

**UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C. 20429**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2024**

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

Smaller reporting company

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

Indicate by check mark whether the registrant 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 practicable date.

Class	Outstanding at April 30, 2024
Common Stock, \$0.01 par value per share	113,431,898

BANK OZK
FORM 10-Q
March 31, 2024

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BANK OZK
CONSOLIDATED BALANCE SHEETS
 Unaudited

	March 31,	December 31,
	2024	2023
(Dollars in thousands, except per share amounts)		
ASSETS		
Cash and cash equivalents	\$ 2,323,813	\$ 2,149,529
Investment securities – available for sale (“AFS”)	3,072,391	3,244,371
Federal Home Loan Bank of Dallas (“FHLB”) and other bankers’ bank stocks	14,484	50,400
Non-purchased loans	27,781,091	26,195,030
Purchased loans	250,257	264,045
Allowance for loan losses	(365,935)	(339,394)
Net Loans	27,665,413	26,119,681
Premises and equipment, net	681,865	676,821
Foreclosed assets	60,782	61,720
Accrued interest receivable	175,201	170,110
Bank owned life insurance (“BOLI”)	813,996	808,490
Goodwill	660,789	660,789
Other, net	561,170	295,546
Total assets	<u>\$ 36,029,904</u>	<u>\$ 34,237,457</u>
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	\$ 4,046,054	\$ 4,095,874
Savings and interest bearing transaction	9,504,445	9,074,296
Time	15,855,571	14,234,973
Total deposits	29,406,070	27,405,143
Other borrowings	202,009	805,318
Subordinated notes	347,961	347,761
Subordinated debentures	121,652	121,652
Reserve for losses on unfunded credit commitments	170,952	161,834
Accrued interest payable and other liabilities	513,420	255,773
Total liabilities	<u>30,762,064</u>	<u>29,097,481</u>
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock, \$0.01 par value; 100,000,000 shares authorized; 14,000,000 shares issued and outstanding as of March 31, 2024 and December 31, 2023	338,980	338,980
Common stock, \$0.01 par value; 300,000,000 shares authorized; 113,434,816 and 113,148,672 shares issued and outstanding, as of March 31, 2024 and December 31, 2023, respectively	1,134	1,131
Additional paid-in capital	1,609,268	1,612,446
Retained earnings	3,424,672	3,283,818
Accumulated other comprehensive loss	(107,207)	(97,374)
Total stockholders’ equity before noncontrolling interest	5,266,847	5,139,001
Noncontrolling interest	993	975
Total stockholders’ equity	<u>5,267,840</u>	<u>5,139,976</u>
Total liabilities and stockholders’ equity	<u>\$ 36,029,904</u>	<u>\$ 34,237,457</u>

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands, except per share)	
Interest income:		
Non-purchased loans	\$ 586,981	\$ 414,896
Purchased loans	4,960	6,518
Investment securities:		
Taxable	9,333	10,171
Tax-exempt	11,173	9,264
Deposits with banks	24,606	7,870
Total interest income	<u>637,053</u>	<u>448,719</u>
Interest expense:		
Deposits	254,323	93,632
Other borrowings	750	5,422
Subordinated notes	2,574	2,574
Subordinated debentures	2,472	2,239
Total interest expense	<u>260,119</u>	<u>103,867</u>
Net interest income	376,934	344,852
Provision for credit losses	42,923	35,829
Net interest income after provision for credit losses	<u>334,011</u>	<u>309,023</u>
Non-interest income:		
Service charges on deposit accounts:		
NSF fees	—	991
Overdraft fees	3,427	3,287
All other service charges	6,839	6,502
Trust income	2,324	2,033
BOLI income	5,506	4,974
Loan service, maintenance and other fees	6,343	4,076
Gains on sales of other assets	459	343
Net gains on investment securities	410	1,716
Other	3,776	3,887
Total non-interest income	<u>29,084</u>	<u>27,809</u>
Non-interest expense:		
Salaries and employee benefits	69,564	63,249
Net occupancy and equipment	17,974	17,870
Other operating expenses	45,776	45,098
Total non-interest expense	<u>133,314</u>	<u>126,217</u>
Income before taxes	229,781	210,615
Provision for income taxes	54,226	40,703
Net income	175,555	169,912
Earnings attributable to noncontrolling interest	(18)	(12)
Preferred stock dividends	4,047	4,047
Net income available to common stockholders	<u>\$ 171,490</u>	<u>\$ 165,853</u>
Basic earnings per common share	<u>\$ 1.51</u>	<u>\$ 1.42</u>
Diluted earnings per common share	<u>\$ 1.51</u>	<u>\$ 1.41</u>

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Net income	\$ 175,555	\$ 169,912
Other comprehensive income (loss):		
Unrealized gains and (losses) on investment securities AFS	(12,815)	47,777
Tax effect of unrealized gains and losses on investment securities AFS	2,982	(11,805)
Total other comprehensive income (loss)	(9,833)	35,972
Total comprehensive income	\$ 165,722	\$ 205,884

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Non- Controlling Interest</u>	<u>Total</u>
(Dollars in thousands, except per share amounts)							
Three months ended March 31, 2024							
Balances - December 31, 2023	\$ 338,980	\$ 1,131	\$1,612,446	\$3,283,818	\$ (97,374)	\$ 975	\$ 5,139,976
Cumulative effect of change in accounting	—	—	—	12,690	—	—	12,690
Balances - January 1, 2024	338,980	1,131	1,612,446	3,296,508	(97,374)	975	5,152,666
Net income	—	—	—	175,555	—	—	175,555
Earnings attributable to noncontrolling interest	—	—	—	(18)	—	18	—
Total other comprehensive loss	—	—	—	—	(9,833)	—	(9,833)
Preferred stock dividends, \$0.28906 per share	—	—	—	(4,047)	—	—	(4,047)
Common stock dividends, \$0.38 per share	—	—	—	(43,326)	—	—	(43,326)
Issuance of 484,818 shares of common stock pursuant to stock-based compensation plans	—	5	179	—	—	—	184
Repurchase and cancellation of 184,415 shares of common stock withheld for tax pursuant to stock-based compensation plans	—	(2)	(8,008)	—	—	—	(8,010)
Stock-based compensation expense	—	—	4,651	—	—	—	4,651
Forfeitures of 14,259 shares of unvested restricted common stock	—	—	—	—	—	—	—
Balances - March 31, 2024	<u>\$ 338,980</u>	<u>\$ 1,134</u>	<u>\$1,609,268</u>	<u>\$3,424,672</u>	<u>\$ (107,207)</u>	<u>\$ 993</u>	<u>\$ 5,267,840</u>
Three months ended March 31, 2023							
Balances - December 31, 2022	\$ 338,980	\$ 1,172	\$1,753,941	\$2,773,135	\$ (177,649)	\$ 1,359	\$ 4,690,938
Net income	—	—	—	169,912	—	—	169,912
Earnings attributable to noncontrolling interest	—	—	—	(12)	—	12	—
Total other comprehensive income	—	—	—	—	35,972	—	35,972
Preferred stock dividends, \$0.28906 per share	—	—	—	(4,047)	—	—	(4,047)
Common stock dividends, \$0.34 per share	—	—	—	(40,084)	—	—	(40,084)
Issuance of 473,039 shares of common stock pursuant to stock-based compensation plans	—	5	518	—	—	—	523
Repurchase and cancellation of 2,348,138 shares of common stock under share repurchase program	—	(24)	(85,315)	—	—	—	(85,339)
Repurchase and cancellation of 215,362 shares of common stock withheld for tax pursuant to stock-based compensation	—	(2)	(8,672)	—	—	—	(8,674)
Stock-based compensation expense	—	—	4,097	—	—	—	4,097
Forfeitures of 6,359 shares of unvested restricted common stock	—	—	—	—	—	—	—
Balances - March 31, 2023	<u>\$ 338,980</u>	<u>\$ 1,151</u>	<u>1,664,569</u>	<u>\$2,898,904</u>	<u>\$ (141,677)</u>	<u>\$ 1,371</u>	<u>\$ 4,763,298</u>

