3,080) | (2,533) | (2,728) |
| Non-interest income | 75,058 | 16,071 | 12,964 | 13,810 | 15,710 | 14,491 | 18,848 | 16,357 |
| Non-interest expense | (35,200) | (31,800) | (29,339) | (28,607) | (27,282) | (28,682) | (29,891) | (29,231) |
| Pretax income (FTE) | 80,819 | 29,363 | 27,399 | 28,248 | 29,822 | 29,260 | 32,204 | 30,557 |
| FTE adjustment | (2,235) | (2,256) | (2,210) | (2,288) | (2,151) | (2,087) | (2,009) | (2,020) |
| Provision for income taxes | (28,380) | (8,220) | (7,604) | (7,950) | (8,584) | (7,883) | (9,519) | (8,526) |
| Noncontrolling interest | 13 | 17 | (15) | (1) | 5 | (15) | (9) | (11) |
| Net income available to common stockholders | $ 50,217 | $ 18,904 | $ 17,570 | $ 18,009 | $ 19,092 | $ 19,275 | $ 20,667 | $ 20,000 |
| Earnings per common share – diluted * | $ 1.46 | $ 0.55 | $ 0.51 | $ 0.52 | $ 0.55 | $ 0.55 | $ 0.59 | $ 0.56 |
| **Non-interest Income:** | | | | | | | | |
| Service charges on deposit accounts | $ 4,586 | $ 4,734 | $ 4,936 | $ 4,693 | $ 4,908 | $ 5,000 | $ 4,799 | $ 4,722 |
| Mortgage lending income | 634 | 815 | 1,147 | 1,101 | 1,328 | 1,672 | 1,483 | 1,741 |
| Trust income | 803 | 810 | 811 | 774 | 888 | 865 | 928 | 883 |
| Bank owned life insurance income | 575 | 585 | 580 | 576 | 567 | 598 | 1,027 | 1,083 |
| Accretion of FDIC loss share receivable, net of amortization of FDIC clawback payable | 2,923 | 2,861 | 2,359 | 2,305 | 2,035 | 1,699 | 1,336 | 2,392 |
| Other income from loss share and purchased non-covered loans, net | 984 | 2,976 | 1,501 | 1,983 | 3,197 | 2,270 | 3,194 | 2,155 |
| Gains (losses) on investment securities | 199 | 638 | (56) | 1 | 402 | — | 55 | 156 |
| Gains on sales of other assets | 705 | 1,727 | 899 | 1,555 | 1,397 | 1,425 | 2,431 | 1,974 |
| Gains on merger and acquisition transactions | 62,756 | — | — | — | — | — | 2,403 | — |
| Other | 893 | 925 | 787 | 822 | 988 | 962 | 1,192 | 1,251 |
| Total non-interest income | $ 75,058 | $ 16,071 | $ 12,964 | $ 13,810 | $ 15,710 | $ 14,491 | $ 18,848 | $ 16,357 |
| **Non-interest Expense:** | | | | | | | | |
| Salaries and employee benefits | $ 14,817 | $ 14,597 | $ 15,202 | $ 14,052 | $ 14,574 | $ 15,040 | $ 15,362 | $ 15,694 |
| Net occupancy expense | 3,775 | 4,301 | 3,522 | 3,878 | 3,650 | 4,105 | 4,160 | 4,514 |
| Other operating expenses | 16,172 | 12,398 | 10,106 | 10,168 | 8,549 | 9,028 | 9,860 | 8,455 |
| Amortization of intangibles | 436 | 504 | 509 | 509 | 509 | 509 | 509 | 568 |
| Total non-interest expense | $ 35,200 | $ 31,800 | $ 29,339 | $ 28,607 | $ 27,282 | $ 28,682 | $ 29,891 | $ 29,231 |
| **Allowance for Loan and Lease Losses:** | | | | | | | | |
| Balance at beginning of period | $ 39,225 | $ 39,124 | $ 39,136 | $ 39,169 | $ 38,632 | $ 38,862 | $ 38,672 | $ 38,738 |
| Net charge-offs | (3,851) | (1,488) | (4,242) | (3,613) | (2,825) | (3,270) | (2,467) | (3,044) |
| Provision for loan and lease losses | 3,750 | 1,500 | 4,275 | 3,076 | 3,055 | 3,080 | 2,533 | 2,728 |
| Balance at end of period | $ 39,124 | $ 39,136 | $ 39,169 | $ 38,632 | $ 38,862 | $ 38,672 | $ 38,738 | $ 38,422 |
| **Selected Ratios:** | | | | | | | | |
| Net interest margin—FTE** | 5.80% | 5.90% | 6.05% | 5.98% | 5.84% | 5.97% | 5.84% | 5.83% |
| Efficiency ratio | 29.39 | 50.75 | 48.09 | 47.73 | 45.35 | 47.00 | 46.25 | 46.76 |
| Net charge-offs to average loans and leases**(1) | 0.85 | 0.33 | 0.84 | 0.44 | 0.18 | 0.32 | 0.28 | 0.19 |
| Nonperforming loans and leases to total loans and leases(2) | 1.07 | 1.20 | 0.70 | 0.60 | 0.49 | 0.43 | 0.43 | 0.40 |
| Nonperforming assets to total assets (2) | 1.38 | 1.44 | 1.17 | 0.76 | 0.63 | 0.59 | 0.57 | 0.50 |
| Allowance for loan and lease losses to total loans and leases(2) | 2.18 | 2.11 | 2.08 | 2.04 | 1.96 | 1.90 | 1.83 | 1.78 |
| Loans and leases past due 30 days or | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| more, including past due non-accrual loans and leases, to total loans and leases(2) | 2.40 | 1.86 | 1.53 | 0.83 | 0.74 | 0.61 | 0.73 | 0.56 |

