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

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2021

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

For the transition period from __________ to __________.

FDIC Certificate No. 110

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

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

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

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

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

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

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

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

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

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

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

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

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

Class	Outstanding at October 29, 2021
Common Stock, $0.01 par value per share	128,711,931

BANK OZK
FORM 10-Q
September 30, 2021

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BANK OZK
CONSOLIDATED BALANCE SHEETS
Unaudited

	September 30, 2021	December 31, 2020
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 1,782,503	$ 2,393,662
Investment securities – available for sale (“AFS”)	3,846,496	3,405,351
Federal Home Loan Bank of Dallas (“FHLB”) and other bankers’ bank stocks	40,698	38,486
Non-purchased loans	17,707,452	18,401,495
Purchased loans	597,851	807,673
Allowance for loan losses	(237,722)	(295,824)
Net loans	18,067,581	18,913,344
Premises and equipment, net	699,427	738,842
Foreclosed assets	9,444	11,085
Accrued interest receivable	84,358	88,077
Bank owned life insurance (“BOLI”)	770,829	758,071
Goodwill and other intangible assets, net	670,580	675,458
Other, net	171,451	140,220
Total assets	$ 26,143,367	$ 27,162,596
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	$ 4,586,163	$ 3,996,546
Savings and interest bearing transaction	8,961,316	8,160,982
Time	6,554,961	9,292,828
Total deposits	20,102,440	21,450,356
Repurchase agreements with customers	7,735	8,013
Other borrowings	750,217	750,928
Subordinated notes	345,927	224,047
Subordinated debentures	120,892	120,475
Reserve for losses on unfunded loan commitments	61,076	81,481
Accrued interest payable and other liabilities	198,728	251,940
Total liabilities	21,587,015	22,887,240
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock; $0.01 par value; 100,000,000 shares authorized; no shares issued or outstanding at September 30, 2021 or December 31, 2020	—	—
Common stock; $0.01 par value; 300,000,000 shares authorized; 128,817,819 and 129,350,448 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	1,288	1,294
Additional paid-in capital	2,245,012	2,265,850
Retained earnings	2,266,234	1,946,875
Accumulated other comprehensive income	40,706	58,252
Total stockholders’ equity before noncontrolling interest	4,553,240	4,272,271
Noncontrolling interest	3,112	3,085
Total stockholders’ equity	4,556,352	4,275,356
Total liabilities and stockholders’ equity	$ 26,143,367	$ 27,162,596

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(Dollars in thousands, except per share amounts)			
Interest income:				
Non-purchased loans	$ 238,258	$ 236,621	$ 716,639	$ 701,290
Purchased loans	11,350	16,269	34,985	54,743
Investment securities:				
Taxable	9,236	9,666	26,786	31,480
Tax-exempt	3,296	5,193	10,860	14,636
Deposits with banks and federal funds sold	523	532	1,556	5,237
Total interest income	262,663	268,281	790,826	807,386
Interest expense:				
Deposits	12,326	38,273	54,908	141,206
Repurchase agreements with customers	4	4	14	17
Other borrowings	1,013	1,156	2,996	2,168
Subordinated notes	429	3,207	6,755	9,551
Subordinated debentures	934	984	2,814	3,420
Total interest expense	14,706	43,624	67,487	156,362
Net interest income	247,957	224,657	723,339	651,024
Provision for credit losses	(7,454)	7,200	(69,946)	196,889
Net interest income after provision for credit losses	255,411	217,457	793,285	454,135
Non-interest income:				
Service charges on deposit accounts	11,177	9,427	31,154	27,717
Trust income	2,247	1,936	6,365	5,635
BOLI income:				
Increase in cash surrender value	4,940	5,081	14,739	15,205
Death benefits	—	—	1,409	608
Loan service, maintenance and other fees	3,307	3,351	10,811	10,461
Gains on sales of other assets	463	891	8,632	1,674
Net gains on investment securities	—	2,244	—	4,467
Other	3,850	3,746	12,733	10,180
Total non-interest income	25,984	26,676	85,843	75,947
Non-interest expense:				
Salaries and employee benefits	53,769	53,119	159,533	153,003
Net occupancy and equipment	17,161	16,676	49,797	47,761
Other operating expenses	39,467	35,846	110,840	109,255
Total non-interest expense	110,397	105,641	320,170	310,019
Income before taxes	170,998	138,492	558,958	220,063
Provision for income taxes	40,713	29,251	129,691	48,707
Net income	130,285	109,241	429,267	171,356
Earnings attributable to noncontrolling interest	5	12	(27)	29
Net income available to common stockholders	$ 130,290	$ 109,253	$ 429,240	$ 171,385
Basic earnings per common share	$ 1.01	$ 0.84	$ 3.31	$ 1.33
Diluted earnings per common share	$ 1.00	$ 0.84	$ 3.30	$ 1.32

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Net income	$ 130,285	$ 109,241	$ 429,267	$ 171,356
Other comprehensive (loss) income:				
Unrealized gains and losses on investment securities AFS	(12,522)	(511)	(23,566)	48,815
Tax effect of unrealized gains and losses on investment securities AFS	3,101	155	6,020	(11,560)
Reclassification of gains on investment securities AFS included in net income	—	(2,244)	—	(4,467)
Tax effect of reclassification of gains on investment securities AFS included in net income	—	539	—	1,073
Total other comprehensive (loss) income	(9,421)	(2,061)	(17,546)	33,861
Total comprehensive income	$ 120,864	$ 107,180	$ 411,721	$ 205,217

See accompanying notes to the consolidated financial statements.

BANK OZK
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, except per share amounts)					
Three months ended September 30, 2021:						
Balances – June 30, 2021	$ 1,297	$2,277,138	$2,173,114	$ 50,127	$ 3,117	$4,504,793
Net income	—	—	130,285	—	—	130,285
Earnings attributable to noncontrolling interest	—	—	5	—	(5)	—
Total other comprehensive loss	—	—	—	(9,421)	—	(9,421)
Common stock dividends, $0.285 per share	—	—	(37,170)	—	—	(37,170)
Issuance of 33,850 shares of common stock for exercise of stock options	1	1,085	—	—	—	1,086
Repurchase and cancellation of 888,567 shares of common stock under share repurchase program	(9)	(36,990)	—	—	—	(36,999)
Stock-based compensation expense	—	3,778	—	—	—	3,778
Forfeitures of 47,604 shares of unvested restricted common stock	(1)	1	—	—	—	—
Balances – September 30, 2021	$ 1,288	$2,245,012	$2,266,234	$ 40,706	$ 3,112	$4,556,352
Nine months ended September 30, 2021:						
Balances – December 31, 2020	$ 1,294	$2,265,850	$1,946,875	$ 58,252	$ 3,085	$4,275,356
Net income	—	—	429,267	—	—	429,267
Earnings attributable to noncontrolling interest	—	—	(27)	—	27	—
Total other comprehensive loss	—	—	—	(17,546)	—	(17,546)
Common stock dividends, $0.8425 per share	—	—	(109,881)	—	—	(109,881)
Issuance of 176,250 shares of common stock for exercise of stock options	2	6,092	—	—	—	6,094
Issuance of 332,831 shares of unvested restricted common stock	3	(3)	—	—	—	—
Repurchase and cancellation of 888,567 shares of common stock under share repurchase program	(9)	(36,990)	—	—	—	(36,999)
Repurchase and cancellation of 55,893 shares of common stock withheld for taxes pursuant to restricted stock vesting	(1)	(1,976)	—	—	—	(1,977)
Stock-based compensation expense	—	12,038	—	—	—	12,038
Forfeitures of 97,250 shares of unvested restricted common stock	(1)	1	—	—	—	—
Balances – September 30, 2021	$ 1,288	$2,245,012	$2,266,234	$ 40,706	$ 3,112	$4,556,352

See accompanying notes to the consolidated financial statements.

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

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)					
Three months ended September 30, 2020:						
Balances – June 30, 2020	$ 1,293	$2,257,867	$1,788,329	$ 63,177	$ 3,100	$4,113,766
Net income	—	—	109,241	—	—	109,241
Earnings attributable to noncontrolling interest	—	—	12	—	(12)	—
Total other comprehensive loss	—	—	—	(2,061)	—	(2,061)
Common stock dividends, $0.2725 per share	—	—	(35,570)	—	—	(35,570)
Stock-based compensation expense	—	3,997	—	—	—	3,997
Forfeitures of 8,228 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – September 30, 2020	$ 1,293	$2,261,864	$1,862,012	$ 61,116	$ 3,088	$4,189,373
Nine months ended September 30, 2020:						
Balances – December 31, 2019	$ 1,289	$2,251,824	$1,869,983	$ 27,255	$ 3,117	$4,153,468
Cumulative effect of change in accounting principle	—	—	(75,344)	—	—	(75,344)
Balances – January 1, 2020	1,289	2,251,824	1,794,639	27,255	3,117	4,078,124
Net income	—	—	171,356	—	—	171,356
Earnings attributable to noncontrolling interest	—	—	29	—	(29)	—
Total other comprehensive income	—	—	—	33,861	—	33,861
Common stock dividends, $0.8025 per share	—	—	(104,012)	—	—	(104,012)
Issuance of 4,300 shares of common stock for exercise of stock options	—	45	—	—	—	45
Issuance of 493,761 shares of unvested restricted common stock	5	(5)	—	—	—	—
Repurchase and cancellation of 61,873 shares of common stock withheld for taxes pursuant to restricted stock vesting	(1)	(1,852)	—	—	—	(1,853)
Stock-based compensation expense	—	11,852	—	—	—	11,852
Forfeitures of 45,139 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – September 30, 2020	$ 1,293	$2,261,864	$1,862,012	$ 61,116	$ 3,088	$4,189,373

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 429,267	$ 171,356
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	21,170	18,892
Amortization	5,518	7,997
Earnings attributable to noncontrolling interest	(27)	29
Provision for credit losses	(69,946)	196,889
Provision for losses on foreclosed and other assets	2,476	2,087
Write-off of unamortized subordinated debt issuance costs	764	—
Net amortization of investment securities AFS	46,700	20,240
Net gains on investment securities AFS	—	(4,467)
Amortization of operating lease right-of-use assets	5,440	5,779
Accretion of purchased loans	(10,101)	(15,926)
Gains on sales of other assets	(8,632)	(1,674)
Deferred income tax (benefit) expense	(36,557)	28,305
Increase in cash surrender value of BOLI	(14,739)	(15,205)
BOLI death benefits in excess of cash surrender value	(1,409)	(608)
Stock-based compensation expense	12,038	11,852
Changes in assets and liabilities:		
Accrued interest receivable	3,077	(11,216)
Other assets, net	(700)	12,614
Accrued interest payable and other liabilities	(8,392)	(32,384)
Cash provided by operating activities	375,947	394,560
Cash flows from investing activities:		
Proceeds from sales of FHLB and other bankers' bank stock	—	12,505
Purchases of FHLB and other bankers' bank stock	(2,212)	(29,038)
Proceeds from maturities/calls/paydowns of investment securities AFS	1,982,709	760,108
Proceeds from sales of investment securities AFS	591,570	273,963
Purchases of investment securities AFS	(3,085,690)	(2,180,457)
Proceeds from sale of loans	198,664	198,713
Net decrease (increase) of non-purchased loans	493,149	(2,290,922)
Net payments received on purchased loans	205,036	244,741
Purchases of premises and equipment	(23,529)	(41,089)
Proceeds from BOLI death benefits	3,391	1,636
Proceeds from sales of other assets	39,189	20,017
Net cash invested in unconsolidated investments	(27,675)	(27,354)
Net cash paid in branch divestiture transaction	(102,063)	—
Net cash provided (used) by investing activities	272,539	(3,057,177)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(1,237,486)	2,813,146
Proceeds from fixed-rate FHLB advances	—	750,000
Net repayments of other borrowings	(711)	(350,438)
Net proceeds from issuance of subordinated debt	345,895	—
Repayment of subordinated debt	(225,000)	—
Net decrease in repurchase agreements with customers	(278)	(6,255)
Proceeds from exercise of stock options	6,094	45
Cash dividends paid on common stock	(109,183)	(103,690)
Repurchase and cancellation of shares of common stock	(38,976)	(1,853)
Net cash (used) provided by financing activities	(1,259,645)	3,100,955
Net decrease in cash and cash equivalents	(611,159)	438,338
Cash and cash equivalents – beginning of period	2,393,662	1,495,757
Cash and cash equivalents – end of period	$ 1,782,503	$ 1,934,095

See accompanying notes to the consolidated financial statements.

1. Organization and Principles of Consolidation

Bank OZK ("the Bank") is headquartered in Little Rock, Arkansas and provides a wide range of retail and commercial banking services. At September 30, 2021 the Bank conducted operations through 249 offices in eight states, including Arkansas, Georgia, Florida, North Carolina, Texas, California, New York and Mississippi. The Bank owns eight 100%-owned finance subsidiary business trusts, a subsidiary that holds its investment securities, a subsidiary engaged in the development of real estate, a subsidiary that holds an ownership interest in a private aircraft, a subsidiary that invests in renewable energy and various other entities that hold loans, foreclosed assets or tax credits or engage in other activities. The consolidated financial statements include the accounts of the Bank, the investment subsidiary, the real estate subsidiary, the aircraft subsidiary, the renewable energy subsidiary and various other entities in accordance with accounting principles generally accepted in the United States ("GAAP"). Significant intercompany transactions and amounts have been eliminated in consolidation.

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

2. Basis of Presentation and Significant Accounting Policy Changes

The accompanying interim consolidated financial statements have been prepared by the Bank, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") in Article 10 of Regulation S-X and in accordance with the instructions to Form 10-Q and GAAP for interim financial information. Certain information, accounting policies and footnote disclosures normally included in complete financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Bank's Annual Report on Form 10-K filed with the FDIC for the year ended December 31, 2020.

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 materially differ from those estimates. In the opinion of management, all adjustments considered necessary, consisting of normal recurring items, have been included for a fair statement of the accompanying consolidated financial statements. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the full year or future periods. Certain reclassifications of prior year amounts have been made to conform to the 2021 financial statements presentation. These reclassifications had no impact on prior year net income, as previously reported.

3. Earnings Per Common Share ("EPS")

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding after consideration of the dilutive effect, if any, using the treasury stock method, of the Bank's common stock options and the non-vested performance stock units ("PSUs") under its long-term incentive agreements. Options to purchase 1,067,377 shares and 1,756,254 shares, respectively, of the Bank's common stock for the three months ended September 30, 2021 and 2020, and options to purchase 1,108,916 shares and 1,785,667 shares, respectively, of the Bank's common stock for the nine months ended September 30, 2021 and 2020 were excluded from the diluted EPS calculations as inclusion of such options would have been anti-dilutive. There were no anti-dilutive PSUs for the three months ended September 30, 2021 or 2020 or for the nine months ended September 30, 2021 or 2020.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands, except per share amounts)			
Numerator:				
Net income available to common stockholders	$ 130,290	$ 109,253	$ 429,240	$ 171,385
Denominator:				
Denominator for basic EPS – weighted-average common shares	129,397	129,346	129,536	129,309
Effect of dilutive securities – stock options and PSUs	532	124	527	89
Denominator for diluted EPS – weighted-average common shares and assumed conversions	129,929	129,470	130,063	129,398
Basic EPS	$ 1.01	$ 0.84	$ 3.31	$ 1.33
Diluted EPS	$ 1.00	$ 0.84	$ 3.30	$ 1.32

In July 2021, the Bank initiated a stock repurchase program for the purchase of up to $300 million of its outstanding shares of common stock. During the third quarter of 2021, the Bank repurchased 888,567 shares at weighted-average cost of $41.61, for a total of $37.0 million. The timing and amount of future repurchases will be determined by management based on a variety of factors such as the Bank's capital position, liquidity, financial performance and alternative uses of capital, stock price, regulatory requirements and general market and economic conditions. The repurchase program may be suspended by the Bank at any time. As discussed in footnote 15, the Bank's Board of Directors revised this stock repurchase program in the fourth quarter of 2021.

4. Investment Securities AFS

At both September 30, 2021 and December 31, 2020, the Bank classified its investment securities portfolio as AFS. Accordingly, investment securities are stated at estimated fair value in the consolidated financial statements with unrealized gains and losses, net of related income tax, that do not include a credit component reported as a separate component of stockholders' equity and included in accumulated other comprehensive income. Unrealized losses that include a credit component are considered in determining the Bank's allowance for credit losses ("ACL"). At September 30, 2021 and December 31, 2020, no ACL was recorded for investment securities AFS as management does not believe that the Bank's investment securities in unrealized loss positions were impaired due to reasons of credit quality.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
September 30, 2021:				
Obligations of state and political subdivisions	$ 832,947	$ 21,161	$ (502)	$ 853,606
U.S. Government agency mortgage-backed securities	2,337,590	39,142	(5,923)	2,370,809
Other U.S. Government agency securities	91,281	—	(102)	91,179
Corporate obligations	530,833	118	(49)	530,902
Total investment securities AFS	$ 3,792,651	$ 60,421	$ (6,576)	$ 3,846,496
December 31, 2020:				
Obligations of state and political subdivisions	$ 1,703,967	$ 28,286	$ (368)	$ 1,731,885
U.S. Government agency mortgage-backed securities	1,548,101	50,109	(612)	1,597,598
Other U.S. Government agency securities	75,872	—	(4)	75,868
Total investment securities AFS	$ 3,327,940	$ 78,395	$ (984)	$ 3,405,351

The following table shows the 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)					
September 30, 2021:						
Obligations of state and political subdivisions	$ 161,865	$ 489	$ 167	$ 13	$ 162,032	$ 502
U.S. Government agency mortgage-backed securities	1,154,514	5,901	1,305	22	1,155,819	5,923
Other U.S. Government agency securities	63,679	102	—	—	63,679	102
Corporate obligations	331,437	49	—	—	331,437	49
Total	$1,711,495	$ 6,541	$ 1,472	$ 35	$1,712,967	$ 6,576
December 31, 2020:						
Obligations of state and political subdivisions	$ 169,284	$ 355	$ 167	$ 13	$ 169,451	$ 368
U.S. Government agency mortgage-backed securities	177,610	610	2,622	2	180,232	612
Other U.S. Government agency securities	27,496	4	—	—	27,496	4
Total	$ 374,390	$ 969	$ 2,789	$ 15	$ 377,179	$ 984

In evaluating the Bank's unrealized loss positions for credit losses of its investment securities portfolio, management considers the credit quality, financial condition and near term prospects of the issuer, the nature and cause of the unrealized loss and other factors. While the Bank periodically evaluates its investment strategy relative to current economic and business conditions, at the present time, the Bank does not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not be required to sell these investment securities before fair value recovers to amortized cost. In addition, for investment securities in an unrealized loss position, the Bank does not believe the unrealized losses are the result of issues with credit quality; thus, no ACL was established for investment securities as of September 30, 2021 or December 31, 2020.

The following table shows the amortized cost and estimated fair value of investment securities AFS by maturity or estimated date of repayment as of September 30, 2021.

Maturity or Estimated Repayment	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	
One year or less	$ 1,464,412	$ 1,477,232
After one year to five years	1,666,090	1,688,723
After five years to ten years	419,718	425,204
After ten years	242,431	255,337
Total	$ 3,792,651	$ 3,846,496

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Sales proceeds[(1)]	$ —	$ 47,070	$ 591,570	$ 273,963
Gross realized gains	—	2,244	—	$ 4,467
Gross realized losses	—	—	—	—
Net gains on investment securities	$ —	$ 2,244	$ —	$ 4,467

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

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

Allowance for Credit Losses

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

	Allowance for Loan Losses ("ALL")	Reserve for Losses on Unfunded Loan Commitments	Total Allowance for Credit Losses
		(Dollars in thousands)	
Three months ended September 30, 2021:			
Balances – June 30, 2021	$ 248,753	$ 58,811	$ 307,564
Net charge-offs	(1,312)	—	(1,312)
Provision for credit losses	(9,719)	2,265	(7,454)
Balances – September 30, 2021	$ 237,722	$ 61,076	$ 298,798
Nine months ended September 30, 2021:			
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Net charge-offs	(8,561)	—	(8,561)
Provision for credit losses	(49,541)	(20,405)	(69,946)
Balances – September 30, 2021	$ 237,722	$ 61,076	$ 298,798
Three months ended September 30, 2020:			
Balances – June 30, 2020	$ 306,196	$ 68,298	$ 374,494
Net charge-offs	(4,421)	—	(4,421)
Provision for credit losses	7,072	128	7,200
Balances – September 30, 2020	$ 308,847	$ 68,426	$ 377,273
Nine months ended September 30, 2020:			
Balances – December 31, 2019	$ 108,525	$ —	$ 108,525
Adoption of CECL[(1)] methodology	39,588	54,924	94,512
Balances – January 1, 2020	148,113	54,924	203,037
Net charge-offs	(22,653)	—	(22,653)
Provision for credit losses	183,387	13,502	196,889
Balances – September 30, 2020	$ 308,847	$ 68,426	$ 377,273

(1) Current Expected Credit Loss

The calculations of the Bank's provision for credit losses for the third quarter and first nine months of 2021 and its total ACL at September 30, 2021 were based on a number of key estimates, assumptions and economic forecasts. Management utilized several economic forecasts provided by Moody's, including their baseline forecast and certain of their other economic scenarios. In selecting the weightings for the various economic scenarios for purposes of determining its ACL at September 30, 2021, the Bank assigned the largest weightings to the Moody's baseline and the Moody's S3 (Moderate Recession) scenarios and assigned a small weighting to the Moody's S4 (Protracted Slump) scenario. The Bank's selection and weightings of these scenarios reflected improved conditions in and prospects for improvement in the U.S. economy in recent quarters as well as the continued uncertainty about the COVID-19 pandemic, COVID-19 variants, the rate and longer-term effectiveness of vaccination programs in the United States and globally, the timing and magnitude of any additional U.S. fiscal policy actions, global trade and geopolitical matters, the potential impact of supply chain disruptions and various other factors. These forecasts included a number of economic variables, including gross domestic product, unemployment rates, and commercial and residential real estate prices, among others. For purposes of the forecasts used in the Bank's CECL methodology, management utilized a reasonable and supportable forecast period of two years, followed by a reversion of estimated losses on a systematic basis back to the Bank's historical mean. Management also utilized certain qualitative adjustments to increase the Bank's ACL estimates in order to capture items that management believes were not fully reflected in the Bank's modeled results. Those qualitative adjustments utilized at September 30, 2021 are intended to adjust for imprecision in economic forecasts, model data limitations and other factors.