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Three months ended March 31,	
	2024	2023
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	\$ 175,555	\$ 169,912
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,799	7,636
Amortization	12,073	9,617
Earnings attributable to noncontrolling interest	(18)	(12)
Provision for credit losses	42,923	35,829
Provision for losses on foreclosed and other assets	472	941
Net amortization of investment securities AFS	4,135	5,663
Net gains on investment securities	(410)	(1,716)
Accretion of purchased loans	(1,167)	(1,208)
Gains on sales of other assets	(459)	(343)
Deferred income tax (benefit) expense	24,813	(30,648)
Increase in cash surrender value of BOLI	(5,506)	(4,974)
Stock-based compensation expense	4,651	4,097
Changes in assets and liabilities:		
Trading account securities	414	6,057
Accrued interest receivable	(5,091)	(10,185)
Other assets, net	(5,089)	(9,834)
Accrued interest payable and other liabilities	(14,559)	72,311
Cash provided by operating activities	<u>239,536</u>	<u>\$ 253,143</u>
Cash flows from investing activities:		
Proceeds from sales of FHLB and other bankers' bank stock	36,859	—
Purchases of FHLB and other bankers' bank stock	(944)	(19,898)
Proceeds from maturities/calls/paydowns of investment securities AFS	165,058	160,532
Purchases of investment securities AFS	(10,032)	(48,837)
Proceeds from sale of loans	143	88
Net increase of non-purchased loans	(1,594,783)	(1,369,099)
Net payments received on purchased loans	15,008	17,228
Purchases of premises and equipment	(15,087)	(5,727)
Proceeds from BOLI death benefits	—	236
Proceeds from sales of other assets	2,199	2,610
Net cash invested in unconsolidated investments	(6,330)	(17,192)
Net cash used by investing activities	<u>(1,407,909)</u>	<u>(1,280,059)</u>
Cash flows from financing activities:		
Net increase in deposits	2,000,927	782,840
Net proceeds (repayments) of other borrowings	(603,309)	387,413
Proceeds from issuance of common stock pursuant to stock-based compensation plans	184	523
Cash dividends paid on common stock	(43,088)	(39,854)
Cash dividends paid on preferred stock	(4,047)	(4,047)
Repurchase and cancellation of shares of common stock – share repurchase program	—	(85,339)
Repurchase and cancellation of shares of common stock – withheld for taxes	(8,010)	(8,674)
Net cash provided by financing activities	<u>1,342,657</u>	<u>1,032,862</u>
Net increase in cash and cash equivalents	174,284	5,946
Cash and cash equivalents – beginning of period	2,149,529	1,033,454
Cash and cash equivalents – end of period	<u>\$ 2,323,813</u>	<u>\$ 1,039,400</u>

See accompanying notes to the consolidated financial statements.

BANK OZK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

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 March 31, 2024, the Bank conducted operations through approximately 240 offices in eight states, including offices in Arkansas, Georgia, Florida, North Carolina, Texas, California, New York and Mississippi. The Bank owns 100% of eight finance subsidiary business trusts - Ozark Capital Statutory Trust II (“Ozark II”), Ozark Capital Statutory Trust III (“Ozark III”), Ozark Capital Statutory Trust IV (“Ozark IV”), Ozark Capital Statutory Trust V (“Ozark V”), Intervest Statutory Trust II (“Intervest II”), Intervest Statutory Trust III (“Intervest III”), Intervest Statutory Trust IV (“Intervest IV”) and Intervest Statutory Trust V (“Intervest V”) (collectively, the “Trusts”). In addition, the Bank owns a subsidiary that holds its investment securities, a subsidiary engaged in the development of real estate, a subsidiary that holds an ownership interest in a private aircraft, a subsidiary that owns a renewable energy facility and various other entities that hold foreclosed assets or tax credits or engage in other activities.

The Bank is an Arkansas state banking corporation and is subject to regulation by the Arkansas State Bank Department. Because the Bank is an insured depository institution that is not a member bank of the Board of Governors of the Federal Reserve System, 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 accounting principles generally accepted in the United States (“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, 2023.

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 months ended March 31, 2024 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 2024 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 345,107 shares and 600,524 shares, respectively, of the Bank’s common stock for the three months ended March 31, 2024 and 2023 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 March 31, 2024. There were 40,561 PSU’s excluded from the diluted EPS calculations for the three months ended March 31, 2023 as inclusion would have been anti-dilutive.

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

	Three Months Ended March 31,	
	2024	2023
(In thousands, except per share amounts)		
Numerator:		
Net income available to common stockholders	\$ 171,490	\$ 165,853
Denominator:		
Denominator for basic EPS – weighted-average common shares	113,559	117,078
Effect of dilutive securities – stock options and PSUs	324	327
Denominator for diluted EPS – weighted-average common shares and assumed conversions	113,883	117,405
Basic EPS	\$ 1.51	\$ 1.42
Diluted EPS	\$ 1.51	\$ 1.41

4. Investment Securities

The Bank's investment securities AFS are stated at estimated fair value in the consolidated financial statements with unrealized gains and losses, that do not include a credit component, reported net of related income tax 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"). The Bank believes that the vast majority of unrealized losses on individual investment securities at March 31, 2024 and December 31, 2023 are the result of fluctuations in interest rates.