* Adjusted to give effect to 2-for-1 stock split effective August 16, 2011.
** Annualized based on actual days.
(1) Excludes covered loans and net charge-offs related to such loans.
(2) Excludes purchased non-covered loans and covered assets, except for their inclusion in total assets.

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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. The Company's interest rate risk management is the responsibility of ALCO, which reports to the board of directors.

The Company regularly reviews its exposure to changes in interest rates. Among the factors considered are changes in the mix of interest earning assets and interest bearing liabilities, interest rate spreads and repricing periods. Typically, ALCO reviews on at least a quarterly basis the Company's relative ratio of rate sensitive assets ("RSA") to rate sensitive liabilities ("RSL") and the related cumulative gap for different time periods. However, the primary tool used by ALCO to analyze the Company's interest rate risk and interest rate sensitivity is an earnings simulation model.

This earnings simulation modeling process projects a baseline net interest income (assuming no changes in interest rate levels) and estimates changes to that baseline net interest income resulting from changes in interest rate levels. The Company relies primarily on the results of this model in evaluating its interest rate risk. This model incorporates a number of additional factors including: (1) the expected exercise of call features on various assets and liabilities, (2) the expected rates at which various RSA and RSL will reprice, (3) the expected growth in various interest earning assets and interest bearing liabilities and the expected interest rates on new assets and liabilities, (4) the expected relative movements in different interest rate indexes which are used as the basis for pricing or repricing various assets and liabilities, (5) existing and expected contractual cap and floor rates on various assets and liabilities, (6) expected changes in administered rates on interest bearing transaction, savings, money market and time deposit accounts and the expected impact of competition on the pricing or repricing of such accounts and (7) other relevant factors. Inclusion of these factors in the model is intended to more accurately project the Company's expected changes in net interest income resulting from interest rate changes. The Company typically models its change in net interest income assuming interest rates go up 100 bps, up 200 bps, up 300 bps, up 400 bps, down 100 bps, down 200 bps, down 300 bps and down 400 bps. Based on current conditions, the Company believes that modeling its change in net interest income assuming interest rates go down 100 bps, down 200 bps, down 300 bps and down 400 bps is not meaningful. For purposes of this model, the Company has assumed that the change in interest rates phases in over a 12-month period. While the Company believes this model provides a reasonably accurate projection of its 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 the projected baseline net interest income for the 12-month period commencing April 1, 2013. 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.

| Shift in Interest Rates (in bps) | % Change in Projected Baseline Net Interest Income |
|---|---|
| +400 | 1.2% |
| +300 | 0.4 |
| +200 | (0.1) |
| +100 | (0.2) |
| -100 | Not meaningful |
| -200 | Not meaningful |
| -300 | Not meaningful |
| -400 | Not meaningful |

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

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Item 4. **Controls and Procedures**

(a) Evaluation of Disclosure Controls and Procedures.

An evaluation as of the end of the period covered by this quarterly report was carried out under the supervision and with the participation of the Company's management, including the Company's Chairman and Chief Executive Officer and the Company's Chief Financial Officer and Chief Accounting Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures," which are defined under SEC rules as controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods. Based upon that evaluation, the Company's Chairman and Chief Executive Officer and its Chief Financial Officer and Chief Accounting Officer concluded that the Company's disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting.