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

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
			(Dollars in thousands)		
Three months ended September 30, 2021:					
Real estate:					
Residential 1-4 family	$ 19,711	$ (35)	$ 239	$ (1,008)	$ 18,907
Non-farm/non-residential	85,407	(41)	200	1,033	86,599
Construction/land development	65,577	—	10	(4,957)	60,630
Agricultural	3,261	—	1	(136)	3,126
Multifamily residential	8,370	(377)	—	2,660	10,653
Commercial and industrial	8,407	(45)	67	(304)	8,125
Consumer	41,802	(923)	406	(6,211)	35,074
Other	16,218	(1,060)	246	(796)	14,608
Total ALL for funded loans	248,753	(2,481)	1,169	(9,719)	237,722
Reserve for losses on unfunded loan commitments	58,811	—	—	2,265	61,076
Total ACL	$ 307,564	$ (2,481)	$ 1,169	$ (7,454)	$ 298,798
Nine months ended September 30, 2021:					
Real estate:					
Residential 1-4 family	$ 26,655	$ (181)	$ 512	$ (8,079)	$ 18,907
Non-farm/non-residential	93,173	(3,763)	912	(3,723)	86,599
Construction/land development	72,500	—	454	(12,324)	60,630
Agricultural	3,064	(18)	5	75	3,126
Multifamily residential	12,352	(377)	—	(1,322)	10,653
Commercial and industrial	13,758	(506)	340	(5,467)	8,125
Consumer	45,657	(5,493)	1,176	(6,266)	35,074
Other	28,665	(2,272)	650	(12,435)	14,608
Total ALL for funded loans	295,824	(12,610)	4,049	(49,541)	237,722
Reserve for losses on unfunded loan commitments	81,481	—	—	(20,405)	61,076
Total ACL	$ 377,305	$ (12,610)	$ 4,049	$ (69,946)	$ 298,798

	Beginning Balance	Impact of Adopting CECL	Charge-offs	Recoveries	Provision	Ending Balance
			(Dollars in thousands)			
Three months ended September 30, 2020:						
Real estate:						
Residential 1-4 family	$ 28,367	$ —	$ (138)	$ 271	$ 3,712	$ 32,212
Non-farm/non-residential	109,814	—	(334)	68	(30,017)	79,531
Construction/land development	65,143	—	(5)	52	25,263	90,453
Agricultural	3,487	—	(30)	2	(213)	3,246
Multifamily residential	15,313	—	—	146	1,833	17,292
Commercial and industrial	21,915	—	(2,110)	317	1,780	21,902
Consumer	47,504	—	(2,157)	266	5,000	50,613
Other	14,653	—	(914)	145	(286)	13,598
Total ALL for funded loans	306,196	—	(5,688)	1,267	7,072	308,847
Reserve for losses on unfunded loan commitments	68,298	—	—	—	128	68,426
Total ACL	$ 374,494	$ —	$ (5,688)	$ 1,267	$ 7,200	$ 377,273
Nine months ended September 30, 2020:						
Real estate:						
Residential 1-4 family	$ 14,008	$ 4,004	$ (263)	$ 665	$ 13,798	$ 32,212
Non-farm/non-residential	17,289	12,587	(10,778)	261	60,172	79,531
Construction/land development	26,295	21,427	(25)	454	42,302	90,453
Agricultural	1,719	978	(30)	5	574	3,246
Multifamily residential	5,477	(2,277)	—	146	13,946	17,292
Commercial and industrial	5,961	6,376	(3,121)	454	12,232	21,902
Consumer	32,466	(5,870)	(9,324)	604	32,737	50,613
Other	5,310	2,363	(2,278)	577	7,626	13,598
Total ALL for funded loans	108,525	39,588	(25,819)	3,166	183,387	308,847
Reserve for losses on unfunded loan commitments	—	54,924	—	—	13,502	68,426
Total ACL	$ 108,525	$ 94,512	$ (25,819)	$ 3,166	$ 196,889	$ 377,273

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

	Nonaccrual Loans with ALL	Nonaccrual Loans with no ALL	Total Nonaccrual Loans
		(Dollars in thousands)	
September 30, 2021:			
Real estate:			
Residential 1-4 family	$ 19,775	$ 2,105	$ 21,880
Non-farm/non-residential	8,042	11,870	19,912
Construction/land development	484	822	1,306
Agricultural	989	—	989
Multifamily residential	260	—	260
Commercial and industrial	2,423	—	2,423
Consumer	2,644	—	2,644
Other	282	—	282
Total	$ 34,899	$ 14,797	$ 49,696
December 31, 2020:			
Real estate:			
Residential 1-4 family	$ 20,503	$ 1,333	$ 21,836
Non-farm/non-residential	9,814	29,924	39,738
Construction/land development	1,551	906	2,457
Agricultural	873	—	873
Commercial and industrial	2,027	—	2,027
Consumer	2,431	—	2,431
Other	375	—	375
Total	$ 37,574	$ 32,163	$ 69,737

Interest income on nonperforming loans as of September 30, 2021 and December 31, 2020 is recognized on a cash basis when and if actually collected. Total interest income recognized on nonperforming loans for the three months and nine months ended September 30, 2021 and 2020 was not material.

Credit Quality Indicators

The following table provides the credit quality indicators for the Bank's total loans by loan segment and period of origination as of the date indicated. At September 30, 2021, the Bank had no loans risk rated as doubtful or loss. Loans are presented on an amortized cost basis which includes unamortized fees and costs but excludes accrued interest.

	Period of Origination						Revolving Loans Amortized Cost Basis	Total
	Nine Months Ended September 30,	Year Ended December 31,				Prior to January 1,		
	2021	2020	2019	2018	2017	2017		
	(Dollars in thousands)							
September 30, 2021:								
Residential 1-4 family[(1)]:								
Pass	135,893	$ 146,624	$ 96,485	$ 76,160	$ 58,672	$ 218,584	$ 127,537	$ 859,955
Special Mention	356	1,024	1,418	—	633	1,667	219	5,317
Substandard	174	248	4,901	2,342	3,445	11,075	312	22,497
Total residential 1-4 family	136,423	147,896	102,804	78,502	62,750	231,326	128,068	887,769
Non-farm/non-residential:								
Pass	271,143	784,807	564,662	600,717	774,050	952,052	29,114	3,976,545
Special Mention	509	5,475	—	668	8,926	51,420	—	66,998
Substandard	—	—	734	604	9,120	26,615	—	37,073
Total non-farm/ non-residential	271,652	790,282	565,396	601,989	792,096	1,030,087	29,114	4,080,616
Construction/land development:								
Pass	767,106	1,846,502	3,012,551	1,201,535	635,913	132,908	73,090	7,669,605
Special Mention	—	—	3,077	203	64	1,103	37	4,484
Substandard	—	41	30	—	—	1,634	42,773	44,478
Total construction/ land development	767,106	1,846,543	3,015,658	1,201,738	635,977	135,645	115,900	7,718,567
Agricultural:								
Pass	53,028	46,678	55,947	37,240	23,274	16,476	2,939	235,582
Special Mention	—	—	—	—	—	159	—	159
Substandard	—	—	—	326	—	1,006	—	1,332
Total agricultural	53,028	46,678	55,947	37,566	23,274	17,641	2,939	237,073
Multifamily residential:								
Pass	29,110	40,454	383,564	213,523	410,911	154,248	634	1,232,444
Special Mention	—	—	—	—	—	9,400	—	9,400
Substandard	—	—	—	—	—	358	—	358
Total multifamily residential	29,110	40,454	383,564	213,523	410,911	164,006	634	1,242,202
Commercial and industrial:								
Pass	144,771	95,801	41,153	100,759	38,926	19,228	79,698	520,336
Special Mention	151	210	1,118	132	2,943	597	830	5,981
Substandard	—	49	—	2,055	4	441	—	2,549
Total commercial and industrial	144,922	96,060	42,271	102,946	41,873	20,266	80,528	528,866
Consumer[(1)]:								
Pass	359,068	204,142	607,343	535,776	264,188	190,745	2,566	2,163,828
Special Mention	22	173	393	584	402	199	25	1,798
Substandard	32	95	503	721	458	872	—	2,681
Total consumer	359,122	204,410	608,239	537,081	265,048	191,816	2,591	2,168,307
Other[(1)]:								
Pass	50,190	259,778	638,873	199,929	101,497	10,415	180,889	1,441,571
Special Mention	—	—	—	50	—	—	—	50
Substandard	—	3	—	1	278	—	—	282
Total other	50,190	259,781	638,873	199,980	101,775	10,415	180,889	1,441,903
Total	$ 1,811,553	$ 3,432,104	$ 5,412,752	$ 2,973,325	$ 2,333,704	$ 1,801,202	$ 540,663	$ 18,305,303

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

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

	Pass	Special Mention	Substandard	Total
	(Dollars in thousands)			
September 30, 2021:				
Real estate:				
Residential 1-4 family(1)	$ 859,955	$ 5,317	$ 22,497	$ 887,769
Non-farm/non-residential	3,976,545	66,998	37,073	4,080,616
Construction/land development	7,669,605	4,484	44,478	7,718,567
Agricultural	235,582	159	1,332	237,073
Multifamily residential	1,232,444	9,400	358	1,242,202
Commercial and industrial	520,336	5,981	2,549	528,866
Consumer(1)	2,163,828	1,798	2,681	2,168,307
Other(1)	1,441,571	50	282	1,441,903
Total	$ 18,099,866	$ 94,187	$ 111,250	$ 18,305,303
December 31, 2020:				
Real estate:				
Residential 1-4 family(1)	$ 877,795	$ 8,980	$ 24,340	$ 911,115
Non-farm/non-residential	4,147,307	58,544	61,296	4,267,147
Construction/land development	7,944,342	11,795	37,330	7,993,467
Agricultural	203,065	261	1,542	204,868
Multifamily residential	845,909	9,605	783	856,297
Commercial and industrial	833,472	6,154	2,580	842,206
Consumer(1)	2,388,331	3,195	2,438	2,393,964
Other(1)	1,739,662	66	376	1,740,104
Total	$ 18,979,883	$ 98,600	$ 130,685	$ 19,209,168

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

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

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

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

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

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

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

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

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

	30-59 Days Past Due [1]	60-89 Days Past Due [2]	90 Days or More [3]	Total Past Due	Current [4]	Total
			(Dollars in thousands)			
September 30, 2021:						
Real estate:						
Residential 1-4 family	$ 3,747	$ 3,058	$ 4,108	$ 10,913	$ 876,856	$ 887,769
Non-farm/non-residential	5,684	326	2,724	8,734	4,071,882	4,080,616
Construction/land development	1,691	42	19	1,752	7,716,815	7,718,567
Agricultural	—	—	475	475	236,598	237,073
Multifamily residential	260	—	—	260	1,241,942	1,242,202
Commercial and industrial	147	769	1,208	2,124	526,742	528,866
Consumer	1,467	464	308	2,239	2,166,068	2,168,307
Other	53	—	271	324	1,441,579	1,441,903
Total	$ 13,049	$ 4,659	$ 9,113	$ 26,821	$18,278,482	$18,305,303
December 31, 2020:						
Real estate:						
Residential 1-4 family	$ 10,057	$ 3,218	$ 5,338	$ 18,613	$ 892,502	$ 911,115
Non-farm/non-residential	2,547	18	12,155	14,720	4,252,427	4,267,147
Construction/land development	1,000	—	1,102	2,102	7,991,365	7,993,467
Agricultural	52	—	358	410	204,458	204,868
Multifamily residential	—	—	—	—	856,297	856,297
Commercial and industrial	155	394	1,559	2,108	840,098	842,206
Consumer	3,177	356	547	4,080	2,389,884	2,393,964
Other	49	1	357	407	1,739,697	1,740,104
Total	$ 17,037	$ 3,987	$ 21,416	$ 42,440	$19,166,728	$19,209,168

(1) Includes $1.2 million and $5.9 million of loans on nonaccrual status at September 30, 2021 and December 31, 2020, respectively.
(2) Includes $2.0 million and $2.4 million of loans on nonaccrual status at September 30, 2021 and December 31, 2020, respectively.
(3) All loans greater than 90 days past due were on nonaccrual status at September 30, 2021 and December 31, 2020.
(4) Includes $37.3 million and $40.0 million of loans on nonaccrual status at September 30, 2021 and December 31, 2020, respectively.

6. Subordinated Notes

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

On September 16, 2021, the Bank completed a public offering of $350 million in aggregate principal amount of its 2.75% Fixed-to-Floating rate Subordinated Notes (the "2.75% Notes") due 2031, which bear interest at a fixed rate of 2.75% per annum until September 30, 2026. On October 1, 2026, the 2.75% Notes will bear interest at a floating rate equal to a benchmark (which is expected to be three-month SOFR) plus 209 basis points. The 2.75% Notes are unsecured, subordinated debt obligations and mature on October 1, 2031. The Bank expects to use the net proceeds from the offering for general corporate purposes, which may include, among other things, financing organic growth or strategic acquisitions, repurchase of shares of the Bank's common stock, supporting the Bank's regulatory capital levels and ongoing working capital needs. As of September 30, 2021, the Bank's subordinated debt had a carrying value of $345.9 million and the underwriting discounts and offering expenses for these 2.75% Notes totaled $4.1 million and are being amortized over five years.

7. Supplemental Data for Cash Flows

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(Dollars in thousands)	
Cash paid during the period for:		
Interest	$ 76,089	$ 164,057
Income taxes	184,868	30,503
Supplemental schedule of non-cash investing and financing activities:		
Net change in unrealized gains/losses on investment securities AFS	(23,566)	44,348
Loans and other assets transferred to foreclosed assets	13,197	18,101
Unsettled investment securities AFS purchases	—	15,894

8. Commitments and Contingencies

Outstanding standby letters of credit are contingent commitments issued by the Bank generally to guarantee the performance of a customer in third party arrangements. The maximum amount of future payments the Bank could be required to make under these guarantees at September 30, 2021 is $14.8 million. The Bank holds collateral to support guarantees when deemed necessary. Collateralized commitments at September 30, 2021 totaled $14.1 million.

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

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

Contractual Maturities at September 30, 2021	
Maturity	Amount
(Dollars in thousands)	
2021	$ 386,683
2022	1,700,870
2023	2,947,594
2024	4,279,340
2025	2,857,708
Thereafter	213,174
Total	$ 12,385,369

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

9. Stock-Based Compensation

The Bank has an Omnibus Equity Incentive Plan (the "Omnibus Plan") that replaced its prior equity incentive plans, including the Nonqualified Stock Option Plan for officers and employees ("Option Plan"), the Restricted Stock and Incentive Plan for officers and employees ("2009 Plan") and the Non-Employee Director Stock Plan ("Director Plan" and together with the Option Plan and the 2009 Plan, the "Prior Plans"). After adoption of the Omnibus Plan in 2019, no new awards may be granted under the Prior Plans, it being understood that (i) outstanding awards will continue to be governed by the terms and conditions of the Prior Plan under which they were granted, and (ii) to the extent that any outstanding award under the Prior Plans is forfeited, terminates, expires or lapses without shares being issued, the shares subject to such award not delivered as a result thereof will be available for awards under the Omnibus Plan. Directors, executive officers and employees are eligible to participate in the Omnibus Plan, and the total number of shares available for grant is 3,400,000, subject to adjustment as described in the Omnibus Plan. Awards granted under the Omnibus Plan may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, or other stock based awards and must contain a minimum vesting period of at least one year from the date of grant (provided that awards for up to 5% of the shares of common stock authorized for issuance under the Omnibus Plan may provide for a shorter vesting period at the time of grant). The Omnibus Plan provides that a non-employee director may not receive stock awards with a grant date fair market value in excess of $100,000 worth of shares during any calendar year. The benefits received by or allocated to directors, executive officers or employees under the Omnibus Plan are determined within the discretion of the Personnel and Compensation Committee ("P&C Committee") of the Board of Directors.

The Bank previously had a nonqualified stock option plan for non-employee directors. All options previously granted under this plan were exercisable immediately and expire ten years after issuance.

All employee options previously granted under the Option Plan and outstanding at September 30, 2021 were issued with a vesting date three years after issuance and an expiration date seven years after issuance.

The following table summarizes stock option activity for the Option Plan, non-employee director stock option plan and Omnibus Plan for the period indicated.

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Nine Months Ended September 30, 2021:				
Outstanding – January 1, 2021	1,623,569	$ 46.32		
Granted	—	—		
Exercised	(176,250)	34.58		
Forfeited	(128,375)	47.28		
Outstanding – September 30, 2021	1,318,944	47.80	2.6	$ 3,084.0 (1)
Fully vested and exercisable – September 30, 2021	1,123,842	$ 50.60	2.3	$ 874.0 (1)

(1) Based on closing price of $42.98 per share on September 30, 2021.

Intrinsic value for stock options is defined as the amount by which the current market price of the underlying stock exceeds the exercise price. For those stock options where the exercise price exceeds the current market price of the underlying stock, the intrinsic value is zero. The total intrinsic value of options exercised during the three months and nine months ended September 30, 2021 was $0.3 million and $1.3 million, respectively. The total intrinsic value of options exercised during the three months and nine months ended September 30, 2020 was not material.

Stock-based compensation expense for stock options included in non-interest expense was $0.1 million and $0.5 million for the three months ended September 30, 2021 and 2020, respectively, and $0.3 million and $1.6 million for the nine months ended September 30, 2021 and 2020, respectively. Total unrecognized compensation cost related to non-vested stock option grants was $0.2 million at September 30, 2021 and is expected to be recognized over a weighted-average period of 0.3 years.

During the nine months ended September 30, 2021, the Bank issued 312,503 shares of restricted common stock to employees under the Omnibus Plan. These grants of restricted stock cliff vest 100% three years after issuance, assuming continuous employment by the participant during this period. During the nine months ended September 30, 2021, the Bank also issued 20,328 shares of restricted common stock to directors under the Omnibus Plan, which cliff vest 100% one year after issuance.

The following table summarizes non-vested restricted stock activity for the 2009 Plan, Director Plan and Omnibus Plan for the period indicated.

	2009 Plan and Director Plan	Omnibus Plan	Total of All Plans
Nine Months Ended September 30, 2021:			
Outstanding – January 1, 2021	460,068	451,984	912,052
Granted	—	332,831	332,831
Forfeited	(21,257)	(75,993)	(97,250)
Vested	(144,263)	(46,871)	(191,134)
Outstanding – September 30, 2021	294,548	661,951	956,499
Weighted-average grant date fair value	$ 31.66	$ 33.61	$ 33.01

Restricted stock awards totaling 332,831 shares with a grant date fair value of $40.18 were granted pursuant to the Omnibus Plan during the nine months ended September 30, 2021. The fair value of the restricted stock awards is amortized to non-interest expense over the vesting period and is based on the market price of the Bank's common stock at the date of grant multiplied by the number of shares granted. Stock-based compensation expense for restricted stock included in non-interest expense was $2.2 million and $2.6 million for the three months ended September 30, 2021 and 2020, respectively, and $7.1 million and $7.9 million for the nine months ended September 30, 2021 and 2020, respectively. Unrecognized compensation expense for non-vested restricted stock awards was $14.8 million at September 30, 2021 and is expected to be recognized over a weighted-average period of 1.9 years.

On January 27, 2021, pursuant to the Omnibus Plan, the Bank's P&C Committee awarded its executive officers an aggregate of 133,041 PSUs. The PSUs granted contain both performance and market conditions. The PSUs will be earned and vest depending on the Bank's relative performance with respect to total shareholder return ("TSR"), return on average equity ("ROAE") and return on average assets ("ROAA"), over a three-year period, compared to the companies that comprise the KBW Regional Banking Index ("KRX") at January 1, 2021 (for the TSR component) and compared to the Bank's 2020 executive compensation peer group (for the ROAE and ROAA component) over the same three-year period. Measurement is determined on a percentile basis relative to the KRX or the Bank's peer group. For each metric, if the Bank's performance over the performance period is: (i) at or below the 25th percentile compared to the applicable peer group, no PSUs for that metric would be earned; (ii) at threshold performance (26th percentile), 4% of the target would be earned; (iii) at target performance (50th percentile), 100% of the target would be earned; (iv) at the 75th percentile, 150% of the target would be earned; and (v) at maximum performance (95th percentile), 200% of the target would be earned. Achievement of results between levels previously described will result in award payouts determined based on a linear interpolation between payout levels. In the event the Bank's TSR over the performance period is negative, no more than 100% of the target PSUs for the relative TSR component will be earned, and the value of a PSU earned at the end of the performance period for the relative TSR component cannot exceed six times (6x) the grant date stock price. The PSUs contain a three-year vesting period followed by a one-year post-vest hold period and are eligible to accrue dividend equivalents that are subject to the same vesting criteria as the underlying PSUs.

The fair value of the PSUs granted is amortized to compensation expense over the vesting period. In determining PSUs fair value, since the PSUs granted contain a one-year post-vest hold period, an estimated discount for illiquidity was applied to the market price of the Bank's stock. The fair value of each PSU grant is estimated on the date of grant using various valuation and liquidity models. The following table is a summary of the key assumptions used in those models for the period indicated.

	Nine Months Ended September 30, 2021
Risk-free interest rate	0.09%
Expected dividend yield	2.86%
Expected stock volatility	67.45%
Post-vest hold period	1 year

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

	Nine Months Ended September 30, 2021
Outstanding – January 1, 2021	301,468
Granted	133,041
Forfeited	—
Outstanding – September 30, 2021	434,509

The valuation date stock price index was 116% for the TSR component and 100% for the ROAE and ROAA component. The weighted-average PSU grant date fair values were $38.41 for TSR and $33.20 for both ROAE and ROAA.

Compensation expense for PSU awards included in non-interest expense was $1.5 million and $0.9 million for the three months ended September 30, 2021 and 2020, respectively, and $4.6 million and $2.3 million for the nine months ended September 30, 2021 and 2020, respectively. Unrecognized compensation expense for non-vested PSU awards was $7.7 million at September 30, 2021 and is expected to be recognized over a weighted-average period of 1.9 years.