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)				
March 31, 2024:				
U.S. Government agency mortgage-backed securities	\$ 1,181,249	\$ 1	\$ (99,926)	\$ 1,081,324
Obligations of state and political subdivisions	1,402,752	13,942	(34,587)	1,382,107
Other U.S. Government agency securities	594,998	—	(16,420)	578,578
Corporate obligations	33,660	2	(3,280)	30,382
Total investment securities AFS	\$ 3,212,659	\$ 13,945	\$ (154,213)	\$ 3,072,391
December 31, 2023:				
U.S. Government agency mortgage-backed securities	\$ 1,272,015	\$ 1	\$ (97,587)	\$ 1,174,429
Obligations of state and political subdivisions	1,406,617	22,727	(28,456)	1,400,888
Other U.S. Government agency securities	658,851	—	(20,579)	638,272
Corporate obligations	34,341	—	(3,559)	30,782
Total investment securities AFS	\$ 3,371,824	\$ 22,728	\$ (150,181)	\$ 3,244,371

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)						
March 31, 2024:						
U.S. Government agency mortgage-backed securities	\$ 163	\$ 3	\$ 1,081,102	\$ 99,923	\$ 1,081,265	\$ 99,926
Obligations of state and political subdivisions	249,872	4,394	530,626	30,193	780,498	34,587
Other U.S. Government agency securities	—	—	578,578	16,420	578,578	16,420
Corporate obligations	—	—	29,813	3,280	29,813	3,280
Total investment securities AFS	<u>\$ 250,035</u>	<u>\$ 4,397</u>	<u>\$ 2,220,119</u>	<u>\$ 149,816</u>	<u>\$ 2,470,154</u>	<u>\$ 154,213</u>
December 31, 2023:						
U.S. Government agency mortgage-backed securities	\$ 771	\$ 8	\$ 1,173,593	\$ 97,579	\$ 1,174,364	\$ 97,587
Obligations of state and political subdivisions	218,365	2,822	455,862	25,634	674,227	28,456
Other U.S. Government agency securities	—	—	638,272	20,579	638,272	20,579
Corporate obligations	—	—	30,782	3,559	30,782	3,559
Total investment securities AFS	<u>\$ 219,136</u>	<u>\$ 2,830</u>	<u>\$ 2,298,509</u>	<u>\$ 147,351</u>	<u>\$ 2,517,645</u>	<u>\$ 150,181</u>

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 sell these investment securities before fair value recovers to amortized cost. In addition, for the vast majority of investment securities AFS in an unrealized loss position, the Bank does not believe the unrealized losses are the result of issues with credit quality.

The following table shows the amortized cost and estimated fair value of investment securities AFS by maturity or estimated date of repayment as of March 31, 2024.

Maturity or Estimated Repayment	Amortized Costs	Estimated Fair Value
(Dollars in thousands)		
One year or less	\$ 1,016,026	\$ 973,716
After one year to five years	872,245	807,672
After five years to ten years	359,004	338,434
After ten years	965,384	952,569
Total	<u>\$ 3,212,659</u>	<u>\$ 3,072,391</u>

For purposes of this maturity or estimated repayment distribution, all investment securities AFS are shown based on their contractual maturity date or estimated date of repayment, except (i) U.S. Government agency mortgage-backed securities are allocated among various maturities or repayment categories based on an estimated repayment schedule utilizing third-party median prepayment speeds or other estimates of prepayment speeds and interest rate levels at the measurement date and (ii) callable investment securities for which the Bank has received notification of call are included in the maturity or repayment category in which the 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.

At March 31, 2024 the Bank had no trading securities compared to \$4.5 million of trading securities at March 31, 2023. During the three months ended March 31, 2024, the Bank had net gains of \$0.4 million from the sale of approximately \$161.0 million of trading securities, compared to net gains of \$1.7 million from the sale of approximately \$425.0 million of trading securities for the three months ended March 31, 2023.

At March 31, 2024 and 2023, the Bank had no holdings of investment securities of any one issuer, other than mortgage-backed securities issued by the Federal National Mortgage Association and callable debentures issued by the Federal Home Loan Bank, in an amount greater than 10% of total stockholders' equity.

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.

	<u>Allowance for Loan Losses</u>	<u>Reserve for Losses on Unfunded Credit Commitments</u>	<u>Total Allowance for Credit Losses</u>
	(Dollars in thousands)		
Three months ended March 31, 2024:			
Balances – December 31, 2023	\$ 339,394	\$ 161,834	\$ 501,228
Net charge-offs	(7,264)	—	(7,264)
Provision for credit losses	33,805	9,118	42,923
Balances – March 31, 2024	<u>\$ 365,935</u>	<u>\$ 170,952</u>	<u>\$ 536,887</u>
Three months ended March 31, 2023:			
Balances – December 31, 2022	\$ 208,858	\$ 156,419	\$ 365,277
Net charge-offs	(7,339)	—	(7,339)
Provision for credit losses	20,506	15,323	35,829
Balances – March 31, 2023	<u>\$ 222,025</u>	<u>\$ 171,742</u>	<u>\$ 393,767</u>

The calculations of the Bank's provision for credit losses for the first quarter of 2024 and its total ACL at March 31, 2024 were based on a number of key estimates, assumptions and economic forecasts. The Bank utilized recent economic forecasts provided by Moody's, including their updates released in March 2024. In selecting the weightings for the various economic scenarios for purposes of determining its ACL at March 31, 2024, the Bank's combined weightings assigned to Moody's S4 (Alternative Adverse Downside) and S6 (Stagflation) scenarios exceeded that of the Moody's Baseline scenario. The Bank's selection and weightings of these scenarios reflected its assessment of conditions in the U.S. economy, and acknowledged the uncertainty regarding future U.S. economic conditions, including risk from: a possible recession, inflationary pressures, U.S. fiscal policy actions, quantitative tightening, changes in the Fed funds target rate, the conflict in the Middle East, the ongoing war in Ukraine, global trade and geopolitical matters, supply chain disruptions and various other factors. These forecasts included a number of economic variables, including gross domestic product (“GDP”), unemployment rates, commercial and residential real estate prices, among others. For purposes of the forecasts used in the Bank's CECL methodology, management utilized a reasonable and supportable forecast period of two years, followed by a reversion, on a systematic basis, of estimated losses back to the Bank's historical mean. Management also utilized certain qualitative adjustments to increase the Bank's ACL estimates to capture items that were not fully reflected in the Bank's modeled results.

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 March 31, 2024:					
Real estate:					
Residential 1-4 family	\$ 23,151	\$ (97)	\$ 217	\$ 987	\$ 24,258
Non-farm/non-residential	44,250	(5,140)	388	7,884	47,382
Construction/land development	127,320	—	13	2,891	130,224
Agricultural	4,732	—	28	455	5,215
Multifamily residential	15,469	—	—	6,435	21,904
Commercial and industrial	7,626	—	132	1,613	9,371
Consumer	98,974	(2,666)	650	13,931	110,889
Other	17,872	(992)	203	(391)	16,692
Total ALL for funded loans	339,394	(8,895)	1,631	33,805	365,935
Reserve for losses on unfunded credit commitments	161,834	—	—	9,118	170,952
Total ACL	<u>\$ 501,228</u>	<u>\$ (8,895)</u>	<u>\$ 1,631</u>	<u>\$ 42,923</u>	<u>\$ 536,887</u>

Three months ended March 31, 2023:					
Real estate:					
Residential 1-4 family	\$ 19,506	\$ (8)	\$ 189	\$ 722	\$ 20,409
Non-farm/non-residential	43,605	(6,641)	573	3,159	40,696
Construction/land development	66,467	—	194	4,741	71,402
Agricultural	3,512	—	—	423	3,935
Multifamily residential	5,345	(4)	—	4,478	9,819
Commercial and industrial	8,728	(29)	786	1,148	10,633
Consumer	50,202	(2,098)	419	6,658	55,181
Other	11,493	(893)	173	(823)	9,950
Total ALL for funded loans	208,858	(9,673)	2,334	20,506	222,025
Reserve for losses on unfunded credit commitments	156,419	—	—	15,323	171,742
Total ACL	<u>\$ 365,277</u>	<u>\$ (9,673)</u>	<u>\$ 2,334</u>	<u>\$ 35,829</u>	<u>\$ 393,767</u>