The Company's management, including the Company's Chairman and Chief Executive Officer and the Company's Chief Financial Officer and Chief Accounting Officer, has evaluated any changes in the Company's internal control over financial reporting that occurred during the quarterly period covered by this report and has concluded that there was no change during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

On January 5, 2012, the Company and the Bank were served with a summons and complaint filed on December 19, 2011 in the Circuit Court of Lonoke County, Arkansas, Division III, styled *Robert Walker, Ann B. Hines and Judith Belk vs. Bank of the Ozarks, Inc. and Bank of the Ozarks*, No. CV-2011-777. In addition, on December 21, 2012, the Bank was served with a summons and complaint filed on December 20, 2012, in the Circuit Court of Pulaski County, Arkansas, Ninth Division, styled *Audrey Muzingo v. Bank of the Ozarks*, Case No. 60 CV 12-6043. The complaint in each case alleges that the Company and/or Bank have harmed the plaintiffs, current or former customers of the Bank, by improper, unfair and unconscionable assessment and collection of excessive overdraft fees from the plaintiffs. According to the complaints, plaintiffs claim that the Bank employs sophisticated software to automate its overdraft system, and that this system unfairly and inequitably manipulates and alters customers' transaction records in order to maximize overdraft penalties, particularly utilizing a practice of posting of items in "high-to-low" order, despite the actual sequence in which such items are presented for payment. Plaintiffs claim that the Bank's deposit agreements with customers do not adequately disclose the Bank's overdraft assessment policies and are ambiguous, deceptive, unfair and misleading. The Complaint in each case alleges that these actions and omissions constitute breach of contract, breach of the implied covenant of good faith and fair dealing, unconscionable conduct, conversion, unjust enrichment and violation of the Arkansas Deceptive Trade Practices Act. The Complaint in the *Walker* case also includes a count for conversion. Each of the complaints seek to have the cases certified by the court as a class action for all Bank account holders similarly situated, and seek a declaratory judgment as to the wrongful nature of the Bank's overdraft fee policies, restitution of overdraft fees paid by the plaintiffs and the putative class (defined as all Bank customers residing in Arkansas) as a result of the actions cited in the complaints, disgorgement of profits as a result of the alleged wrongful actions and unspecified compensatory and statutory or punitive damages, together with pre-judgment interest, costs and plaintiffs' attorneys' fees. The Company believes the plaintiffs' claims are unfounded and intend to defend against these claims.

On April 8, 2011, the Company was served with a petition filed on March 31, 2011 by the Seib Family, GP, LLC, a Texas limited liability company, as General Partner of Seib Family, LP in the District Court of Dallas County, Texas, ("district court") Cause Number 11-04057, against the Company and two entities which the plaintiff apparently believed had some type of ownership interest in a former borrower of the Bank, alleging, among other things, that the defendants fraudulently induced the plaintiff to purchase a tract of real estate consisting of approximately 60 acres located at 318 Cadiz Street in Dallas, Texas, owned by the former borrower and financed by the Bank. The petition alleges that the defendants knew that a levee protecting the property from the Trinity River flood plain did not meet federal standards, that the defendants omitted to disclose that information to plaintiff prior to the sale of the property, and that due to the problems or potential problems with the levee, the value of the property was significantly impaired, as supported by a report by the U.S. Corps of Engineers concerning the condition of the levee, released at approximately the same time as the plaintiff purchased the property from the former borrower and affiliates with the aid and assistance of the Company. The petition alleges that the plaintiff did not become aware of the U.S. Corps of Engineers' report until a month or two after it purchased the property.

The original petition alleged that the defendants' conduct violated the Texas Securities Act and the Texas Deceptive Trade Practices Act, and sought compensatory damages, trebled under the Texas Deceptive Trade Practices Act, plus exemplary damages, attorneys' fees, costs, interest, and other relief the court deems just. Since the original petition was filed, the plaintiff has (i) dropped all claims against the Company, but added the Bank as a defendant in its petition and (ii) dropped all claims with respect to the Texas Deceptive Trade Practices Act. Under its amended petition, the plaintiff is seeking $15,962,677 in actual damages and $31,925,354 in exemplary damages.

On June 15, 2012, the district court granted the Bank's motion for Summary Judgment. Subsequent to the district court's granting of the Bank's Motion for Summary Judgment, the plaintiff filed a notice of nonsuit with prejudice with respect to its claims against the other two defendants, which was granted. In response, the Bank filed a notice of nonsuit without prejudice with respect to the Bank's claim for attorneys' fees and costs against the plaintiff as to its claims under the Texas Deceptive Trade Practices Act, which resulted in dismissal of that claim without prejudice. On or about August 23, 2012, the plaintiff filed a Notice of Appeal with the district court, which appealed the summary judgment ruling to the United States Court of Appeals for the Fifth Circuit ("Court of Appeals"). On or about November 28, 2012, plaintiff filed an appellant's brief with the Court of Appeals. The Bank filed its response on February 5, 2013. The Company believes the allegations as contained in the petition are wholly without merit, and this belief is supported by the district court's grant of summary judgment. The Company intends to vigorously defend against the appeal of the district court's rulings.