10. Fair Value Measurements

The Bank measures certain of its assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset or liability. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, fair value is used either on a periodic basis, typically at least quarterly, or on a non-recurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes. At September 30, 2021 and December 31, 2020, the Bank had no material liabilities that were accounted for at fair value.

The Bank applies the following fair value hierarchy.

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

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

Level 3 − Instruments whose inputs are unobservable.

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

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
September 30, 2021:				
Investment securities AFS :				
U.S. Government agency mortgage-backed securities	$ —	$ 2,370,809	$ —	$ 2,370,809
Obligations of state and political subdivisions	—	843,024	10,582	853,606
Other U.S. Government agency securities	—	91,179	—	91,179
Corporate obligations	—	530,902	—	530,902
Total investment securities AFS	—	3,835,914	10,582	3,846,496
Nonaccrual loans	—	—	38,067	38,067
Total assets at fair value	$ —	$ 3,835,914	$ 48,649	$ 3,884,563
December 31, 2020:				
Investment securities AFS:				
U.S. Government agency mortgage-backed securities	$ —	$ 1,597,598	$ —	$ 1,597,598
Obligations of state and political subdivisions	—	1,720,288	11,597	1,731,885
Other U.S. Government agency securities	—	75,868	—	75,868
Total investment securities AFS	—	3,393,754	11,597	3,405,351
Nonaccrual loans	—	—	58,030	58,030
Total assets at fair value	$ —	$ 3,393,754	$ 69,627	$ 3,463,381

The following table presents information on Level 3 non-recurring fair value measurements related to the Level 3 non-recurring assets above.

Description	Fair Value at September 30, 2021	Technique	Unobservable Inputs
		(Dollars in thousands)	
Nonaccrual loans	$ 38,067	Third party appraisal (1) or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Life of loan

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

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

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

The Bank has determined that certain of its investment securities AFS had a limited to non-existent trading market at September 30, 2021. As a result, the Bank considers these investments as Level 3 in the fair value hierarchy. Specifically, the fair values of certain obligations of state and political subdivisions consisting primarily of certain unrated private placement bonds (the "private placement bonds") in the amount of $10.6 million at September 30, 2021 were calculated using Level 3 hierarchy inputs and assumptions as the trading market for such securities was determined to be "not active." This determination was based on the limited number of trades or, in certain cases, the existence of no reported trades for the private placement bonds. The private placement bonds are generally prepayable at par value at the option of the issuer. As a result, management believes the private placement bonds should be individually valued at the lower of (i) the matrix pricing provided by the Bank's third party pricing sources for comparable unrated municipal securities or (ii) par value. At September 30, 2021, the third parties' pricing matrices valued the Bank's portfolio of private placement bonds at approximately $10.6 million, which was approximately the same as the aggregate par value of the private placement bonds. Accordingly, at September 30, 2021, the Bank reported the private placement bonds at $10.6 million.

Nonaccrual loans – Fair values are measured on a non-recurring basis and are based on the underlying collateral value of the nonaccrual loan, reduced for holding and selling costs, or the estimated discounted cash flows for such loan. At September 30, 2021 the Bank had reduced the carrying value of its nonaccrual loans to the estimated fair value of $38.1 million. The adjustment to reduce the carrying value of such nonaccrual loans to the estimated fair value included $11.6 million of ACL allocations.

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

	Investment Securities AFS
	(Dollars in thousands)
Balance – December 31, 2020	$ 11,597
Total realized gains included in earnings	—
Total unrealized gains/(losses) included in other comprehensive income	—
Paydowns and maturities	(1,015)
Sales	—
Transfers in and/or out of Level 3	—
Balance – September 30, 2021	$ 10,582
Balance – December 31, 2019	$ 14,103
Total realized gains included in earnings	—
Total unrealized gains/(losses) included in comprehensive income	(1)
Paydowns and maturities	(2,316)
Sales	—
Transfers in and/or out of Level 3	—
Balance – September 30, 2020	$ 11,786

11. Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

Off-balance sheet instruments – The fair values of outstanding commitments and letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of outstanding commitments and letters of credit were not material at September 30, 2021 or December 31, 2020.

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

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

	Fair Value Hierarchy	September 30, 2021 Carrying Amount	September 30, 2021 Estimated Fair Value	December 31, 2020 Carrying Amount	December 31, 2020 Estimated Fair Value
		(Dollars in thousands)			
Financial assets:					
Cash and cash equivalents	Level 1	$ 1,782,503	$ 1,782,503	$ 2,393,662	$ 2,393,662
Investment securities AFS	Levels 2 and 3	3,846,496	3,846,496	3,405,351	3,405,351
Loans, net of ALL[(1)]	Level 3	18,067,581	18,084,363	18,913,344	18,790,517
Financial liabilities:					
Demand, savings and interest bearing transaction deposits	Level 1	$ 13,547,479	$ 13,547,479	$12,157,528	$ 12,157,528
Time deposits	Level 2	6,554,961	6,562,792	9,292,828	9,326,281
Repurchase agreements with customers	Level 1	7,735	7,735	8,013	8,013
Other borrowings	Level 2	750,217	767,054	750,928	779,227
Subordinated notes	Level 2	345,927	334,714	224,047	227,173
Subordinated debentures	Level 2	120,892	107,048	120,475	105,761

(1) Excludes reserve for losses on unfunded loan commitments.

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

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

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(Dollars in thousands)			
Beginning balance of AOCI – unrealized gains and losses on investment securities AFS	$ 50,127	$ 63,177	$ 58,252	$ 27,255
Other comprehensive (loss) income:				
Unrealized gains and losses on investment securities AFS	(12,522)	(511)	(23,566)	48,815
Tax effect of unrealized gains and losses on investment securities AFS	3,101	155	6,020	(11,560)
Amounts reclassified from AOCI	—	(2,244)	—	(4,467)
Tax effect of amounts reclassified from AOCI	—	539	—	1,073
Total other comprehensive (loss) income	(9,421)	(2,061)	(17,546)	33,861
Ending balance of AOCI – unrealized gains and losses on investment securities AFS	$ 40,706	$ 61,116	$ 40,706	$ 61,116

13. Other Operating Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Professional and outside services	$ 7,084	$ 8,263	$ 21,134	$ 22,618
Software and data processing	5,897	5,431	17,695	15,550
Deposit insurance and assessments	2,655	3,595	9,060	11,600
Telecommunication services	1,966	2,352	6,363	6,863
Postage and supplies	1,530	1,808	4,718	5,753
Advertising and public relations	719	1,557	1,621	4,964
Travel and meals	1,617	689	3,811	3,501
ATM expense	1,846	1,604	4,615	3,766
Loan collection and repossession expense	407	1,030	1,456	2,581
Writedowns of foreclosed and other assets	990	488	2,476	2,087
Amortization of intangibles	1,545	1,914	4,878	7,291
Amortization of CRA and tax credit investments	4,972	1,611	12,324	7,458
Other	8,239	5,504	20,689	15,223
Total other operating expense	$ 39,467	$ 35,846	$ 110,840	$ 109,255

14. Recent Accounting Pronouncements

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

In May 2020, FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." Reference rate reform relates to the effects undertaken to eliminate certain reference rates such as the London Interbank Offered Rate ("LIBOR") and introduce new reference rates that may be based on larger or more liquid observations and transactions. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other contracts. Generally, ASU 2020-04 would allow entities to consider contract modifications due to reference rate reform to be a continuation of an existing contract; thus, the Bank would not have to determine if the modification is considered insignificant. As a result of ASU 2020-04, the Bank created an internal working group that is managing its transition away from LIBOR. This working group is a cross-functional team composed of representatives from credit, lending, deposits, retail, investment securities, loan administration, operations, compliance, legal and other support functions to address issues related to the LIBOR transition and phase-out. The Bank is in the process of reviewing loan documentation and other financial instruments and contracts, along with the transition procedures it will need in order to implement reference rate reform. While the Bank has yet to adopt the provision of ASU 2020-04, the standard was effective upon issuance and terminates December 31, 2022 such that changes made to instruments or contracts beginning on or after January 1, 2023 would not apply. The Bank is currently evaluating the impact of ASU 2020-04 and has not determined if reference rate reform or ASU 2020-04 will have a material effect on the Bank's financial position or results of operations.

15. Subsequent Events

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

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

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

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

In conjunction with the Bank’s Preferred Stock offering, the Bank’s Board of Directors approved an increase in the size of its previously disclosed stock repurchase program (see footnote 3) by $350 million, which is an amount equal to the aggregate dollar amount of shares of the Preferred Stock issued in connection with the Preferred Stock Offering such that the Bank’s stock repurchase program now authorizes repurchases up to $650 million. As of September 30, 2021, the Bank had purchased $37.0 million under its previously approved stock repurchase program. The Bank’s Board of Directors also extended the expiration date of the stock repurchase program from July 1, 2022 to November 4, 2022.

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

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

FORWARD-LOOKING INFORMATION

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

Actual future performance, outcomes and results may differ materially from those expressed in, or implied by, forward-looking statements made by us and our management due to certain risks, uncertainties and assumptions. Certain factors that may affect our future results include, but are not limited to, potential delays or other problems in implementing our growth, expansion and acquisition strategies, including delays in identifying satisfactory sites, hiring or retaining qualified personnel, obtaining regulatory or other approvals, obtaining permits and designing, constructing and opening new offices or relocating, selling or closing existing offices; the ability to enter into and/or close additional acquisitions; the availability of and access to capital; possible downgrades in our credit ratings or outlook which could increase the costs of or decrease the availability of funding from capital markets; the ability to attract new or retain existing or acquired deposits or to retain or grow loans, including growth from unfunded closed loans; the ability to generate future revenue growth or to control future growth in non-interest expense; interest rate fluctuations, including changes in the yield curve between short-term and long-term interest rates or changes in the relative relationships of various interest rate indices; the potential impact of the phase-out of the London Interbank Offered Rate ("LIBOR") or other changes involving LIBOR; competitive factors and pricing pressures, including their effect on our net interest margin or core spread; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions and the costs and expenses to comply with new and/or existing legislation and regulatory actions, including those actions in response to the COVID-19 pandemic such as the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), the Consolidated Appropriations Act of 2021, the American Rescue Plan Act of 2021 and any similar or related laws, rules and regulations; the impact of any future federal government shutdown and uncertainty regarding the federal government's debt limit or changes in U.S. Government monetary and fiscal policy; FDIC special assessments or changes to regular assessments; the ability to keep pace with technological changes, including changes regarding maintaining cybersecurity; the impact of failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business, including as a result of cyber-attacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting us or our customers; natural disasters or acts of war or terrorism; the adverse effects of the ongoing global COVID-19 pandemic, including the magnitude and duration of the pandemic, and actions taken to contain or treat COVID-19 on us, our employees, our customers, the global economy and the financial markets; potential impact of supply chain disruptions; national, international or political instability; impairment of our goodwill or other intangible assets; adoption of new accounting standards or changes in existing standards; and adverse results (including costs, fines, reputational harm and/or other negative effects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions or rulings as well as other factors described in this quarterly report on Form 10-Q or as detailed from time to time in the other public reports we file with the FDIC, including those factors identified in the disclosures under the heading "Forward-Looking Information" and "Item 1A. Risk Factors" in our most recent annual report on Form 10-K for the year ended December 31, 2020. Should one or more of the foregoing risks materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described in, or implied by, such forward-looking statements. We disclaim any obligation to update or revise any forward-looking statement based on the occurrence of future events, the receipt of new information or otherwise.

SELECTED AND SUPPLEMENTAL FINANCIAL DATA

The following tables set forth selected unaudited consolidated financial data as of and for the three months and nine months ended September 30, 2021 and 2020 and supplemental unaudited quarterly financial data for each of the most recent eight quarters beginning with the fourth quarter of 2019 through the third quarter of 2021. These tables are qualified in their entirety by our consolidated financial statements and related notes presented in Part I, Item 1 – Financial Statements in this quarterly report on Form 10-Q. The calculation of our pre-tax pre-provision net revenue (“PPNR”) and the reconciliation to generally accepted accounting principles (“GAAP”) are included in this MD&A under “Analysis of Results of Operations” in this quarterly report on Form 10-Q. The calculations of our tangible book value per common share and our annualized returns on average tangible common stockholders’ equity and the reconciliations to GAAP are included in this MD&A under “Capital Management” in this quarterly report on Form 10-Q.

Selected Consolidated Financial Data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands, except per share amounts)			
Income statement data:				
Interest income	$ 262,663	$ 268,281	$ 790,826	$ 807,386
Interest expense	14,706	43,624	67,487	156,362
Net interest income	247,957	224,657	723,339	651,024
Provision for credit losses	(7,454)	7,200	(69,946)	196,889
Non-interest income	25,984	26,676	85,843	75,947
Non-interest expense	110,397	105,641	320,170	310,019
Net income available to common stockholders	130,290	109,253	429,240	171,385
Pre-tax pre-provision net revenue	163,544	145,692	489,012	416,952
Common share and per common share data:				
Earnings – diluted	$ 1.00	$ 0.84	$ 3.30	$ 1.32
Book value	35.35	32.37	35.35	32.37
Tangible book value	30.14	27.13	30.14	27.13
Dividends per share	0.285	0.2725	0.8425	0.8025
Weighted-average diluted shares outstanding (thousands)	129,929	129,470	130,063	129,398
End of period shares outstanding (thousands)	128,818	129,342	128,818	129,342
Balance sheet data at period end:				
Total assets	$ 26,143,367	$ 26,888,308	$ 26,143,367	$ 26,888,308
Total loans	18,305,303	19,358,443	18,305,303	19,358,443
Non-purchased loans	17,707,452	18,419,958	17,707,452	18,419,958
Purchased loans	597,851	938,485	597,851	938,485
Allowance for loan losses	237,722	308,847	237,722	308,847
Foreclosed assets	9,444	16,543	9,444	16,543
Investment securities – AFS	3,846,496	3,468,243	3,846,496	3,468,243
Goodwill and other intangible assets, net	670,580	677,251	670,580	677,251
Deposits	20,102,440	21,287,405	20,102,440	21,287,405
Other borrowings	750,217	750,949	750,217	750,949
Subordinated notes	345,927	223,950	345,927	223,950
Subordinated debentures	120,892	120,335	120,892	120,335
Unfunded balance of closed loans	12,385,369	11,604,614	12,385,369	11,604,614
Reserve for losses on unfunded loan commitments	61,076	68,426	61,076	68,426
Total common stockholders’ equity	4,553,240	4,186,285	4,553,240	4,186,285
Loan (including purchased loans) to deposit ratio	91.06%	90.94%	91.06%	90.94%
Average balance sheet data:				
Total average assets	$ 26,073,994	$ 26,661,557	$ 26,684,946	$ 25,421,110
Total average common stockholders’ equity	4,530,995	4,148,409	4,421,240	4,125,578
Average common equity to average assets	17.38%	15.56%	16.57%	16.23%
Performance ratios:				
Return on average assets(1)	1.98%	1.63%	2.15%	0.90%
Return on average common stockholders’ equity(1)	11.41	10.48	12.98	5.55
Return on average tangible common stockholders’ equity(1)	13.39	12.52	15.31	6.65
Net interest margin – FTE(1)	4.16	3.69	3.99	3.79
Efficiency ratio	40.14	41.77	39.39	42.38
Common stock dividend payout ratio	28.53	32.56	25.60	60.69
Asset Quality ratios:				
Net charge-offs to average non-purchased loans(1)(2)	0.04%	0.09%	0.07%	0.07%
Net charge-offs to average total loans(1)	0.03	0.09	0.06	0.16
Nonperforming loans to total loans(3)	0.20	0.15	0.20	0.15
Nonperforming assets to total assets(3)	0.17	0.17	0.17	0.17
Allowance for loan losses as a percentage of(4):				
Total loans	1.30%	1.60%	1.30%	1.60%
Total nonperforming loans	466%	540%	466%	540%
Capital ratios at period end:				
Common equity tier 1	14.60%	12.88%	14.60%	12.88%
Tier 1 risk based capital	14.60	12.88	14.60	12.88
Total risk based capital	17.35	15.34	17.35	15.34
Tier 1 leverage	15.24	13.42	15.24	13.42

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

Supplemental Quarterly Financial Data

	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21	9/30/21
	(Dollars in thousands except per share amounts)							
Earnings Summary:								
Net interest income	$ 214,977	$ 209,775	$ 216,593	$ 224,657	$ 237,600	$ 234,636	$ 240,746	$ 247,957
Federal tax (FTE) adjustment	1,028	1,133	1,753	1,605	1,533	1,275	1,355	1,106
Net interest income (FTE)	216,005	210,908	218,346	226,262	239,133	235,911	242,101	249,063
Provision for credit losses	(4,938)	(117,663)	(72,026)	(7,200)	(6,750)	31,559	30,932	7,454
Non-interest income	30,406	27,680	21,591	26,676	28,661	32,117	27,742	25,984
Non-interest expense	(104,406)	(103,425)	(100,953)	(105,641)	(103,394)	(106,059)	(103,711)	(110,397)
Pretax income (FTE)	137,067	17,500	66,958	140,097	157,650	193,528	197,064	172,104
FTE adjustment	(1,028)	(1,133)	(1,753)	(1,605)	(1,533)	(1,275)	(1,355)	(1,106)
Provision for income taxes	(35,240)	(4,509)	(14,948)	(29,251)	(35,607)	(43,818)	(45,161)	(40,713)
Noncontrolling interest	7	8	9	12	3	(19)	(13)	5
Net income available to common stockholders	$ 100,806	$ 11,866	$ 50,266	$ 109,253	$ 120,513	$ 148,416	$ 150,535	$ 130,290
Earnings per common share – diluted	$ 0.78	$ 0.09	$ 0.39	$ 0.84	$ 0.93	$ 1.14	$ 1.16	$ 1.00
Non-interest Income:								
Service charges on deposit accounts	$ 10,933	$ 10,009	$ 8,281	$ 9,427	$ 9,983	$ 9,665	$ 10,311	$ 11,177
Trust income	2,010	1,939	1,759	1,936	1,909	2,206	1,911	2,247
BOLI income:								
Increase in cash surrender value	5,167	5,067	5,057	5,081	5,034	4,881	4,919	4,940
Death benefits	2,989	608	—	—	—	1,409	—	—
Loan service, maintenance and other fees	4,282	3,716	3,394	3,351	3,797	3,551	3,953	3,307
Gains on sales of other assets	1,358	161	621	891	5,189	5,828	2,341	463
Net gains on investment securities	—	2,223	—	2,244	—	—	—	—
Other	3,667	3,957	2,479	3,746	2,749	4,577	4,307	3,850
Total non-interest income	$ 30,406	$ 27,680	$ 21,591	$ 26,676	$ 28,661	$ 32,117	$ 27,742	$ 25,984
Non-interest Expense:								
Salaries and employee benefits	$ 52,050	$ 51,473	$ 48,410	$ 53,119	$ 53,832	$ 53,645	$ 52,119	$ 53,769
Net occupancy and equipment	14,855	15,330	15,756	16,676	15,617	16,468	16,168	17,161
Other operating expenses	37,501	36,622	36,787	35,846	33,945	35,946	35,424	39,467
Total non-interest expense	$ 104,406	$ 103,425	$ 100,953	$ 105,641	$ 103,394	$ 106,059	$ 103,711	$ 110,397
Balance Sheet Data:								
Total assets	$23,555,728	$24,565,810	$26,380,409	$26,888,308	$27,162,596	$27,276,892	$26,605,938	$26,143,367
Non-purchased loans	16,224,539	17,030,378	18,247,431	18,419,958	18,401,495	17,979,435	17,611,848	17,707,452
Purchased loans	1,307,504	1,197,826	1,063,647	938,485	807,673	735,630	659,822	597,851
Investment securities – AFS	2,277,389	2,816,556	3,299,944	3,468,243	3,405,351	4,162,479	4,693,396	3,846,496
Deposits	18,474,259	18,809,190	20,723,598	21,287,405	21,450,356	21,296,442	20,706,777	20,102,440
Unfunded balance of closed loans	11,325,598	11,334,737	11,411,441	11,604,614	11,847,117	11,780,099	11,709,818	12,385,369
Common stockholders' equity	4,150,351	4,083,150	4,110,666	4,186,285	4,272,271	4,383,205	4,501,676	4,553,240
Allowance for Credit Losses:								
Balance at beginning of period	$ 109,001	$ 108,525	$ 316,409	$ 374,494	$ 377,273	$ 377,305	$ 342,307	$ 307,564
Adoption of CECL(1) methodology	—	94,512	—	—	—	—	—	—
Net charge-offs	(5,414)	(4,291)	(13,941)	(4,421)	(6,718)	(3,439)	(3,811)	(1,312)
Provision for credit losses	4,938	117,663	72,026	7,200	6,750	(31,559)	(30,932)	(7,454)
Balance at end of period	$ 108,525	$ 316,409	$ 374,494	$ 377,273	$ 377,305	$ 342,307	$ 307,564	$ 298,798
Allowance for loan losses	$ 108,525	$ 238,737	$ 306,196	$ 308,847	$ 295,824	$ 268,077	$ 248,753	$ 237,722
Reserve for losses on unfunded loan commitments	—	77,672	68,298	68,426	81,481	74,230	58,811	61,076
Total allowance for credit losses	$ 108,525	$ 316,409	$ 374,494	$ 377,273	$ 377,305	$ 342,307	$ 307,564	$ 298,798
Selected Ratios:								
Net interest margin – FTE(2)	4.15%	3.96%	3.74%	3.69%	3.88%	3.86%	3.95%	4.16%
Efficiency ratio	42.37	43.35	42.07	41.77	38.61	39.57	38.43	40.14
Net charge-offs to average non-purchased loans(2) (3)	0.10	0.08	0.05	0.09	0.14	0.08	0.09	0.04
Net charge-offs to average total loans(2)	0.12	0.10	0.29	0.09	0.14	0.07	0.08	0.03
Nonperforming loans to total loans(4)	0.15	0.16	0.18	0.15	0.25	0.25	0.22	0.20
Nonperforming assets to total assets(4)	0.18	0.19	0.19	0.17	0.21	0.19	0.18	0.17
Allowance for loan losses to total loans(5)	0.62	1.31	1.59	1.60	1.54	1.43	1.36	1.30
Loans past due 30 days or more, including past due non-accrual loans, to total loans(4)	0.19	0.18	0.13	0.13	0.16	0.13	0.10	0.13

(1) Current Expected Credit Loss.
(2) Ratios for interim periods annualized based on actual days.
(3) Excludes purchased loans and net charge-offs related to such loans.
(4) Excludes purchased loans, except for their inclusion in total assets.
(5) Excludes reserve for losses on unfunded loan commitments.