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)		
March 31, 2024:			
Real estate:			
Residential 1-4 family	\$ 26,312	\$ 1,057	\$ 27,369
Non-farm/non-residential	15,136	2,938	18,074
Construction/land development	607	1,252	1,859
Agricultural	250	—	250
Multifamily residential	—	3,063	3,063
Commercial and industrial	1,376	—	1,376
Consumer	9,091	—	9,091
Other	115	—	115
Total	<u>\$ 52,887</u>	<u>\$ 8,310</u>	<u>\$ 61,197</u>
December 31, 2023:			
Real estate:			
Residential 1-4 family	\$ 26,884	\$ 1,438	\$ 28,322
Non-farm/non-residential	21,498	2,335	23,833
Construction/land development	1,798	—	1,798
Agricultural	270	—	270
Multifamily residential	—	3,089	3,089
Commercial and industrial	1,551	—	1,551
Consumer	7,726	—	7,726
Other	88	—	88
Total	<u>\$ 59,815</u>	<u>\$ 6,862</u>	<u>\$ 66,677</u>

Interest income on nonperforming loans as of March 31, 2024 and December 31, 2023 is recognized on a cash basis when and if actually collected. Total interest income recognized on nonperforming loans for the three months ended March 31, 2024 and 2023 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 March 31, 2024, the Bank had no outstanding 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
	Three Months Ended March 31, 2024	Year Ended December 31,				Prior to January 1, 2020		
	2023	2022	2021	2020				
(Dollars in thousands)								
March 31, 2024:								
Residential 1-4 family ⁽¹⁾								
Pass	\$ 15,560	\$ 92,085	\$ 214,011	\$ 145,591	\$ 92,596	\$ 235,873	\$ 135,550	\$ 931,266
Special Mention	—	129	118	1,058	2,034	5,099	356	8,794
Substandard	—	289	1,247	2,255	4,297	19,650	143	27,881
Total residential 1-4 family	15,560	92,503	215,376	148,904	98,927	260,622	136,049	967,941
Non-farm/non-residential								
Pass	37,172	172,940	951,018	1,191,395	1,671,198	1,465,839	31,291	5,520,853
Special Mention	—	—	8,305	3,185	21,508	3,673	838	37,509
Substandard	—	—	—	15,448	2,066	14,756	—	32,270
Total non-farm/non-residential	37,172	172,940	959,323	1,210,028	1,694,772	1,484,268	32,129	5,590,632
Construction/land development								
Pass	117,926	2,099,003	5,607,623	2,674,450	676,096	651,073	303,922	12,130,093
Special Mention	—	1,822	14,916	4,450	649	36	—	21,873
Substandard	—	—	—	1,318	300	128,241	40,496	170,355
Total construction/land development	117,926	2,100,825	5,622,539	2,680,218	677,045	779,350	344,418	12,322,321
Agricultural								
Pass	8,985	23,547	42,819	58,262	32,562	84,327	1,357	251,859
Special Mention	—	—	—	123	—	—	—	123
Substandard	—	—	—	—	—	250	—	250
Total agricultural	8,985	23,547	42,819	58,385	32,562	84,577	1,357	252,232
Multifamily residential								
Pass	132	21,326	158,640	926,302	557,720	737,509	4,170	2,405,799
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	1,315	1,748	13	—	3,076
Total multifamily residential	132	21,326	158,640	927,617	559,468	737,522	4,170	2,408,875
Commercial and industrial								
Pass	24,745	81,787	100,674	47,785	13,584	35,335	1,045,768	1,349,678
Special Mention	—	—	359	322	15	686	2,266	3,648
Substandard	—	2	—	183	1,302	287	25	1,799
Total commercial and industrial	24,745	81,789	101,033	48,290	14,901	36,308	1,048,059	1,355,125
Consumer ⁽¹⁾								
Pass	315,618	939,469	600,297	327,356	108,326	854,233	8,795	3,154,094
Special Mention	96	647	2,047	1,187	314	1,541	—	5,832
Substandard	104	1,258	1,352	601	455	5,320	—	9,090
Total consumer	315,818	941,374	603,696	329,144	109,095	861,094	8,795	3,169,016
Other ⁽¹⁾								
Pass	3,837	973	749,841	123,281	205,506	119,383	762,035	1,964,856
Special Mention	—	—	79	—	—	156	—	235
Substandard	—	—	88	27	—	—	—	115
Total other	3,837	973	750,008	123,308	205,506	119,539	762,035	1,965,206
Total	\$ 524,175	\$ 3,435,277	\$ 8,453,434	\$ 5,525,894	\$ 3,392,276	\$ 4,363,280	\$ 2,337,012	\$ 28,031,348
Gross charge-offs ⁽²⁾	\$ 993	\$ 602	\$ 545	\$ 4,336	\$ 92	\$ 2,327	\$ —	\$ 8,895

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

⁽²⁾ Gross charge-offs for the three months ended March 31, 2024.

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

	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Total</u>
	(Dollars in thousands)			
March 31, 2024:				
Real estate:				
Residential 1-4 family ⁽¹⁾	\$ 931,266	\$ 8,794	\$ 27,881	\$ 967,941
Non-farm/non-residential	5,520,853	37,509	32,270	5,590,632
Construction/land development	12,130,093	21,873	170,355	12,322,321
Agricultural	251,859	123	250	252,232
Multifamily residential	2,405,799	—	3,076	2,408,875
Commercial and industrial	1,349,678	3,648	1,799	1,355,125
Consumer ⁽¹⁾	3,154,094	5,832	9,090	3,169,016
Other ⁽¹⁾	1,964,856	235	115	1,965,206
Total	<u>\$ 27,708,498</u>	<u>\$ 78,014</u>	<u>\$ 244,836</u>	<u>\$ 28,031,348</u>
December 31, 2023:				
Real estate:				
Residential 1-4 family ⁽¹⁾	\$ 919,956	\$ 12,838	\$ 28,544	\$ 961,338
Non-farm/non-residential	5,237,576	37,653	34,010	5,309,239
Construction/land development	11,461,269	22,895	169,323	11,653,487
Agricultural	255,885	268	270	256,423
Multifamily residential	2,061,001	—	3,105	2,064,106
Commercial and industrial	1,263,198	4,422	1,990	1,269,610
Consumer ⁽¹⁾	2,951,522	5,795	7,725	2,965,042
Other ⁽¹⁾	1,977,986	1,756	88	1,979,830
Total	<u>\$ 26,128,393</u>	<u>\$ 85,627</u>	<u>\$ 245,055</u>	<u>\$ 26,459,075</u>

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

The following 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 salvage value but rather it is not practical or desirable to delay charging off.