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The Company is party to various other legal proceedings, as both plaintiff and defendant, arising in the ordinary course of business, including claims of lender liability, predatory lending, broken promises and other similar lending-related claims, as well as legal proceedings arising from acquired operations in its FDIC-assisted acquisitions. In addition, the Company and the Bank are parties to legal proceedings involving third party claims alleging that the Company and the Bank, along with certain other financial institutions, have infringed certain “business method” patents claimed to be violated by the institutions’ use of web site authentication software and check imaging and processing software not authorized by the patent holder claimants. While the ultimate resolution of these various claims and proceedings cannot be determined at this time, management of the Company believes that such claims and proceedings, individually or in the aggregate, will not have a material adverse effect on the future results of operations, financial condition or liquidity of the Company.

Item 1A. **Risk Factors**

There have been no material changes to the risk factors disclosed in Item 1A Risk Factors in the Company’s 2012 annual report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2013.

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

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

**Item 3. Defaults Upon Senior Securities**

Not Applicable.

Item 4. **Mine Safety Disclosures**

Not Applicable.

**Item 5. Other Information**

None.

Item 6. **Exhibits**

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

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**SIGNATURE**

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

| | |
|---|---|
| | Bank of the Ozarks, Inc. |
| DATE: May 10, 2013 | /s/ Greg McKinney |
| | Greg McKinney<br>Chief Financial Officer and Chief Accounting Officer |

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**Bank of the Ozarks, Inc.**
**Exhibit Index**

| Exhibit Number | |
|---|---|
| 2 (a) | Agreement and Plan of Merger among Bank of the Ozarks, Inc., Bank of the Ozarks and The First National Bank of Shelby, dated as of January 24, 2013 (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, as amended, filed with the Commission on January 25, 2013, and incorporated herein by this reference). |
| 2 (b) | Amendment No. 1 to the Agreement and Plan of Merger among Bank of the Ozarks, Inc. Bank of the Ozarks and The First National Bank of Shelby, dated as of February 5, 2013 (previously filed as Exhibit 2(b) to the Company's Annual Report on Form 10-K filed with the Commission on February 28, 2013, and incorporated herein by this reference). |
| 3 (i) (a) | Amended and Restated Articles of Incorporation of the Registrant, dated May 22, 1997 (previously filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 filed with the Commission on May 22, 1997, as amended, Commission File No. 333-27641, and incorporated herein by this reference). |
| 3 (i) (b) | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Registrant dated December 9, 2003 (previously filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K filed with the Commission on March 12, 2004 for the year ended December 31, 2003, and incorporated herein by this reference). |
| 3 (i) (c) | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Registrant dated December 10, 2008 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on December 10, 2008, and incorporated herein by this reference). |
| 3 (ii) | Amended and Restated Bylaws of the Registrant, dated December 11, 2007 (previously filed as Exhibit 3(ii) to the Company's Current Report on Form 8-K filed with the Commission on December 11, 2007, and incorporated herein by this reference). |
| 10.1 | Form of Indemnification Agreement between the Registrant and its directors newly elected for the first time at the Registrant's annual shareholders' meeting on April 15, 2013 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 18, 2012 and incorporated herein by this reference). |
| 31.1 | Certification of Chairman and Chief Executive Officer. |
| 31.2 | Certification of Chief Financial Officer and Chief Accounting Officer. |
| 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. |
| 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. |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF* | XBRL Taxonomy Definition Linkbase |
| 101.LAB* | XBRL Extension Label Linkbase |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase |

*Pursuant to Rule 406T of Regulations S-T, these interactive data files are not deemed filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.



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# Section 2: EX-31.1 (EX-31.1)

**Exhibit 31.1**

**CERTIFICATIONS**

I, George Gleason, certify that:

1. I have reviewed this report on Form 10-Q of Bank of the Ozarks, Inc. for the period ended March 31, 2013;
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 10, 2013

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

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# Section 3: EX-31.2 (EX-31.2)

**Exhibit 31.2**

I, Greg McKinney, certify that:

1. I have reviewed this report on Form 10-Q of Bank of the Ozarks, Inc. for the period ended March 31, 2013;
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 10, 2013

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

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# Section 4: EX-32.1 (EX-32.1)

**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, Inc. (the Company) on Form 10-Q for the period ended March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, George Gleason, Chairman and Chief Executive Officer of the Company, 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 result of operations of the Company.

May 10, 2013

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

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# Section 5: EX-32.2 (EX-32.2)

**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, Inc. (the Company) on Form 10-Q for the period ended March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Greg McKinney, Chief Financial Officer and Chief Accounting Officer of the Company, 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 result of operations of the Company.

May 10, 2013

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

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