GENERAL

The following discussion explains our financial condition and results of operations as of and for the three months and nine months ended September 30, 2021. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from the consolidated financial statements and related notes. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes presented in Part 1, Item 1 – Financial Statements in this quarterly report on Form 10-Q and in our annual report on Form 10-K for the year ended December 31, 2020. Annualized results for these interim periods may not be indicative of results for the full year or future periods.

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

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

RECENT DEVELOPMENTS RELATED TO COVID-19

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

As the COVID-19 pandemic is ongoing and dynamic in nature, there remain many uncertainties including, among other things, its ultimate geographic spread, its severity, the duration of the outbreak and the potential for additional outbreaks or new variants of the disease, the rate and effectiveness of vaccination programs in the U.S. and globally, the impact to our customers, employees and vendors, the impact on the financial services and banking industry and the economy as a whole as well as the effect of actions taken, or that may yet be taken, by federal, state and local governmental authorities and public health officials to contain the current outbreak or any future outbreaks or mitigate the impact of such outbreaks (both economic and health-related). For a discussion of the risks we face with respect to COVID-19, the steps taken to mitigate the pandemic and the economic disruption resulting therefrom, see “Item 1A – Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2020.

Our Workforce. Throughout the pandemic, we have remained open for business and focused on supporting our employees, customers and communities. During the second quarter of 2021, substantially all of our business units returned to the office. However, additional outbreaks, variants of the disease or “break-through” cases (cases where a vaccinated individual tests positive for the disease), among other factors, could alter our workforce plans in future periods.

COVID-19 could still affect our essential operations due to staff absenteeism, particularly among key personnel; limited access to or closures of our branch facilities and other physical offices; operational, technical or security-related risks arising from our remaining remote workforce; and government or regulatory agency orders, among other things. The business and operations of our third party vendors, many of whom perform critical services for our business, could also be significantly impacted, which in turn could impact us. As a result, we are unable to fully assess or predict the extent of the effects of COVID-19 on our operations, as the ultimate impact will depend largely on factors that are currently unknown and/or out of our control.

Lending Operations and Accommodations to Borrowers. The CARES Act created a new guaranteed, unsecured loan program under the Small Business Administration (“SBA”), commonly referred to as PPP1, to fund operational costs of eligible businesses, organizations and self-employed persons during the pandemic period. One of the notable features of PPP1 is that borrowers are eligible for loan forgiveness if they maintain their staff and payroll and if loan amounts are used to cover payroll, mortgage interest, rents and utilities payments. We originated approximately $0.46 billion of loans under PPP1 and, as of September 30, 2021, the outstanding balance of PPP1 loans was approximately $0.05 billion. While the timing for forgiveness and repayment is not clear, currently, based on existing program requirements, we would expect most of our remaining PPP1 loans to be forgiven and repaid by the SBA during the remainder of 2021 and in 2022.

In addition to the above, a second round of PPP funding was appropriated by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (“Economic Aid Act”), commonly referred to as PPP2. In January 2021, the SBA began accepting PPP2 loan requests. We participated and originated approximately $0.14 billion in this second round of PPP2 funding for borrowers that had a qualifying relationship with us. As of September 30, 2021, the outstanding balance of PPP2 loans was approximately $0.10 billion.

While the timing for forgiveness or repayment of our remaining PPP2 loans may vary, our current expectation is the vast majority of such loans will be forgiven and repaid by the SBA during the remainder of 2021 and in 2022.

Regulatory. The federal government has taken extraordinary and unprecedented steps, such as the CARES Act and Economic Aid Act, to support the U.S. economy and partially mitigate the effects of the pandemic. The government has provided, among other things, regulatory relief to financial institutions, liquidity to capital markets and direct support to businesses and consumers with the FRB taking decisive and sweeping actions as well. Most recently, on March 11, 2021, the $1.9 trillion American Rescue Plan Act of 2021 was signed into law, which provides for additional support for individuals, extended unemployment benefits, expanded tax credits, funding for state and local governments and support for businesses and targeted support for certain industries particularly impacted by the COVID-19 pandemic. Additional actions may be considered at the federal, state and local levels. We are currently unable to determine the overall effectiveness of actions that have been taken or will be taken and their ultimate impact on our financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements. Our determination of (i) the provision to and the adequacy of our allowance for credit losses ("ACL"), (ii) the fair value of our investment securities portfolio, and (iii) accounting for our income taxes all involve a higher degree of judgment and complexity than our other significant accounting policies. Accordingly, we consider each of these to be critical accounting policies. A detailed discussion of our critical accounting policies is included in our annual report on Form 10-K for the year ended December 31, 2020. There has been no change in our critical accounting policies and no material change in the application of critical accounting policies as presented in our annual report on Form 10-K for the year ended December 31, 2020.

ANALYSIS OF RESULTS OF OPERATIONS

General

Net income available to our common stockholders was $130.3 million for the third quarter of 2021, compared to $109.3 million for the third quarter of 2020. Net income available to our common stockholders was $429.2 million for the first nine months of 2021, compared to $171.4 million for the first nine months of 2020. Diluted earnings per common share were $1.00 for the third quarter of 2021, compared to $0.84 for the third quarter of 2020. Diluted earnings per common share were $3.30 for the first nine months of 2021, compared to $1.32 for the first nine months of 2020.

The COVID-19 pandemic has significantly affected the U.S. and global economies. During the three months and nine months ended September 30, 2021, we recorded negative provision of $7.5 million and $69.9 million, respectively, primarily due to improved conditions and prospects for improvement in the U.S. economy. During the three and nine months ended September 30, 2020, we recorded provision of $7.2 million and $196.9 million, respectively, reflecting significant economic uncertainty at that time. At September 30, 2021, our ALL was $237.7 million, our reserve for losses on unfunded loan commitments was $61.1 million and our total ACL was $298.8 million. Our ACL and provision for credit losses are tied, in part, to our reasonable and supportable forecast which is related to future economic estimates and perceived economic outlook. Thus, if our reasonable and supportable forecast in future periods suggests economic conditions are expected to deteriorate, we may experience increases in our ACL and provision. Conversely, if our reasonable and supportable forecast suggests economic conditions are expected to improve, we may experience further decreases in our ACL and provision. However, the current economic uncertainty makes predicting future economic conditions and future expectations regarding our ACL and related provision for credit losses difficult.

Our annualized return on average assets was 1.98% for the third quarter and 2.15% for the first nine months of 2021 compared to 1.63% for the third quarter and 0.90% for the first nine months of 2020. Our annualized return on average common stockholders' equity was 11.41% for the third quarter and 12.98% for the first nine months of 2021 compared to 10.48% for the third quarter and 5.55% for the first nine months of 2020. Our annualized return on average tangible common stockholders' equity was 13.39% for the third quarter and 15.31% for the first nine months of 2021 compared to 12.52% for the third quarter and 6.65% for the first nine months of 2020. The calculations of our average tangible common stockholders' equity and our annualized return on average tangible common stockholders' equity and the reconciliations to GAAP are included under the heading "Capital Management" in this MD&A.

Total assets were $26.14 billion at September 30, 2021 compared to $27.16 billion at December 31, 2020. Total loans were $18.31 billion at September 30, 2021 compared to $19.21 billion at December 31, 2020. Non-purchased loans were $17.71 billion at September 30, 2021 compared to $18.40 billion at December 31, 2020. Purchased loans were $0.60 billion at September 30, 2021 compared to $0.81 billion at December 31, 2020. Deposits were $20.10 billion at September 30, 2021 compared to $21.45 billion at December 31, 2020.

Common stockholders' equity was $4.55 billion at September 30, 2021 compared to $4.27 billion at December 31, 2020. Tangible common stockholders' equity was $3.88 billion at September 30, 2021 compared to $3.60 billion at December 31, 2020. Book value per common share was $35.35 at September 30, 2021 compared to $33.03 at December 31, 2020. Tangible book value per common share was $30.14 at September 30, 2021 compared to $27.81 at December 31, 2020. The calculations of our tangible common stockholders' equity and tangible book value per common share and the reconciliations to GAAP are included under the heading "Capital Management" in this MD&A.

Net Interest Income

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

Net interest income and net interest margin are analyzed in this discussion on a fully taxable equivalent ("FTE") basis. The adjustment to convert net interest income to an FTE basis consists of dividing tax-exempt interest income by one minus the statutory federal income tax rate of 21%. The FTE adjustments to net interest income were $1.1 million and $1.6 million for the three months ended September 30, 2021 and 2020, respectively, and $3.7 million and $4.5 million for the nine months ended September 30, 2021 and 2020, respectively. No adjustments have been made in this analysis for income exempt from state income taxes or for interest expense deductions disallowed under the provisions of the Internal Revenue Code ("IRC") as a result of investments in certain tax-exempt securities.

Net interest income for the third quarter of 2021 increased 10.1% to $249.1 million compared to $226.3 million for the third quarter of 2020. Net interest income for the first nine months of 2021 increased 10.9% to $727.1 million compared to $655.5 million for the first nine months of 2020. The increase in net interest income for the third quarter and first nine months of 2021 compared to the same periods in 2020 was primarily due to an increase in our net interest margin which increased 47 basis points ("bps") for the third quarter and increased 20 bps for the first nine months of 2021 compared to the same periods in 2020.

Our net interest margin was 4.16% for the third quarter and 3.99% for the first nine months of 2021 compared to 3.69% for the third quarter and 3.79% for the first nine months of 2020. The 47 bps increase in net interest margin for the third quarter of 2021 compared to the same period in 2020 was due primarily to a 59 bps decrease in the rate on our interest bearing liabilities. The 20 bps increase in net interest margin for the first nine months of 2021 compared to the same period of 2020 was due primarily to a 67 bps decrease in the rate on our interest bearing liabilities, partially offset by a 33 bps decrease in the yield on our total earning assets.

The yield on total earning assets was 4.41% for the third quarter and 4.36% for the first nine months of 2021 compared to 4.40% for the third quarter and 4.69% for the first nine months of 2020. The yield on our aggregate investment securities portfolio decreased 64 bps to 1.25% for the third quarter of 2021 compared to 1.89% for the third quarter of 2020. The yield on our aggregate investment securities portfolio decreased 96 bps to 1.32% for the first nine months of 2021 compared to 2.28% for the first nine months of 2020. While the average balance of our investment securities portfolio has decreased since June 30, 2021, during much of 2020 and the first half of 2021, we increased our on-balance sheet liquidity primarily through the purchase of high-quality, short-term securities. The yield on such purchases, given their high quality and short duration, was significantly lower than the yield on our existing securities portfolio, resulting in the lower yields for the third quarter and first nine months of 2021 compared to the same periods in 2020. During the third quarter of 2021, we had significant paydowns, calls and maturities in our investment securities portfolio.

The yield on our non-purchased loans increased 24 bps to 5.39% for the third quarter of 2021 compared to 5.15% for the comparable period in 2020, and increased seven bps to 5.40% for the first nine months of 2021 compared to 5.33% for the first nine months of 2020. The increase in non-purchased loan yield for the third quarter and first nine months of 2021 compared to the comparable period in 2020 was due to higher minimum interest and other interest income as a result of non-purchased loan repayments and short-term extensions. The volume and timing of loan repayments and short-term extensions may vary significantly from period to period causing such income items to also vary significantly from period to period. At September 30, 2021, approximately 79% of the funded balance of our non-purchased loans are variable rate and generally reprice with movements in LIBOR and/or the Wall Street Journal Prime Rate ("WSJ Prime").

The yield on our purchased loan portfolio increased 70 bps to 7.18% for the third quarter of 2021 compared to 6.48% for the third quarter of 2020. The yield on our purchased loan portfolio increased 23 bps to 6.69% for the first nine months of 2021 compared to 6.46% for the first nine months of 2020. The yield on our purchased loan portfolio is significantly affected by both the volume and timing of early payoffs and paydowns which typically result in any remaining purchase accounting valuation amounts treated as yield adjustments. Because the volume and timing of purchased loan payoffs and paydowns may vary significantly from period to period, the yield on such loans may also vary significantly from period to period. At September 30, 2021, approximately 34% of our purchased loans have variable interest rates and generally reprice with movements in LIBOR, WSJ Prime and various other rates.

At September 30, 2021, approximately 97% of our total variable rate loans were at their floor rates. To the extent that the Federal Reserve increases the federal funds target rate in future periods and LIBOR and/or WSJ Prime also increase, we would expect some delay before the yield on our variable rate loans would increase until such time as individual loans within those portfolios are able to reprice above their respective floor rates.

The overall decrease in rates on average interest bearing liabilities, which decreased 59 bps to 0.35% for the third quarter and 67 bps to 0.51% for the first nine months of 2021 compared to the same periods in 2020, was primarily due to a decrease in rates on interest bearing deposits, the largest component of our interest bearing liabilities, which decreased 57 bps during the third quarter and 70 bps for the first nine months of 2021 compared to the same periods in 2020. The decrease in rates on our interest bearing deposits was primarily due to decreases in the federal funds target rate and a shift in the composition of our deposit base to include a larger percentage of lower cost consumer and commercial deposits.

At September 30, 2021, we had approximately $5.34 billion of time deposits with a weighted-average interest rate of approximately 0.48% maturing through September 30, 2022, including approximately $1.60 billion with a weighted-average interest rate of approximately 0.57% maturing by December 31, 2021. To the extent that we can renew and/or replace those time deposits at rates currently offered on such deposits, we would expect to experience some further decrease in our rate on interest bearing deposits in future periods.

Our other borrowing sources include (i) repurchase agreements with customers (“repos”), (ii) other borrowings, comprised primarily of FHLB advances and, to a lesser extent, federal funds purchased, (iii) subordinated notes and (iv) subordinated debentures. The rates on our other borrowings decreased four bps to 0.54% for the third quarter and increased 12 bps to 0.53% for the first nine months of 2021 compared to the same periods in 2020. The rates on our other borrowings have been significantly affected by decreases in capitalized interest primarily associated with the construction of our new corporate headquarters facility that was completed during the second quarter of 2020. On July 1, 2021, we redeemed our $225 million of 5.50% fixed-to-floating rate subordinated notes and, subsequently, on September 16, 2021, we issued $350 million in aggregate principle amount of 2.75% fixed-to-floating subordinated notes. As a result of these transactions, the rate on our subordinated notes decreased 269 bps and 31 bps for the three and nine months ended September 30, 2021 compared to the same periods in 2020. The rate on these subordinated notes includes amortization of debt issuance costs. (See the “Capital Management” section of this MD&A for a discussion of the redemption of these subordinated notes that occurred on July 1, 2021 and the issuance of additional subordinated notes that occurred on September 16, 2021.) The rates paid on our subordinated debentures, which are tied to spreads over the 90-day LIBOR and reset periodically, decreased primarily due to decreases in LIBOR on the applicable reset dates.

The decrease in average earning assets for the third quarter of 2021 compared to the same period in 2020 was primarily due to a decrease in the average balance of interest earning deposits and federal funds sold and non-purchased and purchased loans, partially offset by an increase in the average balance of investment securities. The increase in average earning assets for the first nine months of 2021 compared to the same period in 2020 was primarily due to an increase in the average balance of interest earning deposits and federal funds sold and investment securities, partially offset by a decrease in the average balance of purchased loans.

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

Average Consolidated Balance Sheets and Net Interest Analysis – FTE

	Three Months Ended September 30,						Nine Months Ended September 30,					
	2021			2020			2021			2020		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(Dollars in thousands)											
ASSETS												
Interest earning assets:												
Interest earning deposits and federal funds sold	$ 1,287,890	$ 523	0.16%	$ 1,705,652	$ 532	0.12%	$ 1,792,191	$ 1,556	0.12%	$ 1,459,814	$ 5,237	0.48%
Investment securities:												
Taxable	3,509,465	9,236	1.04	2,216,041	9,666	1.74	3,150,732	26,786	1.14	1,979,368	31,480	2.12
Tax-exempt – FTE	740,809	4,172	2.23	1,193,407	6,573	2.19	955,822	13,747	1.92	944,552	18,527	2.62
Non-purchased loans – FTE	17,559,654	238,488	5.39	18,311,166	236,846	5.15	17,761,807	717,488	5.40	17,602,817	701,892	5.33
Purchased loans	627,436	11,350	7.18	999,438	16,269	6.48	699,678	34,985	6.69	1,132,334	54,743	6.46
Total earning assets – FTE	23,725,254	263,769	4.41	24,425,704	269,886	4.40	24,360,230	794,562	4.36	23,118,885	811,879	4.69
Non-interest earning assets	2,348,740			2,235,853			2,324,716			2,302,225		
Total assets	$ 26,073,994			$ 26,661,557			$ 26,684,946			$ 25,421,110		
LIABILITIES AND STOCKHOLDERS' EQUITY												
Interest bearing liabilities:												
Deposits:												
Savings and interest bearing transaction	$ 8,891,042	$ 2,885	0.13%	$ 7,581,707	$ 5,496	0.29%	$ 8,656,762	$ 9,840	0.15%	$ 7,742,865	$ 32,945	0.57%
Time deposits of $100 or more	4,852,566	6,508	0.53	6,101,542	20,858	1.36	5,509,055	30,737	0.75	5,259,616	66,813	1.70
Other time deposits	2,067,947	2,933	0.56	3,664,931	11,919	1.29	2,455,649	14,331	0.78	3,584,047	41,448	1.54
Total interest bearing deposits	15,811,555	12,326	0.31	17,348,180	38,273	0.88	16,621,466	54,908	0.44	16,586,528	141,206	1.14
Repurchase agreements with customers	7,565	4	0.21	7,093	4	0.24	6,849	14	0.27	7,686	17	0.29
Other borrowings (1)	750,221	1,013	0.54	793,350	1,156	0.58	750,292	2,996	0.53	711,408	2,168	0.41
Subordinated notes	56,468	429	3.01	223,899	3,207	5.70	167,636	6,755	5.39	223,801	9,551	5.70
Subordinated debentures (1)	120,822	934	3.07	120,253	984	3.26	120,681	2,814	3.12	120,119	3,420	3.80
Total interest bearing liabilities	16,746,631	14,706	0.35	18,492,775	43,624	0.94	17,666,924	67,487	0.51	17,649,542	156,362	1.18
Non-interest bearing liabilities:												
Non-interest bearing deposits	4,523,521			3,764,063			4,289,589			3,391,162		
Other non-interest bearing liabilities	269,733			253,211			304,086			251,723		
Total liabilities	21,539,885			22,510,049			22,260,599			21,292,427		
Common stockholders' equity	4,530,995			4,148,409			4,421,240			4,125,578		
Noncontrolling interest	3,114			3,099			3,107			3,105		
Total liabilities and stockholders' equity	$ 26,073,994			$ 26,661,557			$ 26,684,946			$ 25,421,110		
Net interest income – FTE		$ 249,063			$ 226,262			$ 727,075			$ 655,517	
Net interest margin – FTE			4.16%			3.69%			3.99%			3.79%
Core spread (2)			5.08%			4.27%			4.96%			4.19%

(1) The interest expense and the rates for "other borrowings" and for "subordinated debentures" were affected by capitalized interest. Capitalized interest included in other borrowings totaled $0.02 million for the third quarter and $0.07 million for the first nine months of 2021 compared to $0.03 million for the third quarter and $0.65 million for the first nine months of 2020. In the absence of this interest capitalization, the rates on other borrowings would have been 0.54% for the third quarter and 0.55% for the first nine months of 2021 compared to 0.59% for the third quarter and 0.53% for the first nine months of 2020. Capitalized interest included in subordinated debentures totaled $0.01million for the third quarter and $0.18 million for the first nine months of 2020 (none in the third quarter or first nine months of 2021). In the absence of this interest capitalization, the rates on subordinated debentures would have been 3.27% for the third quarter and 4.00% for the first nine months of 2020.

(2) Core spread is the difference between the yield on the Bank's non-purchased loans-FTE and the rate on its interest bearing deposits.

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

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

Analysis of Changes in Net Interest Income – FTE

	Three Months Ended September 30, 2021 Over Three Months Ended September 30, 2020			Nine Months Ended September 30, 2021 Over Nine Months Ended September 30, 2020		
	Volume	**Yield/ Rate**	**Net Change**	**Volume**	**Yield/ Rate**	**Net Change**
	(Dollars in thousands)					
Increase (decrease) in:						
Interest income – FTE:						
Interest earning deposits and federal funds sold	$ (170)	$ 161	$ (9)	$ 288	$ (3,969)	$ (3,681)
Investment securities:						
Taxable	3,405	(3,835)	(430)	9,959	(14,653)	(4,694)
Tax-exempt – FTE	(2,550)	149	(2,401)	162	(4,942)	(4,780)
Non-purchased loans – FTE	(10,206)	11,848	1,642	6,422	9,174	15,596
Purchased loans	(6,730)	1,811	(4,919)	(21,633)	1,875	(19,758)
Total interest income – FTE	(16,251)	10,134	(6,117)	(4,802)	(12,515)	(17,317)
Interest expense:						
Savings and interest bearing transaction	424	(3,035)	(2,611)	1,039	(24,144)	(23,105)
Time deposits of $100 or more	(1,675)	(12,675)	(14,350)	1,390	(37,466)	(36,076)
Other time deposits	(2,264)	(6,722)	(8,986)	(6,586)	(20,531)	(27,117)
Repurchase agreements with customers	—	—	—	(2)	(1)	(3)
Other borrowings	(59)	(84)	(143)	156	672	828
Subordinated notes	(1,272)	(1,506)	(2,778)	(2,263)	(533)	(2,796)
Subordinated debentures	5	(55)	(50)	13	(619)	(606)
Total interest expense	(4,841)	(24,077)	(28,918)	(6,253)	(82,622)	(88,875)
Increase (decrease) in net interest income – FTE	$ (11,410)	$ 34,211	$ 22,801	$ 1,451	$ 70,107	$ 71,558

Non-Interest Income

Our non-interest income consists primarily of, among others, service charges on deposit accounts, trust income, BOLI income, loan service, maintenance and other fees and net gains on investment securities and on sales of other assets. Non-interest income for the third quarter of 2021 was $26.0 million compared to $26.7 million for the third quarter of 2020. Non-interest income for the first nine months of 2021 was $85.8 million compared to $75.9 million for the first nine months of 2020.