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

	<u>30-59 Days Past Due ⁽¹⁾</u>	<u>60-89 Days Past Due ⁽²⁾</u>	<u>90 Days or More ⁽³⁾</u>	<u>Total Past Due</u>	<u>Current ⁽⁴⁾</u>	<u>Total</u>
	(Dollars in thousands)					
March 31, 2024:						
Real estate:						
Residential 1-4 family	\$ 13,629	\$ 1,548	\$ 4,738	\$ 19,915	\$ 948,026	\$ 967,941
Non-farm/non-residential	12,808	22	3,638	16,468	5,574,164	5,590,632
Construction/land development	1,138	—	1,697	2,835	12,319,486	12,322,321
Agricultural	—	—	205	205	252,027	252,232
Multifamily residential	—	—	3,063	3,063	2,405,812	2,408,875
Commercial and industrial	80	—	901	981	1,354,144	1,355,125
Consumer	5,638	1,136	555	7,329	3,161,687	3,169,016
Other	27	—	88	115	1,965,091	1,965,206
Total	<u>\$ 33,320</u>	<u>\$ 2,706</u>	<u>\$ 14,885</u>	<u>\$ 50,911</u>	<u>\$ 27,980,437</u>	<u>\$ 28,031,348</u>
December 31, 2023:						
Real estate:						
Residential 1-4 family	\$ 9,649	\$ 7,737	\$ 4,136	\$ 21,522	\$ 939,816	\$ 961,338
Non-farm/non-residential	786	295	19,173	20,254	5,288,985	5,309,239
Construction/land development	—	167	1,588	1,755	11,651,732	11,653,487
Agricultural	—	—	205	205	256,218	256,423
Multifamily residential	—	—	3,089	3,089	2,061,017	2,064,106
Commercial and industrial	187	126	1,034	1,347	1,268,263	1,269,610
Consumer	5,584	980	38	6,602	2,958,440	2,965,042
Other	—	88	—	88	1,979,742	1,979,830
Total	<u>\$ 16,206</u>	<u>\$ 9,393</u>	<u>\$ 29,263</u>	<u>\$ 54,862</u>	<u>\$ 26,404,213</u>	<u>\$ 26,459,075</u>

⁽¹⁾ Includes \$19.9 million and \$4.8 million of loans on nonaccrual status at March 31, 2024 and December 31, 2023, respectively.

⁽²⁾ Includes \$1.2 million and \$4.9 million of loans on nonaccrual status at March 31, 2024 and December 31, 2023, respectively.

⁽³⁾ All loans greater than 90 days past due were on nonaccrual status at March 31, 2024 and December 31, 2023.

⁽⁴⁾ Includes \$25.2 million and \$27.7 million of loans on nonaccrual status at March 31, 2024 and December 31, 2023, respectively.

6. Foreclosed Assets

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

	March 31, 2024	December 31, 2023
	(Dollars in thousands)	
Real estate:		
Non-farm/non-residential	\$ 325	\$ 515
Construction/land development	59,968	59,975
Agricultural	—	76
Total real estate	60,293	60,566
Consumer	489	1,154
Total	<u>\$ 60,782</u>	<u>\$ 61,720</u>

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

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Balance – beginning	\$ 61,720	\$ 6,616
Loans and other assets transferred into foreclosed assets	1,263	62,460
Sales of foreclosed assets	(1,729)	(1,908)
Writedowns of foreclosed assets	(472)	(941)
Balance – ending	<u>\$ 60,782</u>	<u>\$ 66,227</u>

7. Supplemental Cash Flow Information

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

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Cash paid during the period for:		
Interest	\$ 249,449	\$ 98,037
Income taxes	4,918	11,148
Supplemental schedule of non-cash investing and financing activities:		
Net change in unrealized gains/losses on investment securities AFS	(12,815)	47,777
Loans and other assets transferred to foreclosed assets	1,263	62,460

8. Commitments and Contingencies

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments primarily include standby letters of credit and commitments to extend credit.

Outstanding standby letters of credit are contingent commitments by the Bank generally to guarantee the performance of a customer in third party arrangements. The maximum amount of future payments the Bank could be required to make under these guarantees at March 31, 2024 is \$225.9 million. The Bank holds collateral to support guarantees when deemed necessary. Collateralized commitments at March 31, 2024 totaled \$225.2 million.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank has the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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

At March 31, 2024, the Bank had unfunded credit commitments totaling \$20.46 billion, consisting primarily of loans closed but not yet funded. These commitments may or may not fund in whole or part prior to maturity; however, such funding is subject to a number of factors, including, among other economic conditions, real estate market conditions and competitive factors.

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

Contractual Maturities at March 31, 2024	
<u>Year of Maturity</u>	<u>Amount</u>
(Dollars in thousands)	
2024	\$ 2,076,841
2025	4,506,954
2026	8,865,144
2027	3,238,900
2028	1,399,391
Thereafter	371,566
Total	\$ 20,458,796

The Bank is (or may be) 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 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. Tax Credit Investments

The Bank invests in certain tax credit investments and partnerships generally within the areas we serve. The majority of these investments provide funds for the construction and development of affordable housing, which provide low income housing tax credits (“LIHTC”) that are normally recognized over approximately ten years and are an important part in the anticipated yield from these investments. The Bank is a limited partner or non-managing member in each LIHTC limited partnership or limited liability company. Each of these entities is managed by an unrelated third-party general partner or managing member who exercises significant control over the operations and finances of the entity. The general partner or managing member has all the rights, powers and authority granted or permitted to be granted to a general partner of a limited partnership or managing member of a limited liability company. We also have investments in renewable energy tax credits. As of March 31, 2024, the carrying value of tax credit investments and renewable energy partnerships included in “other assets” on our consolidated balance sheet was approximately \$430.4 million including unfunded commitments totaling approximately \$236.0 million. These unfunded commitments are expected to be funded over the terms of the agreements ranging from 2024 to 2041.

The Bank also has investments in Small Business Investment Companies (“SBIC”) that provide funds to qualifying small businesses, and Community Development Companies (“CDC”) that provide funding for the purpose of community development through investments, lending, and credit assistance. As of March 31, 2024, the carrying value of our investments in SBIC’s and CDC’s was approximately \$59.0 million and is included in “other assets” on our consolidated balance sheet. The portion of our investments in SBIC’s and CDC’s that are unfunded totaled approximately \$91.9 million at December 31, 2023 and are expected to be funded over the terms of the agreements ranging from 2024 to 2028.

Effective January 1, 2024, the Bank adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2023-02 “*Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization in Method*,” using the modified retrospective method ASU 2023-02 permits entities to elect to account for equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. While the adoption of ASU 2023-02 did not have a material impact on the Bank’s results of operations, the amortization of the Bank’s Community Reinvestment Act (“CRA”) and tax credit

investments are included in income tax expense instead of non-interest expense beginning January 1, 2024. Additionally, the Bank increased the carrying value of its CRA and tax credit investments, which are included in other assets, and increased other liabilities by \$210 million to account for uncalled capital commitments that are unconditional and legally binding.

For the three months ended March 31, 2024, the Bank's provision for income taxes included the recognition of amortization expense on tax credit investments of \$10.2 million and tax credits and other benefits of \$12.5 million.