Service charges on deposit accounts, our largest component of non-interest income, increased 18.6% to $11.2 million for the third quarter of 2021 compared to $9.4 million for the third quarter of 2020. Service charges on deposit accounts increased 12.4% to $31.2 million for the first nine months of 2021 compared to $27.7 million for the first nine months of 2020. The COVID-19 pandemic significantly impacted customer activity, which reduced service charges on deposit accounts for the third quarter and first nine months of 2020 compared to the comparable periods in 2021.

Trust income increased 16.1% to $2.2 million for the third quarter of 2021 compared to $1.9 million for the third quarter of 2020. Trust income increased 13.0% to $6.4 million for the first nine months of 2021 compared to $5.6 million for the first nine months of 2020. The increase in trust income for the third quarter and first nine months of 2021 was primarily due to increases in both corporate and personal trust income.

BOLI income from the change in cash surrender value decreased 2.8% to $4.9 million for the third quarter of 2021 compared to $5.1 million for the third quarter of 2020, and decreased 3.1% to $14.7 million for the first nine months of 2021 compared to $15.2 million for the first nine months of 2020. BOLI income from death benefits was $1.4 million in the first nine months of 2021 compared to $0.6 million for the first nine months of 2020. There was no BOLI income from death benefits during the three months ended September 30, 2021 and 2020.

Loan service, maintenance and other fees, which includes fees that are not considered yield adjustments, decreased 1.3% to $3.3 million for the third quarter of 2021 compared to $3.4 million for the third quarter of 2020 and increased 3.3% to $10.8 million during the first nine months of 2021 compared to $10.5 million during the first nine months of 2020. Income from these items may vary significantly from period to period.

Gains on sales of other assets were $0.5 million and $8.6 million, respectively, for the third quarter and first nine months of 2021 compared to $0.9 million and $1.7 million, respectively, for the third quarter and first nine months of 2020. Gains on sales of other assets for the first nine months of 2021 included a gain of $4.4 million from the sale of our South Carolina branches and $2.1 million on the sales of loans, compared to essentially no such gains during the first nine months of 2020.

We had no net gains on investment securities during the third quarter or first nine months of 2021 compared to $2.2 million of gains during the third quarter and $4.5 million of gains during the first nine months of 2020.

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

Non-Interest Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Service charges on deposit accounts	$ 11,177	$ 9,427	$ 31,154	$ 27,717
Trust income	2,247	1,936	6,365	5,635
BOLI income:				
Increase in cash surrender value	4,940	5,081	14,739	15,205
Death benefits	—	—	1,409	608
Loan service, maintenance and other fees	3,307	3,351	10,811	10,461
Gains on sales of other assets	463	891	8,632	1,674
Net gains on investment securities	—	2,244	—	4,467
Other	3,850	3,746	12,733	10,180
Total non-interest income	$ 25,984	$ 26,676	$ 85,843	$ 75,947

Non-Interest Expense

Our non-interest expense consists of salaries and employee benefits, net occupancy and equipment and other operating expenses. Non-interest expense was $110.4 million for the third quarter of 2021 compared to $105.6 million for the third quarter of 2020, and was $320.2 million for the first nine months of 2021 compared to $310.0 million for the first nine months of 2020.

Salaries and employee benefits, our largest component of non-interest expense, increased 1.2% to $53.8 million in the third quarter of 2021 compared to $53.1 million in the third quarter of 2020. Salaries and employee benefits increased 4.3% to $159.5 million in the first nine months of 2021 compared to $153.0 million in the first nine months of 2020. During the first nine months of 2021, we have experienced increased competition for talent associated with a broad-based national shortage for workers. This increased competition for talent has resulted in increased wage inflation which is expected to increase our salaries and employee benefits expense in future periods.

Net occupancy and equipment expenses increased 2.9% to $17.2 million for the third quarter of 2021 compared to $16.7 million for the third quarter of 2020. Net occupancy and equipment expenses increased 4.3% to $49.8 million for the first nine months of 2021 compared to $47.8 million for the first nine months of 2020. During the second quarter of 2020, we opened our new corporate headquarters facility, which has contributed to the increase, in recent quarters, in net occupancy and equipment expense.

Our aggregate other operating expenses increased 10.1% to $39.5 million for the third quarter of 2021 compared to $35.8 million for the third quarter of 2020. Our aggregate other operating expenses increased 1.5% to $110.8 million for the first nine months of 2021 compared to $109.3 million for the first nine months of 2020. During the third quarter and first nine months of 2021, we incurred approximately $2.0 million in branch closure expense and a write-off of approximately $0.8 million in unamortized debt issuance costs associated with the redemption of our $225 million of 5.50% fixed-to-floating rate subordinated notes. Both the branch closure expense and the write-off of unamortized debt issuance expense are included in other expense in the table below. No such expenses were incurred during the third quarter and first nine months of 2020. During the first nine months of 2021, we significantly increased the balance of our CRA and tax credit investments which resulted in increased amortization of these investments for the three and nine months ended 2021 compared to the same periods in 2020.

Our efficiency ratio (non-interest expense divided by the sum of net interest income – FTE and non-interest income) was 40.1% for the third quarter and 39.4% for the first nine months of 2021 compared to 41.8% for the third quarter and 42.4% for the first nine months of 2020.

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

Non-Interest Expense

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(Dollars in thousands)			
Salaries and employee benefits	$ 53,769	$ 53,119	$ 159,533	$ 153,003
Net occupancy and equipment	17,161	16,676	49,797	47,761
Other operating expenses:				
Professional and outside services	7,084	8,263	21,134	22,618
Software and data processing	5,897	5,431	17,695	15,550
Deposit insurance and assessments	2,655	3,595	9,060	11,600
Telecommunication services	1,966	2,352	6,363	6,863
Postage and supplies	1,530	1,808	4,718	5,753
ATM expense	1,846	1,604	4,615	3,766
Travel and meals	1,617	689	3,811	3,501
Writedowns of foreclosed and other assets	990	488	2,476	2,087
Loan collection and repossession expense	407	1,030	1,456	2,581
Advertising and public relations	719	1,557	1,621	4,964
Amortization of intangibles	1,545	1,914	4,878	7,291
Amortization of CRA and tax credit investments	4,972	1,611	12,324	7,458
Other	8,239	5,504	20,689	15,223
Total non-interest expense	$ 110,397	$ 105,641	$ 320,170	$ 310,019

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

As a result of the volatility of our provision for credit losses under CECL, we use PPNR, which is a non-GAAP financial measure, to measure our core earnings and trends thereof. PPNR is a measure of earnings before provision for credit losses and income tax expense. PPNR was $163.5 million for the third quarter and $489.0 million for the first nine months of 2021 compared to $145.7 million for the third quarter and $417.0 million for the first nine months of 2020. These increases were primarily the result of increased net interest income, which is analyzed in the MD&A under the caption "Net Interest Income." This non-GAAP financial measure should not be viewed as a substitute for financial measures determined in accordance with GAAP, nor is it necessarily comparable to non-GAAP financial measures that may be presented by other companies. The reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure is included in the following table for the periods indicated.

Calculation of Pre-Tax Pre-Provision Net Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Income before taxes	$ 170,998	$ 138,492	$ 558,958	$ 220,063
Provision for credit losses	(7,454)	7,200	(69,946)	196,889
PPNR	$ 163,544	$ 145,692	$ 489,012	$ 416,952

Income Taxes

The provision for income taxes was $40.7 million for the third quarter and $129.7 million for the first nine months of 2021 compared to $29.3 million for the third quarter and $48.7 million for the first nine months of 2020. The effective income tax rate was 23.8% for the third quarter and 23.2% for the first nine months of 2021 compared to 21.1% for the third quarter and 22.1% for the first nine months of 2020. The increase in the effective tax rate for the third quarter and first nine months of 2021 compared to the same periods in 2020 was primarily due to changes in non-taxable income, non-deductible expenses, state tax rates and federal tax credits. Accounting for our income taxes is deemed a critical accounting policy and is discussed in the Critical Accounting Policies section of our annual report on Form 10-K for the year ended December 31, 2020.

ANALYSIS OF FINANCIAL CONDITION

RISK ELEMENTS

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

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

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

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

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

Credit Risk Management

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

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

We have detailed, comprehensive standards for evaluating credit risk, both at the point of origination and thereafter. We utilize a dual risk rating scale that incorporates score cards, which include quantitative models and qualitative factors, in determining the risk rating for our commercial loans. This dual risk rating methodology incorporates an obligor risk rating ("ORR") and a facility risk rating ("FRR") which are combined to create a two-dimensional risk rating for commercial loans. The ORR is influenced by a loan's probability of default as determined from the score cards. The FRR is influenced by a loan's loss given default as determined from the score cards. The combined dual risk rating provides an annualized expected loss estimate for each commercial loan and, based on such loss estimate, a risk rating is assigned. Our consumer loans and, beginning in the third quarter of 2021, certain small business loans are not risk rated in the same manner as our other commercial loans. Instead, such consumer and small business loans are risk rated based on past due status with all such loans that are less than 30 days past due typically assigned a "pass rating" and all loans that are 30 days or more past due assigned a more adverse rating commensurate with each loan's perceived risk. While our consumer loans and certain small business loans are not risk rated using a dual risk rating scale that incorporates both an ORR and an FRR, we do utilize output from the score cards on such consumer and small business loans for purposes of determining the necessary ACL for consumer and small business loans.

Oversight of credit risk is provided through loan policy and various other credit-related policies, clearly defined processes and detailed procedures. These policies, processes and procedures place emphasis on strong underwriting standards and detection of potential credit problems in order to develop and implement any necessary action plan(s) on a timely basis to mitigate potential losses and are carried out by our lenders and lending support personnel, our credit administration group, our underwriters and various other officers and personnel in the Bank that have credit management responsibilities. Additionally, our policies, processes and procedures are subject to review by our Credit Risk Management ("CRM") group (second line oversight), our BRC and periodic audits by our Internal Audit group (third line oversight).

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

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

Loan Portfolio. At September 30, 2021, our total loan portfolio was $18.31 billion, a decrease of 4.7% from $19.21 billion at December 31, 2020. Real estate loans, our largest category of loans, include all loans made to finance the development of real property construction projects, provided such loans are secured by real estate and all other loans secured by real estate as evidenced by mortgages or other liens. Total real estate loans were $14.17 billion, or 77.4% of total loans, at September 30, 2021 compared to $14.23 billion, or 74.1% of total loans, at December 31, 2020.

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

Total Loan Portfolio

	September 30, 2021		December 31, 2020	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	$ 887,769	4.8%	$ 911,115	4.7%
Non-farm/non-residential	4,080,616	22.3	4,267,147	22.2
Construction/land development	7,718,567	42.2	7,993,467	41.6
Agricultural	237,073	1.3	204,868	1.1
Multifamily residential	1,242,202	6.8	856,297	4.5
Total real estate	14,166,227	77.4	14,232,894	74.1
Commercial and industrial[(1)]	528,866	2.9	842,206	4.4
Consumer	2,168,307	11.8	2,393,964	12.5
Other	1,441,903	7.9	1,740,104	9.0
Total loans	18,305,303	100.0%	19,209,168	100.0%
Allowance for loan losses	(237,722)		(295,824)	
Net loans	$ 18,067,581		$ 18,913,344	

(1) Included approximately $0.15 billion and $0.43 billion of loans at September 30, 2021 and December 31, 2020, respectively, provided through the SBA's PPP1 and PPP2.

Included in "other" loans at September 30, 2021 and December 31, 2020 are loans totaling approximately $1.14 billion and approximately $1.44 billion, respectively, that were originated to acquire promissory notes from non-depository financial institutions and are typically collateralized by an assignment of the promissory note and all related note documents including mortgages, deeds of trust, etc. While such loans are considered "other" loans in accordance with FDIC instructions for the Federal Financial Institutions Examination Council 041 Consolidated Reports of Condition and Income ("Call Report"), we underwrite these lending transactions based on the fundamentals of the underlying collateral, repayment sources and guarantors, among others, consistent with other similar lending transactions.

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

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

Top Ten Geographies and MSAs for Real Estate Loans

Geography or MSA	Funded Balance	Unfunded Balance	Total Commitment
		(Dollars in thousands)	
September 30, 2021:			
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 2,418,645	$ 763,713	$ 3,182,358
Miami–Fort Lauderdale–Pompano Beach, FL MSA	1,072,743	1,274,748	2,347,491
Los Angeles–Long Beach–Anaheim, CA MSA	1,343,005	598,794	1,941,799
Atlanta–Sandy Springs–Alpharetta, GA MSA	561,379	821,731	1,383,110
Chicago–Naperville–Elgin, IL–IN–WI MSA	749,278	503,070	1,252,348
Dallas–Fort Worth–Arlington, TX MSA	671,674	553,211	1,224,885
Tampa–St. Petersburg–Clearwater, FL MSA	700,501	453,935	1,154,436
San Francisco–Oakland–Berkeley, CA MSA	460,690	509,599	970,289
Boston–Cambridge–Newton, MA–NH MSA	226,227	712,321	938,548
Phoenix–Mesa–Chandler, AZ MSA	288,584	493,282	781,866
All other	5,673,501	4,398,272	10,071,773
Total real estate loans	$ 14,166,227	$ 11,082,676	$ 25,248,903
December 31, 2020:			
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 3,481,559	$ 1,473,179	$ 4,954,738
Los Angeles–Long Beach–Anaheim, CA MSA	1,602,817	842,120	2,444,937
Miami–Fort Lauderdale–Pompano Beach, FL MSA	1,166,756	951,134	2,117,890
Tampa–St. Petersburg–Clearwater, FL MSA	530,519	655,332	1,185,851
Chicago–Naperville–Elgin, IL–IN–WI MSA	444,043	639,515	1,083,558
Dallas–Fort Worth–Arlington, TX MSA	509,105	432,887	941,992
Atlanta–Sandy Springs–Alpharetta, GA MSA	602,036	324,294	926,330
San Francisco–Oakland–Berkley, CA MSA	353,011	405,568	758,579
Washington–Arlington–Alexandria, DC–VA–MD–WV–MSA	303,670	427,314	730,984
Phoenix–Mesa–Chandler, AZ MSA	314,720	382,280	697,000
All other	4,924,658	3,810,474	8,735,132
Total real estate loans	$ 14,232,894	$ 10,344,097	$ 24,576,991

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

In addition to the top ten geographies and MSAs shown above, as of September 30, 2021, we had 75 additional geographies and MSAs that contain total committed balances (both funded and unfunded) of $10 million or more, compared to 67 additional geographies and MSAs at December 31, 2020.

Given that we have substantial balances of certain categories of CRE lending (i.e., non-farm/non-residential and construction/land development lending), we have provided further detail on these two categories of loans. The funded amount and type of total non-farm/non-residential loans, as of the dates indicated, and their respective percentage of the total non-farm/non-residential loan portfolio are reflected in the following table.

Total Non-Farm/Non-Residential Loans

	September 30, 2021		December 31, 2020	
	(Dollars in thousands)			
Hotels and motels	$ 1,122,529	27.5%	$ 1,025,674	24.0%
Office, including medical offices	823,643	20.2	989,927	23.2
Mixed use properties	696,497	17.1	711,197	16.7
Retail, including shopping centers and strip centers	281,310	6.9	337,244	7.9
Churches and schools	231,996	5.7	266,462	6.2
Manufacturing and industrial facilities	182,147	4.5	221,015	5.2
Restaurants and bars	140,144	3.4	150,181	3.5
Office warehouse, warehouse and mini-storage	137,849	3.4	56,998	1.3
Gasoline stations and convenience stores	69,900	1.7	64,971	1.5
Nursing homes and assisted living centers	68,251	1.7	107,011	2.5
Golf courses, entertainment and recreational facilities	39,932	1.0	29,106	0.7
Hospitals, surgery centers and other medical	15,966	0.4	18,391	0.4
Other non-farm/non-residential	270,452	6.5	288,970	6.9
Total	$ 4,080,616	100.0%	$ 4,267,147	100.0%

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

Total Construction/Land Development Loans

	September 30, 2021		December 31, 2020	
	(Dollars in thousands)			
Unimproved land	$ 306,003	4.0%	$ 295,402	3.7%
Land development and lots:				
1-4 family residential and multifamily	345,428	4.5	431,079	5.4
Non-residential	533,144	6.9	496,225	6.2
Construction:				
1-4 family residential:				
Owner occupied	8,714	0.1	6,045	0.1
Non-owner occupied:				
Pre-sold	1,917,064	24.8	1,797,958	22.5
Speculative	179,287	2.3	111,614	1.4
Multifamily	1,104,411	14.3	1,483,862	18.6
Industrial, commercial and other:				
Mixed use properties	1,508,248	19.5	1,677,037	21.0
Offices, including medical offices	987,339	12.8	718,738	9.0
Hotels and motels	512,893	6.6	650,514	8.1
Manufacturing, industrial and warehouse	216,515	2.8	192,569	2.4
Churches and schools	34,115	0.4	34,752	0.4
Agricultural	16,404	0.2	29,870	0.4
Restaurants and bars	8,368	0.1	8,684	0.1
Retail, including shopping centers and strip centers	8,299	0.1	21,914	0.3
Other	32,335	0.6	37,204	0.4
Total	$ 7,718,567	100.0%	$ 7,993,467	100.0%

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

Generally, as part of our underwriting process, we require the borrower's cash equity to cover a majority, or all, of the soft costs, including an amount equal to construction period interest and an appropriate portion of the hard costs. While we advance interest reserves as part of the funding process, we believe that the borrowers have in most cases provided for these sums as part of their initial equity contribution. During the three and nine months ended September 30, 2021 and 2020, there were no situations where interest reserves were advanced outside of the terms of the contractual loan agreement to avoid such loan from becoming nonperforming. At September 30, 2021 and December 31, 2020, we had no construction and development loans with interest reserves that were nonperforming.

During the third quarter and first nine months of 2021, we recognized approximately $72.9 million and $206.7 million, respectively, of interest income on construction and development loans from the advance of interest reserves, compared to approximately $64.9 million and $193.8 million during the comparable periods in 2020. We advanced construction period interest on construction and development loans totaling approximately $71.2 million and $209.0 million, respectively, in the third quarter and first nine months of 2021 compared to approximately $64.0 million and $191.8 million, respectively, in the third quarter and first nine months of 2020.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at September 30, 2021 was approximately $17.45 billion, of which $7.36 billion was outstanding at September 30, 2021 and $10.09 billion remained to be advanced. The weighted-average loan-to-cost ("LTC") on such loans, assuming such loans are ultimately fully advanced, was approximately 51%, which means that the weighted-average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, was approximately 49%. The weighted-average LTV ratio on such loans, based on the most recent appraisals and assuming such loans are ultimately fully advanced, was approximately 44%.

Purchased Loans. Between 2010 and 2016, we made 15 acquisitions. Purchased loans, which are the remaining loans from those 15 acquisitions, accounted for 3.3% of our total loan portfolio at September 30, 2021 compared to 4.2% at December 31, 2020. This portfolio will continue to decrease in future periods as such loans are repaid.

For purchased loans, we segregate this portfolio into loans that contain evidence of credit deterioration, which we refer to as PCD loans, and loans that do not contain evidence of credit deterioration. Unless individually evaluated, all purchased commercial loans, including both PCD and non-PCD loans, are dual risk rated through our score cards, which were previously discussed under Credit Risk Management – Credit Management Actions above. While our purchased consumer loans and business purpose loans to an individual with total credit exposure less than or equal to $250,000, including both PCD and non-PCD, are not risk rated, we utilize output from the various consumer and commercial score cards for purposes of determining the appropriate ACL for such loans.

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

Purchased Loans

	September 30, 2021	December 31, 2020
	(Dollars in thousands)	
Loans not deemed PCD:		
Unpaid principal balance	$ 563,768	$ 760,865
Valuation discount	(6,866)	(10,455)
Carrying value	556,902	750,410
PCD loans:		
Unpaid principal balance	47,280	65,433
Valuation discount	(6,331)	(8,170)
Carrying value	40,949	57,263
Total carrying value	$ 597,851	$ 807,673

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

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

As of September 30, 2021, substantially all loans that had previously participated in our short-term payment deferrals through our Disaster Relief Loan Program that was implemented in 2020 have either paid off or are no longer on payment deferreds. In accordance with applicable guidance, loans subject to such deferrals are not considered TDRs.

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

Nonperforming Assets

	September 30, 2021	December 31, 2020
	(Dollars in thousands)	
Nonaccrual loans[1]	$ 30,495	$ 40,093
Accruing loans 90 days or more past due	—	—
TDRs – nonaccruing[1]	4,425	4,309
TDRs – accruing[1]	1,253	1,483
Total nonperforming loans, excluding purchased loans	36,173	45,885
Nonperforming purchased loans	14,776	25,335
TDRs – accruing purchased loans	46	—
Total nonperforming loans	50,995	71,220
Foreclosed assets	9,444	11,085
Total nonperforming assets	$ 60,439	$ 82,305
Nonperforming loans to total loans, excluding purchased loans[1]	0.20%	0.25%
Nonperforming loans to total loans	0.28	0.37
Nonperforming assets to total assets, excluding purchased loans[2]	0.17	0.21
Nonperforming assets to total assets	0.23	0.30

(1) Excludes purchased loans.
(2) Excludes purchased loans, except for their inclusion in total assets.

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

At September 30, 2021, we had reduced the carrying value of our nonperforming loans to the estimated fair value of such loans of $38.9 million. The adjustment to reduce the carrying value of such nonperforming loans to the estimated fair value consisted of $12.1 million of allowance for loan loss allocations. Nonperforming non-purchased loans at September 30, 2021 and December 31, 2020, respectively, included $1.3 million and $1.5 million of accruing loans that were determined to be TDRs.

At September 30, 2021 and December 31, 2020 substandard loans, excluding purchased loans, not designated as nonperforming, nonaccrual or 90 days past due, totaled $52.6 million and $49.9 million, respectively. No loans were designated as doubtful or loss at September 30, 2021 or December 31, 2020. Included in substandard loans not deemed as nonperforming, nonaccrual or 90 days or more past due at September 30, 2021 and December 31, 2020 is a single credit at our Real Estate Specialty Group that was downgraded to substandard during the fourth quarter of 2019. This credit, which is collateralized by a lot development and townhouse construction project near Lake Tahoe, California, had an outstanding balance of $42.8 million at September 30, 2021 and $33.0 million at December 31, 2020. This credit was not past due at September 30, 2021 or December 31, 2020.

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

Foreclosed Assets

	September 30, 2021	December 31, 2020
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	$ 23	$ 253
Non-farm/non-residential	5,883	5,244
Construction/land development	2,287	4,683
Agricultural	1,061	497
Total real estate	9,254	10,677
Consumer	190	408
Total foreclosed assets	$ 9,444	$ 11,085

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

Activity Within Foreclosed Assets

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Balance – beginning of period	$ 7,542	$ 18,328	$ 11,085	$ 19,096
Loans and other assets transferred into foreclosed assets	4,446	5,909	13,197	18,101
Sales of foreclosed assets	(1,554)	(7,206)	(12,362)	(18,567)
Writedowns of foreclosed assets	(990)	(488)	(2,476)	(2,087)
Balance – end of period	$ 9,444	$ 16,543	$ 9,444	$ 16,543

The following table presents information concerning the geographic location of nonperforming assets at September 30, 2021. Nonperforming loans are reported in the physical location of the principal collateral. Foreclosed assets are reported in the physical location of the asset. Repossessions are reported at the physical location where the borrower resided or had its principal place of business at the time of repossession.

Geographic Distribution of Nonperforming Assets

	Total Nonperforming Loans	Foreclosed Assets and Repossessions	Total Nonperforming Assets
	(Dollars in thousands)		
Arkansas	$ 11,034	$ 2,855	$ 13,889
Florida	9,043	3,146	12,189
Georgia	11,394	—	11,394
North Carolina	3,150	2,146	5,296
Texas	1,912	107	2,019
Mississippi	326	1,061	1,387
All other	14,136	129	14,265
Total	$ 50,995	$ 9,444	$ 60,439

Allowance for Credit Losses. Our provision for credit losses for the quarter just ended was a negative $7.5 million, including a negative $9.7 million related to our ALL for outstanding loans and a positive $2.2 million related to our reserve for losses on unfunded loan commitments. Our provision for credit losses for the nine months ended September 30, 2021 was a negative $69.9 million, including a negative $49.5 million related to our ALL for outstanding loans and a negative $20.4 million related to our reserve for losses on unfunded loan commitments. Our provision for credit losses for the third quarter of 2020 was $7.2 million, including $7.1 million related to our ALL for outstanding loans and $0.1 million related to our reserve for losses on unfunded commitments. Our provision for credit losses for the first nine months of 2020 was $196.9 million, including $183.4 million related to our ALL for outstanding loans and $13.5 million related to our reserve for losses on unfunded loan commitments. Our negative provision for credit losses recorded during the first nine months of 2021 decreased our ALL for outstanding loans to $237.7 million, or 1.30% of total loans, and decreased our reserve for losses on unfunded loan commitments to $61.1 million, or 0.49% of unfunded loan commitments, bringing our total ACL to $298.8 million. Our provision for credit losses recorded during the first nine months of 2020 increased our ALL for outstanding loans to $308.8 million, or 1.60% of total loans, and increased our reserve for losses on unfunded loan commitments to $68.4 million, or 0.59% of unfunded loan commitments, bringing our total ACL to $377.3 million at September 30, 2020.

The calculations of our provision for credit losses for the third quarter and first nine months of 2021 and our total ACL at September 30, 2021 were based on a number of key estimates, assumptions and economic forecasts. Management utilized several economic forecasts provided by Moody’s, including their baseline forecast and certain of their other economic scenarios. In selecting the weightings for the various economic scenarios for purposes of determining our ACL at September 30, 2021, we assigned the largest weighting to the Moody’s baseline and the Moody’s S3 (Moderate Recession) scenarios, and assigned a small weighting to the Moody’s S4 (Protracted Slump) scenario. Our selection and weightings of these scenarios reflected improved conditions in and prospects for improvement in the U.S. economy in recent quarters, as well as the continued uncertainty about the COVID-19 pandemic, COVID-19 variants, the rate and longer-term effectiveness of vaccination programs in the United States and globally, the timing and magnitude of any additional U.S. fiscal policy actions, global trade and geopolitical matters, the potential impact of supply chain disruptions and various other factors. These forecasts included a number of economic variables, including gross domestic product, unemployment rates, and commercial and residential real estate prices, among others. For purposes of the forecasts used in our CECL methodology, management utilized a reasonable and supportable forecast period of two years, followed by a reversion of estimated losses on a systematic basis back to our historical mean. Management also utilized certain qualitative adjustments to increase our ACL estimates in order to capture items that management believed were not fully reflected in our modeled results. Those qualitative adjustments utilized at September 30, 2021 are intended to adjust for imprecision in economic forecasts, model data limitations and other factors. CECL has and is expected to continue to increase the volatility from quarter to quarter in our provision for credit losses and associated ACL. While we have noted improving conditions in and prospects for improvement in the U.S. economy, the current situation surrounding the COVID-19 pandemic continues to evolve, and the ultimate depth and duration of resulting economic impacts are not yet fully known.

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

Allowance for Credit Losses

	Allowance for Loan Losses ("ALL")	Reserve for Losses on Unfunded Loan Commitments	Total Allowance for Credit Losses
		(Dollars in thousands)	
Three months ended September 30, 2021:			
Balances – June 30, 2021	$ 248,753	$ 58,811	$ 307,564
Net charge-offs	(1,312)	—	(1,312)
Provision for credit losses	(9,719)	2,265	(7,454)
Balances – September 30, 2021	$ 237,722	$ 61,076	$ 298,798
Nine months ended September 30, 2021:			
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Net charge-offs	(8,561)	—	(8,561)
Provision for credit losses	(49,541)	(20,405)	(69,946)
Balances – September 30, 2021	$ 237,722	$ 61,076	$ 298,798
Three months ended September 30, 2020:			
Balances – June 30, 2020	$ 306,196	$ 68,298	$ 374,494
Net charge-offs	(4,421)	—	(4,421)
Provision for credit losses	7,072	128	7,200
Balances – September 30, 2020	$ 308,847	$ 68,426	$ 377,273
Nine months ended September 30, 2020:			
Balances – December 31, 2019	$ 108,525	$ —	$ 108,525
Adoption of CECL methodology	39,588	54,924	94,512
Balances – January 1, 2020	148,113	54,924	203,037
Net charge-offs	(22,653)	—	(22,653)
Provision for credit losses	183,387	13,502	196,889
Balances – September 30, 2020	$ 308,847	$ 68,426	$ 377,273

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

Net Charge-off and ACL/ALL Ratios

	As of and for the Three Months Ended September 30,		As of and for the Nine Months Ended September 30,		As of and for the Year Ended December 31,
	2021	2020	2021	2020	2020
Net charge-offs of non-purchased loans to total average non-purchased loans(1)(2)	0.04%	0.09%	0.07%	0.07%	0.09%
Net charge-offs of total loans to total average loans(1)	0.03	0.09	0.06	0.16	0.16
ALL to total loans(3)	1.30	1.60	1.30	1.60	1.54
Reserve for losses on unfunded loan commitments to total unfunded loan commitments	0.49	0.59	0.49	0.59	0.69
ACL to total loans	1.63	1.95	1.63	1.95	1.97
ACL to total loans and unfunded loan commitments	0.97	1.22	0.97	1.22	1.22
ALL to nonperforming loans(3)	466%	540%	466%	540%	415%

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

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

Allocation of ACL

	ALL	Reserve for Losses on Unfunded Loan Commitments	Total ACL
		(Dollars in thousands)	
September 30, 2021:			
Real estate:			
Residential 1-4 family	$ 18,907	$ 1,113	$ 20,020
Non-farm/non-residential	86,599	1,574	88,173
Construction/land development	60,630	48,357	108,987
Agricultural	3,126	104	3,230
Multi-family residential	10,653	1,045	11,698
Commercial and industrial	8,125	976	9,101
Consumer	35,074	141	35,215
Other	14,608	7,766	22,374
Total	$ 237,722	$ 61,076	$ 298,798
December 31, 2020:			
Real estate:			
Residential 1-4 family	$ 26,655	$ 1,521	$ 28,176
Non-farm/non-residential	93,436	2,312	95,748
Construction/land development	72,237	64,736	136,973
Agricultural	3,064	82	3,146
Multi-family residential	12,352	641	12,993
Commercial and industrial	13,758	1,832	15,590
Consumer	45,657	190	45,847
Other	28,665	10,167	38,832
Total	$ 295,824	$ 81,481	$ 377,305

Liquidity Risk Management

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

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

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

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

Deposits – By Account Type

	September 30, 2021		December 31, 2020	
	(Dollars in thousands)			
Non-interest bearing	$ 4,586,163	22.8%	$ 3,996,546	18.6%
Interest bearing:				
Transaction (NOW)	3,188,840	15.9	3,124,007	14.6
Savings and money market	5,772,476	28.7	5,036,975	23.5
Time deposits less than $100	1,994,503	9.9	3,075,845	14.3
Time deposits of $100 or more	4,560,458	22.7	6,216,983	29.0
Total deposits	$ 20,102,440	100.0%	$ 21,450,356	100.0%

Our deposits decreased 6.3% to $20.10 billion at September 30, 2021 compared to $21.45 billion at December 31, 2020. This decrease is primarily the result of reduced funding needs given the significant loan repayment volume in the first nine months of 2021. Our loan-to-deposit ratio at September 30, 2021 was 91.1% compared to 89.6% at December 31, 2020. In recent years, we have operated with a loan-to-deposit ratio that has ranged from about 88% up to approximately 97%.

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

Deposits – By Customer Type

	September 30, 2021		December 31, 2020	
	(Dollars in thousands)			
Consumer	$ 10,186,211	50.7%	$ 11,165,603	52.1%
Commercial	6,502,287	32.3	6,056,536	28.2
Public Funds	2,028,243	10.1	2,111,971	9.8
Brokered	894,791	4.5	1,600,116	7.5
Reciprocal	490,908	2.4	516,130	2.4
Total deposits	$ 20,102,440	100.0%	$ 21,450,356	100.0%

At September 30, 2021 brokered deposits totaled $0.89 billion, or 4.5% of total deposits, compared to $1.60 billion, or 7.5% of total deposits, at December 31, 2020. We use brokered deposits, subject to certain limitations and requirements, as a source of funding to augment deposits generated from our branch network, which are our principal source of funding. Our Board has established policies and procedures with respect to the use of brokered deposits. Such policies and procedures require, among other things, that (i) we limit the amount of brokered deposits as a percentage of total deposits and (ii) ALCO monitor our use of brokered deposits on a regular basis, including interest rates and the volume of such deposits in relation to our total deposits.

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

Average Deposit Balances and Rates

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(Dollars in thousands)							
Non-interest bearing	$ 4,523,521	—	$ 3,764,063	—	$ 4,289,589	—	$ 3,391,162	—
Interest bearing:								
Transaction (NOW)	3,197,361	0.13%	2,913,647	0.24%	3,206,626	0.14%	2,862,834	0.47%
Savings and money market	5,693,681	0.13	4,668,060	0.32	5,450,136	0.16	4,880,031	0.63
Time deposits less than $100	2,067,947	0.56	3,664,931	1.29	2,455,649	0.78	3,584,047	1.54
Time deposits of $100 or more	4,852,566	0.53	6,101,542	1.36	5,509,055	0.75	5,259,616	1.70
Total deposits	$20,335,076	0.31%	$21,112,243	0.88%	$20,911,055	0.44%	$19,977,690	1.14%

The calculation of the average rate paid on total interest bearing deposits of 0.31% for the three months and 0.44% for the nine months ended September 30, 2021 and 0.88% for the three months and 1.14% for the nine months ended September 30, 2020 includes interest paid and average balances of all categories of interest bearing deposits. The average rate paid for all deposits, including both interest bearing and non-interest bearing deposits, was 0.24% for the three months and 0.35% for the nine months ended September 30, 2021 and 0.72% for the three months and 0.94% for the nine months ended September 30, 2020.

We expect our average rate paid on total interest bearing deposits to decrease throughout the remainder of 2021, although, such improvements will likely be less than in recent quarters. At September 30, 2021, we had approximately $5.34 billion of time deposits maturing in the next 12 months that we expect to replace at lower rates. The following table sets forth time deposits by time remaining to maturity as of the dates indicated.

Maturity Distribution of Time Deposits

	Time Deposits Under $100	Time Deposits $100 - $250	Total Deposits Over $250	Total Time Deposits
	(Dollars in thousands)			
September 30, 2021:				
3 months or less	$ 509,889	$ 664,641	$ 428,558	$ 1,603,088
Over 3 to 6 months	382,088	504,851	398,135	1,285,074
Over 6 to 12 months	678,360	1,099,101	673,433	2,450,894
Over 12 months	424,166	500,869	290,870	1,215,905
Total	$ 1,994,503	$ 2,769,462	$ 1,790,996	$ 6,554,961
December 31, 2020:				
3 months or less	$ 642,127	$ 466,857	$ 491,152	$ 1,600,136
Over 3 to 6 months	1,081,830	1,267,012	814,335	3,163,177
Over 6 to 12 months	1,003,642	1,456,822	915,135	3,375,599
Over 12 months	348,246	442,858	362,812	1,153,916
Total	$ 3,075,845	$ 3,633,549	$ 2,583,434	$ 9,292,828

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

Deposits by State

Deposits Attributable to Offices In	September 30, 2021		December 31, 2020	
	(Dollars in thousands)			
Arkansas	$ 6,310,640	31.4%	$ 7,063,100	33.0%
Georgia	5,450,274	27.1	5,545,658	25.9
Florida	3,633,406	18.1	3,776,212	17.6
Texas	3,182,466	15.8	2,735,106	12.8
North Carolina	1,475,199	7.3	1,598,745	7.5
New York	50,455	0.3	608,151	2.8
South Carolina	—	0.0	123,384	0.4
Total	$ 20,102,440	100.0%	$ 21,450,356	100.0%

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

Loan Portfolio. In addition to customer deposits, cash flows from our loan portfolio provide us with a significant source of liquidity. The following table reflects total loans grouped by remaining maturities at September 30, 2021 by type and by fixed or floating interest rates. This table is based on actual maturities and does not reflect amortizations, projected paydowns or the earliest repricing for floating rate loans. Many loans have principal paydowns scheduled in periods prior to the period in which they mature. In addition, many floating rate loans are subject to repricing in periods prior to the period in which they mature.

Loan Maturities

	1 Year or Less	Over 1 Through 5 Years	Over 5 Years	Total
	(Dollars in thousands)			
Real estate	$ 4,988,480	$ 7,558,063	$ 1,619,684	$ 14,166,227
Commercial and industrial	82,646	400,679	45,541	528,866
Consumer	3,617	23,852	2,140,838	2,168,307
Other	550,649	877,617	13,637	1,441,903
Total	$ 5,625,392	$ 8,860,211	$ 3,819,700	$ 18,305,303
Fixed rate	$ 377,148	$ 1,213,564	$ 2,496,747	$ 4,087,459
Floating rate (not at a floor or ceiling rate) (1)	23,358	56,828	407,916	488,102
Floating rate (at floor rate) (1)	5,224,886	7,589,819	914,992	13,729,697
Floating rate (at ceiling rate)	—	—	45	45
Total	$ 5,625,392	$ 8,860,211	$ 3,819,700	$ 18,305,303

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

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

During 2020 and the first nine months of 2021, we originated loans under the SBA's PPP1 and/or PPP2 programs. At September 30, 2021, we had outstanding approximately $0.15 billion in PPP1 and PPP2 loans. All such loans we originated were structured to be fully guaranteed by the SBA. Our current expectation is that a large portion of our PPP1 and PPP2 loans that remain outstanding will be forgiven and repaid by the SBA during the remainder of 2021 and in 2022.

At September 30, 2021, we had $12.39 billion in unfunded balances on loans already closed, the vast majority of which is attributable to construction and development loans for which construction has commenced. In most cases the borrower's equity and all other required subordinated elements of the capital structure must be fully funded before we advance funds. Typically we are the last to advance funds and the first to be repaid. In many cases we do not advance funds on loans for many months after closing because the borrower's equity and other funding sources must fund first. This conservative practice for handling construction loans has led to the large unfunded balance of closed loans. As a result, we maintain a detailed 36-month forward funding forecast projecting all loan fundings and loan pay downs and pay offs. Our ability to project monthly net portfolio growth with a substantial degree of accuracy is an important part of our liquidity management process.

Investment Securities – Available for Sale ("AFS"). Cash flows from our investment securities portfolio also provide us with an additional significant source of liquidity. The following table reflects the expected maturity distribution of our investment securities, at estimated fair value, at September 30, 2021.

Expected Maturity Distribution of Investment Securities

	1 Year Or Less	Over 1 Through 5 Years	Over 5 Through 10 Years	Over 10 Years	Total
			(Dollars in thousands)		
Obligations of states and political subdivisions	$ 266,416	$ 253,739	$ 85,951	$ 247,500	$ 853,606
U.S. Government agency mortgage-backed securities	652,414	1,371,305	339,253	7,837	2,370,809
Other U.S. Government agency securities	27,500	63,679	—	—	91,179
Corporate obligations	530,902	—	—	—	530,902
Total	$1,477,232	$1,688,723	$ 425,204	$ 255,337	$3,846,496
Percentage of total	38.4%	43.9%	11.1%	6.6%	100.0%
Cumulative percentage of total	38.4%	82.3%	93.4%	100.0%	

The maturity for all investment securities is shown based on each security's contractual maturity date, except (1) mortgage-backed securities, which are allocated among various maturities based on an estimated repayment schedule utilizing third party estimated median prepayment speeds or other estimates of prepayment speeds and interest rate levels at September 30, 2021 and (2) callable investment securities for which we have received notification of call, which are included in the maturity category in which the call occurs or is expected to occur. Actual maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

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

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

Average Balances and Rates of Other Interest Bearing Liabilities

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
	Average Balance	Rate Paid	Average Balance	Rate Paid	Average Balance	Rate Paid	Average Balance	Rate Paid
				(Dollars in thousands)				
Repurchase agreements with customers	$ 7,565	0.21%	$ 7,093	0.24%	$ 6,849	0.27%	$ 7,686	0.29%
Other borrowings[(1)]	750,221	0.54	793,350	0.58	750,292	0.53	711,408	0.41
Subordinated notes	56,468	3.01	223,899	5.70	167,636	5.39	223,801	5.70
Subordinated debentures[(1)]	120,822	3.07	120,253	3.26	120,681	3.12	120,119	3.80
Total other interest bearing liabilities	$935,076	1.01%	$1,144,595	1.86%	$1,045,458	1.61%	$1,063,014	1.90%

(1) The interest expense and the rates for "other borrowings" and for "subordinated debentures" were affected by capitalized interest. Capitalized interest included in other borrowings totaled $0.02 million for the third quarter and $0.07 million for the first nine months of 2021 compared to $0.03 million for the third quarter and $0.65 million for the first nine months of 2020. In the absence of this interest capitalization, the rates on other borrowings would have been 0.54% for the third quarter and 0.55% for the first nine months of 2021 compared to 0.59% for the third quarter and 0.53% for the first nine months of 2020. Capitalized interest included in subordinated debentures totaled $0.01 million for the third quarter and $0.18 million for the first nine months of 2020 (none in the third quarter or first nine months of 2021). In the absence of this interest capitalization, the rates on subordinated debentures would have been 3.27% for the third quarter and 4.00% for the first nine months of 2020.

In recent quarters, we have utilized FHLB advances to support our funding sources and provide additional on-balance sheet liquidity to the Bank. Details of our FHLB advances, at September 30, 2021, are shown in the following table.

FHLB Advances

Borrowing Type		Balance	Interest Rate	Maturity Date	Expiration of Lockout Term
			(Dollars in thousands)		
Fixed-rate FOTO advance[(1)]	$	500,000	0.48%	February 28, 2035	Currently callable
Fixed-rate FOTO advance[(1)]		250,000	0.65%	February 28, 2035	February 28, 2022
Other FHLB advances[(2)]		217	Various	Various	N/A
Total	$	750,217	0.54%		

(1) These borrowings are FHLB advances where the FHLB owns the option ("FOTO"), at its sole discretion, to terminate the advance on a quarterly basis after expiration of the lockout term.
(2) These other FHLB advances have rates ranging from 2.01% to 2.37% and a weighted-average rate of 2.10%. Final maturity dates on these advances range from June 2022 to March 2023.

At September 30, 2021, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) $4.70 billion of available blanket borrowing capacity with the FHLB, (2) $3.57 billion of investment securities available to pledge for federal funds or other borrowings, (3) $1.08 billion of available unsecured federal funds borrowing lines and (4) up to $0.39 billion of available borrowing capacity from borrowing programs of the FRB.

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

Sources and Uses of Funds. Operating activities provided net cash of $0.38 billion for the first nine months of 2021 and $0.39 billion for the first nine months of 2020. Net cash provided by operating activities is comprised primarily of net income, adjusted for certain non-cash items and for changes in various operating assets and liabilities.

Investing activities provided net cash of $0.27 billion in the first nine months of 2021 and used net cash of $3.06 billion in the first nine months of 2020. The increase in net cash provided by investing activities in the first nine months of 2021 compared to the net cash used in the first nine months of 2020 was primarily the result of changes in our total loan portfolio, which provided net cash of $0.90 billion in the first nine months of 2021 and used net cash of $1.85 billion in the first nine months of 2020, as well as a decrease in the net cash used by our investment securities portfolio, which used $0.51 billion in the first nine months of 2021 and used $1.15 billion in the first nine months of 2020.

Financing activities used net cash of $1.26 billion in the first nine months of 2021 and provided net cash of $3.10 billion in the first nine months of 2020. The decrease in net cash provided by financing activities was primarily the result of changes in our deposits which used $1.24 billion in the first nine months of 2021 and provided $2.81 billion in the first nine months of 2020, offset by the net cash provided by our subordinated debt activity during the first nine months of 2021 that provided net cash of $0.12 billion compared to no net cash provided during the first nine months of 2020.

Market and Interest Rate Risk Management

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

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

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

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

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 October 1, 2021. 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.

Earnings Simulation Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline Net Interest Income
+300	8.5%
+200	4.6
+100	1.9
-100	(2.7)

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

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

The following table presents our EVE results as of September 30, 2021.