10. Stock-Based Compensation

On May 6, 2019 (the "Effective Date"), the Bank's shareholders approved the Bank OZK 2019 Omnibus Equity Incentive Plan (the "Omnibus Plan"). The Omnibus Plan replaced the nonqualified stock option plan for officers and employees ("Option Plan"), the Restricted Stock and Incentive Plan for officers and employees ("2009 Plan") and the non-employee director stock plan ("Director Plan" and together with the Option Plan and the 2009 Plan, the "Prior Plans"). After the Effective Date of the Omnibus Plan, no new awards may be granted under the Prior Plans, it being understood that (i) outstanding awards will continue to be governed by the terms and conditions of the Prior Plan under which they were granted, and (ii) to the extent that any outstanding award under the Prior Plans is forfeited, terminates, expires or lapses without shares being issued, the shares subject to such award not delivered as a result thereof will be available for awards under the Omnibus Plan. Directors, executive officers and employees are eligible to participate in the Omnibus Plan, and the total number of shares available for grant is 3,400,000, subject to adjustment as described in the Omnibus Plan. Awards granted under the Omnibus Plan may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, or other stock-based awards and must contain a minimum vesting period of at least one year from the date of grant (provided that awards for up to 5% of the shares of common stock authorized for issuance under the Omnibus Plan may provide for a shorter vesting period at the time of grant). The Omnibus Plan provides that a non-employee director may not receive stock awards with a grant date fair market value in excess of \$100,000 worth of shares during any calendar year. The benefits received by or allocated to directors, executive officers or employees under the Omnibus Plan are determined within the discretion of the Governance and Compensation Committee ("Compensation Committee") of the Board of Directors.

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

All employee options previously granted under the Option Plan and outstanding at March 31, 2024 were issued with a vesting date three years after issuance and an expiration date seven years after issuance. No stock options were granted under the Omnibus Plan during the three months ended March 31, 2024, or 2023.

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)
Three months ended March 31, 2024:				
Outstanding – January 1, 2024	658,211	\$ 48.71		
Granted	—	—		
Exercised	(6,148)	29.96		
Forfeited/Expired	(274,262)	52.00		
Outstanding – March 31, 2024	377,801	46.63	1.0	1,197.4 ⁽¹⁾
Fully vested and exercisable – March 31, 2024	377,801	\$ 46.63	1.0	1,197.4 ⁽¹⁾

(1) Based on closing price of \$45.46 per share on March 28, 2024.

Intrinsic value for stock options is defined as the amount by which the current market price of the underlying stock exceeds the exercise price. For those stock options where the exercise price exceeds the current market price of the underlying stock, the intrinsic value is zero. The total intrinsic value of options exercised during the three months ended March 31, 2024 and 2023 was \$0.1 million and \$0.4 million, respectively.

During the three months ended March 31, 2024, the Bank issued 238,938 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.

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

	Omnibus Plan
Three months ended March 31, 2024:	
Outstanding – January 1, 2024	653,314
Granted	238,938
Forfeited	(14,259)
Vested	(227,801)
Outstanding – March 31, 2024	650,192
Weighted-average grant date fair value	\$ 44.33

Restricted stock awards totaling 238,938 shares with a grant date fair value of \$42.13 were granted pursuant to the Omnibus Plan during the three months ended March 31, 2024. 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 \$2.1 million for the three months ended March 31, 2024 and 2023. Unrecognized compensation expense for non-vested stock awards was \$18.4 million at March 31, 2024 and is expected to be recognized over a weighted-average period of 2.3 years.

On January 25, 2024, the Bank's Compensation Committee awarded its executive officers an aggregate of 209,112 PSUs that contain both performance and market conditions. The PSUs will be earned and vest depending on the Bank's relative performance with respect to TSR, ROAE and ROAA, over a three-year period, compared to the companies that comprise the KRX at January 1, 2024 (for the TSR component) and compared to the Bank's executive compensation peer group (for the ROAE and ROAA component) over the same three-year period. Measurement is determined on a percentile basis relative to the KRX or the Bank's peer group. For each metric, if the Bank's performance over the performance period is: (i) at or below the 25th percentile compared to the applicable peer group, no PSUs for that metric would be earned; (ii) at threshold performance (26th percentile), 4% of the target would be earned; (iii) at target performance (50th percentile), 100% of the target would be earned; (iv) at the 75th percentile, 150% of the target would be earned; and (v) at maximum performance (95th percentile), 200% of the target would be earned. Achievement of results between levels previously described will result in award payouts determined based on a linear interpolation between payout levels. In the event the Bank's TSR over the performance period is negative, no more than 100% of the target PSUs for the relative TSR component will be earned, and the value of a PSU earned at the end of the performance period for the relative TSR component

cannot exceed six times (6x) the grant date stock price. The PSUs contain a three-year vesting period followed by a one-year post-vest hold period and are eligible to accrue dividend equivalents that are subject to the same vesting criteria as the underlying PSUs. The total compensation expense for the PSUs granted is expected to be approximately \$12 million and is expected to be recognized over the three year vesting period.

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 holding period subsequent to vesting, 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.

	Three Months Ended March 31,	
	2024	2023
Risk-free interest rate	4.70%	4.63%
Expected dividend yield	3.13%	3.04%
Expected stock volatility	42.31%	33.69%
Post-vest hold period	1 year	1 year

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

	Three Months Ended March 31, 2024
Outstanding – January 1, 2024	398,783
Granted	209,112
Forfeited	—
Vested	(105,876)
Outstanding – March 31, 2024	<u>502,019</u>

The following table is a summary of the valuation date stock price index and the weighted average grant date fair values for TSR, ROAE and ROAA for the PSUs granted in the years indicated.

	Three Months Ended March 31,	
	2024	2023
TSR	\$ 43.89	\$ 43.65
ROAE	42.92	39.77
ROAA	42.92	39.77
Valuation stock price index – TSR	100%	100%
Valuation stock price index – ROAE & ROAA	100%	100%
Estimated discount for illiquidity ⁽¹⁾	11.5%	11.0%

- (1) Because of the expected stock price volatility on shares of OZK and the one-year post-vest holding period associated with the PSUs, the Bank has estimated an illiquidity discount using widely accepted option pricing models.

Compensation expense for PSU awards, included in non-interest expense was \$2.5 million and \$2.0 million for the three months ended March 31, 2024 and 2023, respectively. Unrecognized compensation expense for non-vested PSU awards was \$20.0 million at March 31, 2024 and is expected to be recognized over a weighted-average period of 2.3 years.

11. Fair Value Measurements

The Bank measures certain of its assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset or liability. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, fair value is used either on a periodic basis, typically at least quarterly, or on a non-recurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes. At March 31, 2024 and December 31, 2023, 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)			
March 31, 2024:				
Investment securities:				
U.S. Government agency mortgage-backed securities	\$ —	\$ 1,081,324	\$ —	\$ 1,081,324
Obligations of state and political subdivisions	—	1,375,247	6,860	1,382,107
Other U.S. Government agency securities	—	578,578	—	578,578
Corporate obligations	—	30,382	—	30,382
Total investment securities	—	3,065,531	6,860	3,072,391
Nonaccrual loans	—	—	44,800	44,800
Foreclosed assets	—	—	60,782	60,782
Total	\$ —	\$ 3,065,531	\$ 112,442	\$ 3,177,973
December 31, 2023:				
Investment securities:				
U.S. Government agency mortgage-backed securities	\$ —	\$ 1,174,429	\$ —	\$ 1,174,429
Obligations of state and political subdivisions	—	1,393,568	7,320	1,400,888
Other U.S. Government agency securities	—	638,272	—	638,272
Corporate obligations	—	30,782	—	30,782
Total investment securities	—	3,237,051	7,320	3,244,371
Nonaccrual loans	—	—	51,450	51,450
Foreclosed assets	—	—	61,720	61,720
Total	\$ —	\$ 3,237,051	\$ 120,490	\$ 3,357,541

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

Description	Fair Value at March 31, 2024	Technique	Unobservable Inputs
(Dollars in thousands)			
Nonaccrual Loans	\$ 44,800	Third party appraisal ⁽¹⁾ or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Life of loan
Foreclosed Assets	\$ 60,782	Third party appraisal, ⁽¹⁾ broker price opinions and/or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Discount rate 3. Holding period

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

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

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

The Bank has determined that certain of its investment AFS securities had a limited to non-existent trading market at March 31, 2024. 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 in the amount of \$6.9 million at March 31, 2024 were calculated using Level 3 hierarchy inputs and assumptions as the trading market for such securities was determined to be “not active.”

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 March 31, 2024, the Bank had reduced the carrying value of its nonaccrual loans to the estimated fair value of \$44.8 million. The adjustment to reduce the carrying value of such nonaccrual loans to the estimated fair value included \$16.4 million of ACL allocations.

Foreclosed assets – Repossessed personal properties and real estate acquired through or in lieu of foreclosure are measured on a non-recurring basis and are initially recorded at fair value less estimated cost to sell at the date of repossession or foreclosure. Valuations of these assets are periodically reviewed by management with the carrying value of such assets adjusted through non-interest expense to the then estimated fair value net of estimated selling costs.

12. Fair Value of Financial Instruments

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

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

Investment securities – The Bank utilizes independent third parties as its principal pricing sources for determining fair value of investment securities which are measured on a recurring basis. As a result, the Bank receives estimates of fair value from at least two independent pricing sources for the majority of its individual securities within its investment portfolio. For investment securities traded in an active market, fair values are based on quoted market prices if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities, broker

quotes, comprehensive interest rate tables, pricing matrices or a combination thereof. For investment securities traded in a market that is not active, fair value is determined using unobservable inputs. All fair value estimates of the Bank's investment securities are reviewed on a quarterly basis.

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

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

Other borrowed funds – For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Subordinated notes – The fair values of these instruments are based upon observable market inputs.

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

Off-balance sheet instruments – The fair values of 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 letters of credit were not material at March 31, 2024 or December 31, 2023.

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	March 31, 2024		December 31, 2023	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(Dollars in thousands)					
Financial assets:					
Cash and cash equivalents	Level 1	\$ 2,323,813	\$ 2,323,813	\$ 2,149,529	\$ 2,149,529
Investment securities	Levels 2 and 3	3,072,391	3,072,391	3,244,371	3,244,371
Loans, net of ALL ⁽¹⁾	Level 3	27,665,413	27,550,849	26,119,681	26,085,968
Financial liabilities:					
Demand, savings and interest bearing transaction deposits	Level 1	\$ 13,550,499	\$ 13,550,499	\$ 13,170,170	\$ 13,170,170
Time deposits	Level 2	15,855,571	15,834,752	14,234,973	14,219,112
Other borrowings	Level 2	202,009	202,009	805,318	805,318
Subordinated notes	Level 2	347,961	283,551	347,761	284,740
Subordinated debentures	Level 2	121,652	109,955	121,652	112,419

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

13. Changes In and Reclassifications From Accumulated Other Comprehensive Income (“AOCI”)

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

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Beginning balance of AOCI – unrealized gains and (losses) on investment securities AFS	\$ (97,374)	\$ (177,649)
Other comprehensive income (loss):		
Unrealized gains and losses on investment securities AFS	(12,815)	47,777
Tax effect of unrealized gains and losses on investment securities AFS	2,982	(11,805)
Total other comprehensive loss	(9,833)	35,972
Ending balance of AOCI – unrealized gains and (losses) on investment securities AFS	\$ (107,207)	\$ (141,677)

14. Other Operating Expenses

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

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Software and data processing	\$ 11,115	\$ 9,283
Deposit insurance and assessments	8,250	4,148
Professional and outside services	5,970	5,105
Advertising and public relations	3,897	4,036
Amortization of CRA and tax credit investments ⁽¹⁾	—	6,414
Other	16,544	16,112
Total other operating expenses	\$ 45,776	\$ 45,098

⁽¹⁾ Effective January 1, 2024, the Bank adopted ASU 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, which resulted in the amortization of the Bank’s CRA and tax credit investments being included in income tax expense instead of non-interest expense.

15. Recent Accounting Pronouncements

On March 29, 2023, the FASB issued ASU 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. ASU 2023-02 permits reporting entities to elect to account for equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. In addition, ASU 2023-02 was effective for fiscal years beginning after December 15, 2023 for public business entities. The Bank adopted ASU 2023-02 on January 1, 2024 using the modified retrospective method and, at adoption, the Bank recorded as a cumulative effect from the change in accounting principle a \$12.7 million increase to the Bank’s retained earnings. Additionally, the Bank increased the carrying value of its CRA and tax credit investments, which are included in other assets, and increased other liabilities by \$210 million to account for uncalled capital commitments that are unconditional and legally binding.

On November 27, 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” ASU 2023-07 amends the disclosure requirements related to segment reporting primarily through enhanced disclosure about significant segment expenses and by requiring disclosure of segment information on an annual and interim basis. ASU 2023-07 is effective in annual periods beginning after December 15, 2023 and subsequent interim periods beginning after

December 15, 2024 with early adoption permitted. The Bank operates in only one business segment and is currently assessing the potential impact ASU 2023-07 could have on our financial statement disclosures.

On December 14, 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 requires public business entities to on an annual basis disclose a tabular rate reconciliation using both percentage and reporting currency amounts with additional qualitative disclosures of individually significant reconciling items, if needed. ASU 2023-09 also requires all entities on an annual basis to disclose income taxes paid, net of refunds, disaggregated by jurisdiction (federal, state, and foreign). For public business entities, ASU 2023-09 is effective for annual periods beginning after December 15, 2024, though early adoption is permitted. The Bank is currently assessing the potential impact of ASU 2023-09 but does not expect it to have a significant impact on our financial statement disclosures.