EVE Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline EVE
+200	9.0%
+100	4.7
-100	(10.2)

Variable Rate Loans and Loan Repricing. At September 30, 2021, approximately 78% of our total loans had variable rates. Additionally, approximately 99% of our variable rate loans had floor rates. The following table reflects a summary, at September 30, 2021, of the percentage of our variable rate loans currently at a floor and changes in such percentage of variable rate loans at a floor given changes in interest rates.

Variable Rate Loan Analysis

Changes in Interest Rate	Percentage of Variable Rate Loans at Floor
Up 200 bps	18%
Up 150 bps	44
Up 100 bps	58
Up 75 bps	65
Up 50 bps	71
Up 25 bps	84
Currently at floor	97
Down 25 bps	97

The following table reflects total loans as of September 30, 2021 grouped by expected amortizations, expected paydowns or the earliest repricing opportunity for floating rate loans. This cash flow or repricing schedule approximates our ability to reprice the outstanding principal of loans either by adjusting rates on existing loans or reinvesting principal cash flow into new loans.

Loan Cash Flows or Repricing

	1 Year or Less	Over 1 Through 2 Years	Over 2 Through 3 Years	Over 3 Through 5 Years	Over 5 Years	Total
			(Dollars in thousands)			
Fixed rate	$ 1,391,827	$ 931,912	$654,158	$801,787	$307,775	$ 4,087,459
Floating rate (not at a floor or ceiling rate)(1)	296,875	87,369	48,169	52,285	3,404	488,102
Floating rate (at floor rate)(1)	13,203,929	219,472	156,686	143,111	6,499	13,729,697
Floating rate (at ceiling rate)	45	—	—	—	—	45
Total	$14,892,676	$1,238,753	$859,013	$997,183	$317,678	$18,305,303
Percentage of total	81.4%	6.8%	4.7%	5.4%	1.7%	100.0%
Cumulative percentage of total	81.4%	88.2%	92.9%	98.3%	100.0%	

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

Most of our floating rate loans are tied to three major benchmark interest rates, the 1-month LIBOR, 3-month LIBOR and WSJ Prime. The following table is a summary of our floating rate loan portfolio and contractual interest rate indices at September 30, 2021.

Contractual Indices of Floating Rate Loans

Contractual Interest Rate Index	Floating Rate (at floor rate)	Floating Rate (not at a floor or ceiling rate)	Floating Rate (at ceiling rate)	Total Floating Rate
	(Dollars in thousands)			
1-month LIBOR	$ 11,814,231	$ 25,673	$ —	$ 11,839,904
3-month LIBOR	44,983	—	—	44,983
WSJ Prime	1,690,239	430,713	45	2,120,997
Other contractual interest rate indices	180,244	31,716	—	211,960
Total	$ 13,729,697	$ 488,102	$ 45	$ 14,217,844

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

Our subordinated debentures and related trust preferred securities and significant portions of our loan portfolio are tied to LIBOR benchmark interest rates. Most LIBOR index tenors are expected to be phased-out by June 2023. The Federal Reserve formed the Alternative Reference Rates Committee ("ARRC") to guide the transition process in the United States. ARRC has issued a number of recommendations including the adoption of the Secured Overnight Financing Rate ("SOFR") as a replacement for LIBOR. We have created an internal working group that is managing our transition away from LIBOR. This working group is a cross-functional team composed of representatives from credit, lending, deposits, retail, investment securities, loan administration, operations, finance, compliance, legal and other support functions to address issues related to the LIBOR transition and phase-out. The majority of our loans that are tied to LIBOR benchmark interest rates and the governing documents for our subordinated debentures and related trust preferred securities include fallback language for when LIBOR ceases to exist. For our loans that are tied to LIBOR benchmark interest rates that do not include fallback language, we identified loans that will mature prior to June 2023 and we expect to be able to change the reference rate if those loans are renewed, and for the loans that mature after June 2023, we are currently developing plans for modifying these loans prior to that time. As of September 30, 2021, we are operationally ready to originate new alternative benchmark based loans. We will continue to evaluate the financial impact regarding pricing, valuation and operations of the transition. For further details see "Item 1A. - Risk Factors" in our annual report Form 10-K for the year ended December 31, 2020.

Market Risk Management Actions. We are exposed to market risk primarily through changes in fair value of our fixed income investment securities portfolio. Investment portfolio strategies are set by senior management and are subject to the oversight and direction of ALCO. At September 30, 2021 and December 31, 2020, we classified all of our investment securities portfolio as available for sale. Accordingly, our investment securities are reported at estimated fair value with the unrealized gains and losses, net of related income tax, reported as a separate component of stockholders' equity and included in other comprehensive income (loss). At September 30, 2021, we had $53.8 million of net unrealized gains in our investment securities portfolio that was reported, net of applicable income taxes, in accumulated other comprehensive income.

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

Investment Securities – AFS

	September 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Obligations of state and political subdivisions	$ 832,947	$ 853,606	$ 1,703,967	$ 1,731,885
U.S. Government agency mortgage-backed securities	2,337,590	2,370,809	1,548,101	1,597,598
Other U.S. Government agency securities	91,281	91,179	75,872	75,868
Corporate obligations	530,833	530,902	—	—
Total	$ 3,792,651	$ 3,846,496	$ 3,327,940	$ 3,405,351

Our investment securities portfolio is reported at estimated fair value, which included gross unrealized gains of $60.4 million and gross unrealized losses of $6.6 million at September 30, 2021 and gross unrealized gains of $78.4 million and gross unrealized losses of $1.0 million at December 31, 2020. We believe that all unrealized losses on individual investment securities at September 30, 2021 and December 31, 2020 are the result of fluctuations in interest rates and do not reflect deterioration in the credit quality of these investments. If we intend to sell an AFS security, or if it is more likely than not that we will be required to sell an AFS security before recovery of its amortized cost basis, the security's amortized cost basis is written down to fair value through current period expense. If we do not intend to sell an AFS security or if it is more likely than not that we will not sell an AFS security that is in an unrealized loss position, we are required to assess whether the decline in fair value has resulted from credit losses or non-credit factors. If our assessment determines a credit loss exists, the present value of cash flows expected to be collected from the AFS security is compared to the amortized cost basis of the security and if the present value cash flows expected to be collected is less than amortized cost, an allowance for credit losses and a provision for credit loss expense is recorded. If our assessment determines that a credit loss does not exist, we record the decline in fair value through other comprehensive income, net of related tax effects.

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

Unaccreted Discount and Unamortized Premium

	Amortized Cost	Unaccreted Discount	Unamortized Premium	Par Value
	(Dollars in thousands)			
September 30, 2021:				
Obligations of states and political subdivisions	$ 832,947	$ 1,240	$ (18,307)	$ 815,880
U.S. Government agency mortgage-backed securities	2,337,590	108	(69,839)	2,267,859
Other U.S. Government agency securities	91,281	79	—	91,360
Corporate obligations	530,833	—	(5,327)	525,506
Total	$ 3,792,651	$ 1,427	$ (93,473)	$ 3,700,605
December 31, 2020:				
Obligations of states and political subdivisions	$ 1,703,967	$ 1,141	$ (30,702)	$ 1,674,406
U.S. Government agency mortgage-backed securities	1,548,101	161	(36,359)	1,511,903
Corporate obligations	75,872	—	—	75,872
Total	$ 3,327,940	$ 1,302	$ (67,061)	$ 3,262,181

We recognized premium amortization, net of discount accretion, of $15.3 million during the three months and $46.7 million during the nine months ended September 30, 2021 compared to $9.3 million during the three months and $20.2 million during the nine months ended September 30, 2020. Any premium amortization or discount accretion is considered an adjustment to the yield of our investment securities.

We had no net gains from, or sales of, investment securities AFS during the third quarter of 2021 compared to net gains of $2.2 million from the sale of approximately $45 million of investment securities AFS during the third quarter of 2020. We had no net gains from the sale of approximately $592 million of investment securities AFS in the first nine months of 2021, consisting entirely of variable rate demand notes which were purchased at, carried at and called at their par value, compared to net gains of $4.5 million from the sale of approximately $270 million of investment securities AFS in the first nine months of 2020. Investment securities AFS totaling $0.87 billion in the third quarter and $1.98 billion in the first nine months of 2021 and $0.38 billion in the third quarter and $0.76 billion in the first nine months of 2020 matured, were called or were otherwise paid down by the issuer. We purchased $0.05 million of investment securities AFS in the third quarter and $3.09 billion in the first nine months of 2021 compared to $0.59 billion of investment securities AFS in the third quarter and $2.18 billion in the first nine months of 2020.

We invest in securities we believe offer good relative value at the time of purchase, and we will, from time to time, reposition our investment securities portfolio. In making decisions to sell or purchase securities, we consider credit quality, call features, maturity dates, relative yields, corporate tax rates, current market factors, interest rate risk and interest rate environment, current and projected liquidity needs and other relevant factors. During the first nine months of 2021, our investment securities AFS portfolio increased $0.44 billion primarily from purchases of high quality, mostly short-term securities.

In October 2021, we added trading investment securities to our investment securities portfolio which are intended to help us capitalize on additional investment and trading opportunities. Trading investment securities will be reported at estimated fair value with unrealized gains and losses reported in net income. In future periods, we will be exposed to market and interest rate risk primarily through changes in fair value of our trading securities portfolio. Trading investment securities portfolio strategies are set by senior management and are subject to the oversight and direction of ALCO and the Board.

At September 30, 2021, approximately 97% of our investment securities had an investment grade credit rating (i.e., the equivalent of a rating of BBB- or better) and approximately 3% of our investment securities were not rated. For those securities that were not rated, we have performed our own evaluation of the security and/or the underlying issuer and believe that such security or its issuer has credit characteristics equivalent to those which would warrant an investment grade credit rating.

Capital Management

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

Capital Management Actions. We primarily rely on our common stockholders' equity, comprised of common stock, additional paid-in capital, our retained earnings and our accumulated other comprehensive income (loss) to support our operations and act as a cushion to absorb unanticipated losses. Our common stockholders' equity totaled $4.55 billion at September 30, 2021 compared to $4.27 billion at December 31, 2020. Additionally, our common stockholders' equity is augmented by our subordinated notes, our subordinated debentures and our ACL.

Subordinated Notes. On July 1, 2021, we redeemed all of our $225 million of 5.50% Fixed-to-Floating rate Subordinated Notes at a redemption price equal to 100% of the principal amount of the subordinated notes plus accrued and unpaid interest. As a result of the subordinated debt redemption, we recognized approximately $0.8 million in remaining unamortized debt issue cost as non-interest expense during the third quarter of 2021.

On September 16, 2021, we completed our public offering of $350 million in aggregate principal amount of our 2.75% Fixed-to-Floating rate Subordinated Notes (the "2.75% Notes") due 2031, which will initially bear interest at a fixed rate of 2.75% per annum until September 30, 2026. On October 1, 2026, the 2.75% Notes will bear interest at a floating rate equal to a benchmark (which is expected to be three-month SOFR) plus 209 basis points. The 2.75% Notes are unsecured, subordinated debt obligations and mature on October 1, 2031, and the Bank expects to use the net proceeds from the offering for general corporate purposes, which may include, among other things, financing organic growth or strategic acquisitions, repurchase of shares of the Bank's common stock, supporting the Bank's regulatory capital levels and ongoing working capital needs. As of September 30, 2021, the Bank's 2.75% Notes had a carrying value of $345.9 million and underwriting discounts and offering expenses totaled $4.1 million and are being amortized over five years.

Stock Repurchase Program. In July 2021, we adopted a stock repurchase program authorizing the purchase of up to $300 million of the Bank's outstanding shares of common stock. During the quarter just ended, we repurchased 888,567 shares at weighted average cost of $41.61, for a total of $37.0 million. The timing and amount of future repurchases will be determined by management based on a variety of factors such as the Bank's capital position, liquidity, financial performance and alternative uses of capital, stock price, regulatory requirements and general market and economic conditions. The repurchase program may be suspended by us at any time.

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

In conjunction with our Preferred Stock offering, our Board of Directors approved an increase in the size of our previously disclosed stock repurchase program by $350 million, which is an amount equal to the aggregate dollar amount of shares of the Preferred Stock issued in connection with the Preferred Stock offering such that our stock repurchase program now authorizes repurchases up to $650 million. As of September 30, 2021, we had purchased $37.0 million under our previously approved stock repurchase program. Our Board of Directors also approved an extension of the expiration date of the stock repurchase program from July 1, 2022 to November 4, 2022.

Subordinated Debentures. We own eight 100%-owned finance subsidiary business trusts – Ozark Capital Statutory Trust II ("Ozark II"), Ozark Capital Statutory Trust III ("Ozark III"), Ozark Capital Statutory Trust IV ("Ozark IV"), Ozark Capital Statutory Trust V ("Ozark V"), Intervest Statutory Trust II ("Intervest II"), Intervest Statutory Trust III ("Intervest III"), Intervest Statutory Trust IV ("Intervest IV") and Intervest Statutory Trust V ("Intervest V"), (collectively, the "Trusts"). At September 30, 2021, we had the following issues of trust preferred securities and subordinated debentures owed to the Trusts.

Trust Preferred Securities and
Subordinated Debentures

	Subordinated Debentures Owed to Trusts	Unamortized Discount at September 30, 2021	Carrying Value of Subordinated Debentures at September 30, 2021	Trust Preferred Securities of the Trusts	Contractual Interest Rate at September 30, 2021[1]	Final Maturity Date
			(Dollars in thousands)			
Ozark II	$ 14,433	$ —	$ 14,433	$ 14,000	3.03%	September 29, 2033
Ozark III	14,434	—	14,434	14,000	3.08	September 25, 2033
Ozark IV	15,464	—	15,464	15,000	2.35	September 28, 2034
Ozark V	20,619	—	20,619	20,000	1.72	December 15, 2036
Intervest II	15,464	(121)	15,343	15,000	3.07	September 17, 2033
Intervest III	15,464	(140)	15,324	15,000	2.91	March 17, 2034
Intervest IV	15,464	(255)	15,209	15,000	2.52	September 20, 2034
Intervest V	10,310	(244)	10,066	10,000	1.77	December 15, 2036
	$ 121,652	$ (760)	$ 120,892	$ 118,000		

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

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

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

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

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

	September 30, 2021	September 30, 2020	December 31, 2020
	(Dollars in thousands)		
Total common stockholders' equity before noncontrolling interest	$ 4,553,240	$ 4,186,285	$ 4,272,271
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(9,791)	(16,462)	(14,669)
Total intangibles	(670,580)	(677,251)	(675,458)
Total tangible common stockholders' equity	$ 3,882,660	$ 3,509,034	$ 3,596,813
Total assets	$ 26,143,367	$ 26,888,308	$ 27,162,596
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(9,791)	(16,462)	(14,669)
Total intangibles	(670,580)	(677,251)	(675,458)
Total tangible assets	$ 25,472,787	$ 26,211,057	$ 26,487,138
Ratio of total common stockholders' equity to total assets	17.42%	15.57%	15.73%
Ratio of total tangible common stockholders' equity to total tangible assets	15.24%	13.39%	13.58%

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

	September 30, 2021	September 30, 2020	December 31, 2020
	(In thousands, except per share amounts)		
Total common stockholders' equity before noncontrolling interest	$ 4,553,240	$ 4,186,285	$ 4,272,271
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(9,791)	(16,462)	(14,669)
Total intangibles	(670,580)	(677,251)	(675,458)
Total tangible common stockholders' equity	$ 3,882,660	$ 3,509,034	$ 3,596,813
Shares of common stock outstanding	128,818	129,342	129,350
Book value per common share	$ 35.35	$ 32.37	$ 33.03
Tangible book value per common share	$ 30.14	$ 27.13	$ 27.81

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

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(Dollars in thousands)			
Net income available to common stockholders	$ 130,290	$ 109,253	$ 429,240	$ 171,385
Average common stockholders' equity before noncontrolling interest	$ 4,530,995	$ 4,148,409	$ 4,421,240	$ 4,125,578
Less average intangible assets:				
Goodwill	(660,789)	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(10,617)	(17,461)	(12,195)	(19,803)
Total average intangibles	(671,406)	(678,250)	(672,984)	(680,592)
Average tangible common stockholders' equity	$ 3,859,589	$ 3,470,159	$ 3,748,256	$ 3,444,986
Return on average common stockholders' equity(1)	11.41%	10.48%	12.98%	5.55%
Return on average tangible common stockholders' equity(1)	13.39%	12.52%	15.31%	6.65%

(1) Ratios annualized based on actual days.

Common Stock Dividend Policy. During 2021, we paid cash dividends of $0.2775 per common share in the first quarter, $0.28 in the second quarter, and $0.285 in the third quarter compared to $0.26 per common share in the first quarter, $0.27 in the second quarter and $0.2725 in the third quarter of 2020. On October 1, 2021, our Board approved a cash dividend of $0.29 per common share that was paid on October 22, 2021. The determination of future dividends on our common stock will depend on conditions existing at that time and approval of our Board. In addition, our ability to pay dividends to our shareholders is subject to the restrictions set forth in Arkansas law, by our federal regulator, the relative powers, preferences and other rights of the holders of our Series A Preferred Stock and by certain covenants contained in the indentures governing the trust preferred securities, the subordinated debentures and the subordinated notes.

Preferred Stock Dividend Policy. As previously disclosed in the Market and Interest Rate Risk Management section, on November 4, 2021, we completed our public offering of 14,000,000 shares of 4.625% non-cumulative Preferred Stock generating $339.0 million of net proceeds, after deducting the initial purchaser discount and estimated offering expenses. We will pay cash dividends on the Preferred Stock, when, as, and if declared by our Board. If declared, we would expect our cash dividends to be approximately $4.0 million per quarter. The determination of future dividends on our preferred stock will depend on conditions at that time and approval by our Board.

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

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

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

Tier 1 capital includes common equity tier 1 capital and certain additional tier 1 items as provided under the Basel III Rules. At September 30, 2021 and December 31, 2020, we had no additional tier 1 items that were not also included in common equity tier 1 capital. In future periods, as a result of our preferred stock offering that occurred in November 2021, our preferred stock is expected to count as tier 1 capital, but not as common equity tier 1 capital.

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

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

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

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

The Basel III Rules limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" in addition to the amount necessary to meet minimum risk-based capital requirements for common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets. At September 30, 2021 and December 31, 2020, the Basel III Rules required us to maintain (i) a minimum ratio of common equity tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 7.0%, (ii) a minimum ratio of tier 1 capital to risk-weighted assets of at least 6.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 8.5%, (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus a 2.5% capital conservation buffer, which effectively results in a minimum ratio of 10.5% and (iv) a minimum leverage ratio of 4.0%. Additionally, in order to be considered well-capitalized under the Basel III Rules, we must maintain (i) a ratio of common equity tier 1 capital to risk-weighted assets of at least 6.5%, (ii) a ratio of tier 1 capital to risk-weighted assets of at least 8.0%, (iii) a ratio of total capital to risk-weighted assets of at least 10.0% and (iv) a leverage ratio of at least 5.0%.

The following table presents actual and required capital ratios as of the dates indicated under the Basel III Rules. The minimum required capital amounts presented include the minimum required capital levels plus the capital conservation buffer. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Rules. At September 30, 2021 and December 31, 2020, capital levels exceed all minimum capital requirements and requirements to be considered well capitalized under the Basel III Rules. As a result of our Preferred Stock offering, we expect to add approximately $339.0 million of additional Tier 1 capital, but not common Tier 1 capital, in future periods.

Regulatory Capital Ratios

	Actual		Minimum Capital Required – Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
			(Dollars in thousands)			
September 30, 2021:						
Common equity tier 1 to risk-weighted assets	$3,864,011	14.60%	$1,852,858	7.00%	$1,720,511	6.50%
Tier 1 capital to risk-weighted assets	3,864,011	14.60	2,249,899	8.50	2,117,552	8.00
Total capital to risk-weighted assets	4,593,137	17.35	2,779,286	10.50	2,646,940	10.00
Tier 1 leverage to average assets	3,864,011	15.24	1,014,311	4.00	1,267,889	5.00
December 31, 2020:						
Common equity tier 1 to risk-weighted assets	$3,573,471	13.36%	$1,872,748	7.00%	$1,738,980	6.50%
Tier 1 capital to risk-weighted assets	3,573,471	13.36	2,274,051	8.50	2,140,283	8.00
Total capital to risk-weighted assets	4,237,268	15.84	2,809,122	10.50	2,675,354	10.00
Tier 1 leverage to average assets	3,573,471	13.70	1,043,413	4.00	1,304,266	5.00

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

Our historically strong earnings and earnings retention rate have contributed to our building strong capital ratios. We are focused on strategies to utilize our capital for the long-term interests of shareholders, including organic loan growth, adding new business lines, continuing to increase our quarterly cash dividend, financially attractive acquisitions and various other options.

Growth and Branching. During the third quarter of 2021, we closed three branches, including two in Georgia and the deposit taking operations of our New York branch, although we are retaining our RESG loan production office in New York. During the fourth quarter of 2021, we expect to open one branch in Florida and close three branches, including one in Arkansas, one in Florida and one in Texas. These branch closures are not expected to significantly affect our financial position or results of operations in future periods.

During the second quarter of 2021, we signed an agreement for the sale of our Magnolia, Arkansas branch which, as of September 30, 2021, contained loans of approximately $3 million and deposits of approximately $36 million. The sale of this branch is expected to close in the first quarter of 2022.

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

Capital Expenditures. During the first nine months of 2021, we spent approximately $23.5 million on capital expenditures for premises and equipment. Our capital expenditures for the remainder of 2021 are expected to be in the range of $1 million to $7 million, including progress payments on construction projects expected to be completed in 2021 or 2022, 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 branch offices acquired or constructed and sites acquired for future development, progress or delays encountered on ongoing and new construction projects, delays in obtaining or inability to obtain required approvals, potential premises and equipment expenditures associated with acquisitions, if any, and other factors.

Operational Risk Management

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

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

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

Reputational Risk Management

Reputational risk is the risk that adverse perceptions regarding our business practices or financial health, or adverse developments, customer sentiment or other external perceptions regarding the practices of our competitors, or the financial services industry, may adversely impact our reputation and business prospects. We have a team of bankers and risk professionals that monitor our reputational risk exposure by tracking and measuring a variety of social media posts, and enforcing detailed policies and procedures that are intended to govern our employees regarding the use of social media, websites and other external communications made by employees. Additionally, we also monitor our reputational risk exposure by frequently monitoring other financial and non-financial reputational risk-related metrics.

Strategic Risk Management

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

Compliance Risk Management

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

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

RECENTLY ISSUED ACCOUNTING STANDARDS

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information required by this Item is included in “Market and Interest Rate Risk Management” in the MD&A beginning on page 55 and is hereby incorporated by reference.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

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

(b) Changes in Internal Control over Financial Reporting.

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

On September 20, 2021, a shareholder derivative complaint was filed in the Circuit Court of Pulaski County, Arkansas, case no. 60CV-21-5878, by Barbara Bonessi as plaintiff, against the Bank, as nominal defendant, the current members of the Bank's board of directors, and certain current and former officers and directors of the Bank. The complaint alleges claims against (i) the current members of the board of directors for breach of fiduciary duty, waste of corporate assets, unjust enrichment, and failing to prevent other officers and directors from alleged insider trading in the Bank's stock and (ii) certain directors and certain current and former officers of the Bank for breach of fiduciary duty for insider trading and misappropriation of material, non-public information, all in the context of the same factual circumstances recited in the purported class action complaint noted in the preceding paragraph. The Bank intends to vigorously oppose the ability of the plaintiff to proceed in a derivative capacity, and the individual defendants intend to vigorously defend the claims made against them.

On October 13, 2021, a shareholder derivative complaint was filed in the United States District Court for the Eastern District of Arkansas, case no. 4:21-cv-931-BRW, by Alexander Nicozisin and Mary Jacklyn Nicozisin, as plaintiffs, against the Bank as nominal defendant, certain members of the board of directors and certain current and former officers of the Bank. The complaint alleges claims against the individual defendants for breach of fiduciary duty and, unjust enrichment all in the context of the same factual circumstances recited in the federal securities purported class action complaint noted above. The Bank intends to vigorously oppose the ability of the plaintiffs to proceed in a derivative capacity, and the individual defendants intend to vigorously defend the claims made against them.

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

Item 1A. Risk Factors

There are no material changes from the risk factors disclosed under Item 1A. of our annual report on Form 10-K for the year ended December 31, 2020, as filed with the FDIC on February 25, 2021.

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

During the third quarter of 2021, the Bank issued an aggregate of 33,850 shares of common stock with the exercise of stock options issued to certain participants under the Bank's Stock Option Plan. The shares were issued in reliance on the exemption provided by Section (3)(a)(2) of the Securities Act of 1933 because the sales involved securities issued by a bank.

In July 2021, the Bank initiated a stock repurchase program of up to $300 million of its outstanding shares of common stock that was set to expire in July 1, 2022. In October 2021, the Bank's Board of Directors approved an increase in the size of the stock repurchase program by $350 million thereby increasing the size of the stock repurchase program up to $650 million. In addition, the Bank's Board of Directors extended the expiration date of the stock repurchase program from July 1, 2022 to November 4, 2022. The stock repurchase program may be suspended by the Bank at any time. During the third quarter of 2021, the Bank repurchased shares of its common stock in connection with its stock repurchase program, as indicated in the following table.

Period	Total Number of Shares Purchased[(1)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program[(1)]	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program[(1)]
	(Dollars in thousands, except per share amounts)			
July 1-31, 2021	100,000	$ 41.07	100,000	$ 295,890
August 1-31, 2021	354,435	42.09	354,435	280,962
September 1-30, 2021	434,132	41.34	434,132	263,001
Total	888,567	$ 41.61	888,567	

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

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURE

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

Bank OZK

DATE: November 9, 2021

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

Bank OZK

Exhibit Index

Exhibit Number	
2.1	Agreement and Plan of Merger, dated April 10, 2017, by and between Bank of the Ozarks, Inc. and Bank of the Ozarks (previously filed as Exhibit 2.1 to the Bank's Current Report on Form 8-K filed with the FDIC on June 26, 2017, and incorporated herein by reference).
3.1	Amended and Restated Articles of Incorporation of Bank of the Ozarks (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on June 26, 2017, and incorporated herein by reference).
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank OZK (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on July 16, 2018, and incorporated herein by reference).
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank OZK (previously filed as Exhibit 3.3 to the Bank's Registration Statement on Form 8-A filed with the FDIC on November 4, 2021, and incorporated herein by reference).
3.3	Second Amended and Restated Bylaws of Bank OZK (previously filed as Exhibit 3.1 to the Bank's Current Report on Form 8-K filed with the FDIC on August 10, 2018, and incorporated herein by reference).
4.1	Instruments defining the rights of security holders, including indentures. The Bank hereby agrees to furnish to the FDIC upon request copies of instruments defining the rights of holders of long-term debt of the Bank and its consolidated subsidiaries; no issuance of debt exceeds ten percent of the assets of the Bank and its subsidiaries on a consolidated basis.
4.2	Form of Common Stock Certificate (previously filed as Exhibit 4.2 to the Bank's Current Report on Form 8-K filed with the FDIC on July 16, 2018, and incorporated herein by reference).
4.3	Form of Certificate Representing Series A Preferred Stock (previously filed as Exhibit 4.1 to the Bank's Registration Statement on Form 8-A filed with the FDIC on November 4, 2021, and incorporated herein by reference).
4.4	Description of Bank OZK's Series A Preferred Stock registered under Section 12 of the Securities Exchange Act of 1934, filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002, filed herewith.
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.

Exhibit 4.4

DESCRIPTION OF SERIES A NON-CUMULATIVE PERPETUAL PREFERRED STOCK REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Bank OZK ("we," "our" or "Bank") has, in addition to its common stock, a class of preferred stock, designated 4.625% Series A Non-Cumulative Perpetual Preferred Stock, par value $0.01 per share and with a liquidation preference of $25 per share ("Series A Preferred Stock"), registered under the Securities Exchange Act of 1934, as amended. The following description of our Series A Preferred Stock is a summary only, does not purport to be complete, and is subject to and qualified in its entirety by reference to our Amended and Restated Articles of Incorporation, as amended, including the Articles of Amendment effective as of November 3, 2021, describing the Series A Preferred Stock (collectively, the "Articles"), and our Second Amended and Restated Bylaws, which are incorporated by reference as Exhibits 3.1, 3.2, 3.3 and 3.4 to our Quarterly Report on Form 10-Q for the period ended September 30, 2021.

The rights of the Bank's shareholders, including holders of shares of the Series A Preferred Stock, are governed by the Arkansas Banking Code and (to the extent it does not conflict with the provisions of the Arkansas Banking Code) the Arkansas Business Corporation Act, as well as the Articles and Bylaws. We encourage you to read the Articles, the Bylaws and the applicable provisions of relevant law for additional information.

General

The Articles authorize us to issue 100,000,000 shares of preferred stock, par value of $0.01 per share, in one or more series, and our Board of Directors (our "Board") is authorized to fix the number of shares of each series and determine the designations, relative powers, preferences, and rights and qualifications, limitations, and restrictions of any such series. As determined and authorized by our Board, there are 14,000,000 issued and outstanding shares of the Series A Preferred Stock, all of which are fully paid and nonassessable.

We may from time to time, without notice to or the consent of holders of shares of the Series A Preferred Stock, issue additional shares of the Series A Preferred Stock, provided that if the additional shares are not fungible for U.S. federal income tax purposes with the initial shares of such series, the additional shares shall be issued under a separate CUSIP number. The additional shares would form a single series together with all previously issued shares of the Series A Preferred Stock.

Ranking

With respect to the payment of dividends and rights upon our liquidation, dissolution or winding up, the Series A Preferred Stock ranks (i) senior to our common stock and any other class or series of preferred stock that by its terms ranks junior to the Series A Preferred Stock, (ii) equally with all existing or future series of preferred stock that does not by its terms rank junior or senior to the Series A Preferred Stock, and (iii) junior to all existing and future indebtedness and other liabilities and any class or series of preferred stock that expressly provides in the articles of amendment to the Articles, or subsequent amendments to the Articles, creating such class or series of preferred stock that it ranks senior to the Series A Preferred Stock (subject to any requisite consents prior to issuance).

The Series A Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of our capital stock or other securities and is not subject to any sinking fund or other obligation to redeem or repurchase the Series A Preferred Stock. The Series A Preferred Stock is not secured, is not guaranteed by us or any of our affiliates and is not subject to any other arrangement that legally or economically enhances the ranking of the Series A Preferred Stock.

Dividends

Holders of the Series A Preferred Stock are entitled to receive, only when, as, and if declared by our Board, out of assets legally available under applicable law for payment, non-cumulative cash dividends based upon the liquidation preference of $25 per share of the Series A Preferred Stock, and no more, at a rate equal to 4.625% per annum, for each quarterly Dividend Period occurring from, and including, the original issue date of the Series A Preferred Stock.

A "Dividend Period" means the period from, and including, each Dividend Payment Date (as defined below) to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which is the period from, and including, the issue date of the shares of the Series A Preferred Stock to, but excluding, the next succeeding Dividend Payment Date.

When, as, and if declared by our Board, we will pay cash dividends on the Series A Preferred Stock quarterly, in arrears, on February 15, May 15, August 15, and November 15 of each year (each such date, a "Dividend Payment Date"), beginning on February 15, 2022. We will pay cash dividends to the holders of record of shares of the Series A Preferred Stock, as they appear on our stock register at the close of business on the applicable record date designated by our Board for the payment of dividends, which is expected to be the first day of the calendar month in which the corresponding Dividend Payment Date occurs, or such other record date set by our Board that is not more than 70 days prior to such Dividend Payment Date.

If any Dividend Payment Date is a day that is not a Business Day (as defined below), then the dividend with respect to that Dividend Payment Date will instead be paid on the immediately succeeding Business Day, without interest or other payment in respect of such delayed payment. A "Business Day" means any weekday in New York, New York that is not a day on which banking institutions in that city are authorized or required by law, regulation or executive order to be closed.

Dividends on the Series A Preferred Stock are calculated on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation are rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the Series A Preferred Stock will cease to accrue after the redemption date, as described below under "—Redemption."

Dividends on the Series A Preferred Stock are not cumulative or mandatory. If our Board does not declare a dividend on the Series A Preferred Stock for, or our Board authorizes and declares less than a full dividend in respect of, any Dividend Period, the holders will have no right to receive any dividend or a full dividend, as the case may be, for the Dividend Period, and we will have no obligation to pay a dividend or to pay full dividends for that Dividend Period at any time, whether or not dividends on the Series A Preferred Stock or any other series of our preferred stock or common stock are declared for any future Dividend Period.

Priority Regarding Dividends

During a Dividend Period, so long as any share of the Series A Preferred Stock remains outstanding, if full dividends for the most recently completed Dividend Period on all outstanding shares of the Series A Preferred Stock have not been declared and paid in full or declared and a sum sufficient for the payment of those dividends has not been set aside, then:

(1) no dividend will be declared and paid or set aside for payment and no distribution will be declared and made or set aside for payment on any Junior Stock (as defined below) (other than a dividend payable solely in shares of Junior Stock or any dividend in connection with the implementation of a shareholder rights plan or the redemption or repurchase of any rights under such a plan, including with respect to any successor shareholder rights plan);

(2) no shares of Junior Stock will be repurchased, redeemed, or otherwise acquired for consideration by us, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange for or conversion into Junior Stock, through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock or pursuant to a contractually binding requirement to buy Junior Stock pursuant to a binding stock repurchase plan existing prior to the most recently completed Dividend Period), nor will any monies be paid to or made available for a sinking fund for the redemption of any such securities by us; and

(3) no shares of Parity Stock (as defined below) will be repurchased, redeemed or otherwise acquired for consideration by us (other than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series A Preferred Stock and such Parity Stock, through the use of the proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, as a result of a reclassification of Parity Stock for or into other Parity Stock, or by conversion into or exchange for Junior Stock).

The foregoing limitations do not apply to purchases or acquisitions of our Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any of our employment, severance, or consulting agreements) of ours or of any of our subsidiaries, adopted before or after October 28, 2021.

Except as provided below, for so long as any share of the Series A Preferred Stock remains outstanding, we will not declare, pay, or set aside for payment full dividends on any Parity Stock unless we have paid in full, or set aside payment in full, in respect of all unpaid dividends for all Dividend Periods for outstanding shares of the Series A Preferred Stock. To the extent that we declare dividends on the Series A Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, we will allocate the dividend payments on a pro rata basis among the holders of the shares of the Series A Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the pro rata allocation of partial dividend payments, we will allocate dividend payments based on the ratio between the aggregate of the declared but unpaid dividends due on the shares of the Series A Preferred Stock and (1) in the case of cumulative Parity Stock, the aggregate of the accrued and unpaid dividends due on any such Parity Stock, and (2) in the case of non-cumulative Parity Stock, the aggregate of the declared but unpaid dividends due on any such Parity Stock. No interest will be payable in respect of any dividend payment on the Series A Preferred Stock that may be in arrears.

As used in this description of securities, "Junior Stock" means our common stock and any other class or series of our capital stock over which the Series A Preferred Stock has preference or priority in the payment of dividends and rights on our liquidation, dissolution or winding up, and "Parity Stock" means any other class or series of our capital stock that ranks equally with the Series A Preferred Stock in the payment of dividends and rights on our liquidation, dissolution or winding up, which includes any other class or series of our stock hereafter authorized the terms of which expressly provide that it ranks equally with the Series A Preferred Stock in the payment of dividends and rights on our liquidation, dissolution or winding up.

Subject to the conditions described above, and not otherwise, dividends (payable in cash, stock, or otherwise), as may be determined by our Board, may be declared and paid on our common stock and any Junior Stock from time to time out of any funds legally available for such payment, and the holders of the Series A Preferred Stock will not be entitled to participate in those dividends.

Liquidation Rights

Upon our voluntary or involuntary liquidation, dissolution or winding up, the holders of the outstanding shares of the Series A Preferred Stock will be entitled to be paid out of our assets legally available for distribution to our shareholders, before any distribution of assets is made to holders of common stock or any other Junior Stock, a liquidating distribution in the amount of a liquidation preference of $25 per share, plus the sum of any declared and unpaid dividends for Dividend Periods ending prior to the commencement of the Dividend Period in which the liquidation distribution is made and any declared and unpaid dividends for the then current Dividend Period in which the liquidation distribution is made to the date of such liquidation distribution. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the Series A Preferred Stock will have no right or claim to any of our remaining assets.

Distributions will be made only to the extent that our assets are available after satisfaction of all liabilities to depositors and creditors and subject to the rights of holders of any securities ranking senior to the Series A Preferred Stock. If our remaining assets are not sufficient to pay the full liquidating distributions to the holders of all outstanding shares of the Series A Preferred Stock and all Parity Stock, then we will distribute our assets to those holders pro rata in proportion to the full liquidating distributions to which they would otherwise have received.

Our merger or consolidation with one or more other entities or the sale, lease, exchange or other transfer of all or substantially all of our assets (for cash, securities or other consideration) will not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up. If we enter into any merger or consolidation transaction with or into any other entity and we are not the surviving entity in such transaction, the Series A Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series A Preferred Stock set forth in the Articles of Amendment.

Holders of the Series A Preferred Stock may be fully subordinated to interests held by the U.S. Government in the event we enter into a receivership, insolvency, liquidation or similar proceeding.

Conversion Rights

The Series A Preferred Stock is not convertible into or exchangeable for any other of our property, interests or securities.

Redemption

The Series A Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provision. The holders of the Series A Preferred Stock do not have the right to require the redemption or repurchase of the Series A Preferred Stock. In addition, under the Federal Deposit Insurance Corporation's ("FDIC") risk-based capital rules applicable to banks, any redemption of the Series A Preferred Stock is subject to prior approval of the FDIC.

Optional Redemption

We may redeem the Series A Preferred Stock, in whole or in part, at our option, on any Dividend Payment Date on or after November 15, 2026, with not less than thirty (30) calendar days' and not more than sixty (60) calendar days' notice ("Optional Redemption"), subject to the approval of the FDIC or the appropriate federal banking agency and the Commissioner of the Arkansas State Bank Department, at the redemption price provided below. Dividends will not accrue on those shares of the Series A Preferred Stock on and after the redemption date.

Redemption Following a Regulatory Capital Event

We may redeem the Series A Preferred Stock, in whole but not in part, at our option, for cash, at any time within ninety (90) calendar days following a Regulatory Capital Treatment Event, subject to the approval of the FDIC or the appropriate federal banking agency and the Commissioner of the Arkansas State Bank Department, at the redemption price provided below ("Regulatory Event Redemption"). A "Regulatory Capital Treatment Event" means a good faith determination by us that, as a result of any:

- amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the U.S. or any political subdivision of or in the U.S. that is enacted or becomes effective after the initial issuance of the Series A Preferred Stock;
- proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of the

Series A Preferred Stock; or

- official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced or becomes effective after the initial issuance of the Series A Preferred Stock;

there is more than an insubstantial risk that we will not be entitled to treat the full liquidation value of the Series A Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent) for purposes of the capital adequacy laws or regulations of the FDIC (or, as and if applicable, the capital adequacy laws or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of the Series A Preferred Stock is outstanding. Dividends will not accrue on the shares of the Series A Preferred Stock on and after the redemption date.

Redemption Price

The redemption price for any redemption of the Series A Preferred Stock, whether an Optional Redemption or Regulatory Event Redemption, will be equal to $25 per share of the Series A Preferred Stock, plus any declared and unpaid dividends (without regard to any undeclared dividends) to, but excluding, the date of redemption.

Voting Rights

Registered owners of the Series A Preferred Stock do not have any voting rights, except as set forth below or as otherwise required by applicable law. To the extent that owners of the Series A Preferred Stock are entitled to vote, each holder of the Series A Preferred Stock will have one vote per share.

Whenever dividends payable on the Series A Preferred Stock or any other class or series of preferred stock ranking equally with the Series A Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those described in this paragraph have been conferred and are exercisable (together with the Series A Preferred Stock, the "Special Voting Preferred Stock"), have not been declared and paid in an aggregate amount equal to, as to any such class or series of Special Voting Preferred Stock, the equivalent of at least six quarterly Dividend Periods, whether or not for consecutive Dividend Periods (a "Nonpayment"), the holders of outstanding shares of the Special Voting Preferred Stock voting together as a single class, will, exclusively, be entitled to vote for the election of two additional directors to our Board on the terms set forth below (and to fill any vacancies in the terms of such directorships) (the "Preferred Stock Directors"). In the event that the holders of the shares of the Special Voting Preferred Stock are entitled to vote as described in this paragraph, the number of members of our Board at the time will be increased by two directors, and the holders of the Special Voting Preferred Stock will have the right, as members of that class, as outlined above, to elect two directors at a special meeting of the holders of the Special Voting Preferred Stock called at the request of the holders of record of at least 20% of the aggregate voting power of the Special Voting Preferred Stock, provided that the election of any Preferred Stock Directors shall not cause us to violate the corporate governance requirements of NASDAQ (or any other exchange on which our securities may at such time be listed) that listed companies must have a majority of independent directors, and provided further that at no time shall our Board include more than two Preferred Stock Directors.

When we have paid full dividends on the Special Voting Preferred Stock for the equivalent of at least four Dividend Periods following a Nonpayment, the voting rights described above will terminate, except as expressly provided by law. The voting rights described above are subject to re-vesting upon each and every subsequent Nonpayment.

Upon termination of the right of the holders of the Series A Preferred Stock and Special Voting Preferred Stock to vote for Preferred Stock Directors as described above, the term of office of all Preferred Stock Directors then in office elected by only those holders will terminate immediately. Whenever the term of office of the Preferred Stock Directors ends and the related voting rights have expired, the number of directors automatically will be decreased to the number of directors as otherwise would prevail.

So long as any shares of the Series A Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of holders of at least 66 2/3% in voting power of the Series A Preferred Stock, authorize, create or issue any capital stock ranking senior to the Series A Preferred Stock as to dividends and rights upon liquidation, dissolution or winding up, or reclassify any authorized capital stock into any such shares of such capital stock or issue any obligation or security convertible into or evidencing the right to purchase any such shares of capital stock. So long as any shares of the Series A Preferred Stock remain outstanding, we will not, without the affirmative vote of the holders of at least 66 2/3% in voting power of the Series A Preferred Stock, amend, alter or repeal any provision of the Articles of Amendment or our Articles, including by merger, consolidation or otherwise, in any manner that would affect the powers, preferences or special rights of the Series A Preferred Stock.

Notwithstanding the foregoing, none of the following will be deemed to affect the powers, preferences or special rights of the Series A Preferred Stock:

- any increase in the amount of authorized common stock or authorized preferred stock, or any increase or decrease in the number of shares of any series of preferred stock, or the authorization, creation and issuance of other classes or series of capital stock, in each case ranking on parity with or junior to the Series A Preferred Stock as to dividends or distribution of assets upon our liquidation, dissolution or winding up;

- a merger or consolidation of us with or into another entity in which the shares of the Series A Preferred Stock remain outstanding; and
- a merger or consolidation of us with or into another entity in which the shares of the Series A Preferred Stock are converted into or exchanged for preference securities of the surviving entity or any entity, directly or indirectly, controlling such surviving entity and such new preference securities have powers, preferences and special rights that are not materially less favorable than the Series A Preferred Stock.

The foregoing voting rights of the holders of the Series A Preferred Stock will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required will be effected, all outstanding shares of the Series A Preferred Stock will have been redeemed or called for redemption upon proper notice and we have set aside sufficient funds for the benefit of holders of the Series A Preferred Stock to effect the redemption.

Exhibit 31.1

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

I, George Gleason, certify that:

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

Date: November 9, 2021

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

Exhibit 31.2

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

I, Greg McKinney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bank OZK;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2021

/s/ Greg McKinney
Greg McKinney
Chief Financial Officer

Exhibit 32.1

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

In connection with the accompanying Quarterly Report of Bank OZK (the Bank) on Form 10-Q for the period ended September 30, 2021, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, George Gleason, Chairman and Chief Executive Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

November 9, 2021

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

Exhibit 32.2

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

In connection with the accompanying Quarterly Report of Bank OZK (the Bank) on Form 10-Q for the period ended September 30, 2021, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, Greg McKinney, Chief Financial Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

November 9, 2021

/s/ Greg McKinney
Greg McKinney
Chief Financial Officer