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” regarding the Bank’s plans, expectations, thoughts, beliefs, estimates, goals and outlook for the future that are intended to be covered by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management’s expectations as well as certain assumptions and estimates made by, and information available to, management at the time. Those statements are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to: potential delays or other problems in implementing the Bank’s growth, expansion and acquisition strategies, including obtaining regulatory or other approvals, delays in acquiring satisfactory sites, obtaining permits and designing, constructing and opening new offices, relocating, selling or closing existing offices, or integrating any acquisitions; the availability of and access to capital; possible downgrades in the Bank’s 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 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; competitive factors and pricing pressures, including their effect on the Bank’s 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; conditions within the banking industry; recently enacted and potential new laws and regulatory requirements, or changes to existing laws and regulatory requirements, including changes affecting oversight of the financial services industry, changes intended to manage or mitigate climate and related environmental risks, or changes in the interpretation and enforcement of such laws and requirements, and the costs and expenses to comply with new and/or existing legislation and regulatory requirements; uncertainty regarding changes in U.S. government monetary and fiscal policy; the impact of any U.S. federal government shutdown or budgetary crisis; FDIC special assessments or changes to regular assessments; the ability to keep pace with technological changes, including changes regarding artificial intelligence and maintaining cybersecurity; the impact of any failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business or others, including as a result of cyberattacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting the Bank, its customers or others; natural disasters; acts of war or terrorism; the potential impact of continuing inflationary pressures; the potential impact of supply chain disruptions; national or international political instability or military conflict, including the conflict in the Middle East and the ongoing war in Ukraine; competition for and costs of recruiting and retaining qualified personnel; impairment of our goodwill; 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 identified in this communication or as detailed from time to time in our public filings, including those factors described in the disclosures under the headings “Forward-Looking Information” and “Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K for the year ended December 31, 2023 and our quarterly reports on Form 10-Q. Should one or more of the foregoing risks materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described in, or implied by, such forward-looking statements. The Bank disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise.

FINANCIAL HIGHLIGHTS

The selected financial highlights on the following page are derived from our unaudited consolidated financial data as of and for the three months ended March 31, 2024 and 2023. These highlights 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 total common stockholders’ equity, tangible book value per common share and our annualized returns on average common stockholders’ equity, and 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 FINANCIAL HIGHLIGHTS

	Three Months Ended March 31,	
	2024	2023
(Dollars in thousands, except per share)		
Income statement data:		
Net interest income	\$ 376,934	\$ 344,852
Provision for credit losses	42,923	35,829
Non-interest income	29,084	27,809
Non-interest expense	133,314	126,217
Net income	175,555	169,912
Preferred stock dividends	4,047	4,047
Net income available to common stockholders	171,490	165,853
PPNR	272,704	246,444
Common share and per common share data:		
Diluted earnings per common share	\$ 1.51	\$ 1.41
Book value per common share	43.44	38.43
Tangible book value per common share	37.62	32.68
Common stock dividends per share	0.38	0.34
Weighted-average diluted shares outstanding (thousands)	113,883	117,405
End of period shares outstanding (thousands)	113,435	115,080
Balance sheet data at period end:		
Total assets	\$ 36,029,904	\$ 28,971,170
Total loans	28,031,348	22,062,006
Non-purchased loans	27,781,091	21,700,941
Purchased loans	250,257	361,065
Allowance for loan losses	365,935	222,025
Foreclosed assets	60,782	66,227
Investment securities – AFS	3,072,391	3,422,031
Goodwill and other intangible assets, net	660,789	662,354
Deposits	29,406,070	22,282,983
Other borrowings	202,009	994,079
Subordinated notes	347,961	347,147
Subordinated debentures	121,652	121,652
Unfunded balance of closed loans	20,458,796	20,965,040
Reserve for losses on unfunded credit commitments	170,952	171,742
Preferred stock	338,980	338,980
Total common stockholders' equity	4,927,867	4,422,947
Loan (including purchased loans) to deposit ratio	95.33%	99.01%
Average balance sheet data:		
Total average assets	\$ 35,208,299	\$ 27,956,546
Total average common stockholders' equity	4,871,438	4,412,501
Average common equity to total average assets	13.84%	15.78%
Performance ratios:		
Return on average assets ⁽¹⁾	1.96%	2.41%
Return on average common stockholders' equity ⁽¹⁾	14.16	15.24
Return on average tangible common stockholders' equity ⁽¹⁾	16.38	17.94
Net interest margin – FTE ⁽¹⁾	4.71	5.54
Efficiency ratio	32.59	33.63
Common stock dividend payout ratio	25.26	24.17
Asset quality ratios:		
Net charge-offs to average non-purchased loans ⁽¹⁾⁽²⁾	0.11%	0.15%
Net charge-offs to average total loans ⁽¹⁾	0.11	0.14
Nonperforming loans to total loans ⁽³⁾	0.20	0.15
Nonperforming assets to total assets ⁽³⁾	0.32	0.34
Allowance for loan losses to total loans ⁽⁴⁾	1.31	1.01
Allowance for loan losses to total nonperforming loans ⁽⁴⁾	598	553
Allowance for credit losses to total loans and unfunded credit commitments	1.11	0.92
Capital ratios at period end:		
Common equity tier 1	10.63%	11.17%
Tier 1 risk based capital	11.45	12.14
Total risk based capital	13.84	14.61
Tier 1 leverage	13.58	15.39

⁽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 credit commitments.

GENERAL

The following discussion explains our financial condition and results of operations as of and for the three months ended March 31, 2024. 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, 2023. Annualized results for these interim periods may not be indicative of results for the full year or future periods.

We provide a wide range of retail and commercial banking services through approximately 240 offices in Arkansas, Georgia, Florida, North Carolina, Texas, California, New York and Mississippi. 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.

CRITICAL ACCOUNTING ESTIMATES

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 for 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 estimates. A detailed discussion of our critical accounting estimates is included in our annual report on Form 10-K for the year ended December 31, 2023. There has been no change in our critical accounting estimates and no material change in the application of critical accounting estimates as presented in our annual report on Form 10-K for the year ended December 31, 2023.

RECENT INDUSTRY DEVELOPMENTS

The banking industry has continued to experience significant volatility and industry-wide concerns related to liquidity, deposit outflows, unrealized losses on securities and eroding consumer confidence in the banking system. Despite these negative industry developments, we have continued to maintain a strong capital position and stable deposit and liquidity levels.

As a result of bank failures, during 2023, the Federal Deposit Insurance Corporation (the “FDIC”) implemented a special assessment (“initial special assessment”) to recover the costs associated with protecting uninsured deposits from two failed depository institutions. The FDIC will collect from the Bank and other insured depository institutions, special assessments, over eight quarterly assessment periods, beginning the first quarter of 2024. Under the rule, the estimated loss pursuant to the systemic risk determination would be periodically adjusted, and the FDIC would retain the ability to cease collection early, extend the special assessment collection period and impose a final shortfall special assessment on a one-time basis. The FDIC recently approved a second special assessment applicable to banks generally. During the first quarter of 2024, the Bank accrued \$2.5 million for this second special assessment after having accrued \$9.9 million for the initial special assessment during the fourth quarter of 2023.

ANALYSIS OF RESULTS OF OPERATIONS

General

Net income available to our common stockholders was \$171.5 million for the first quarter of 2024, compared to \$165.9 million for the first quarter of 2023. Diluted earnings per common share were \$1.51 for the first quarter of 2024, compared to \$1.41 for the first quarter of 2023.

During the three months ended March 31, 2024, we recorded provision for credit losses of \$42.9 million, compared to provision for credit losses of \$35.8 million during the three months ended March 31, 2023. Our growth in funded loan balances and our cautious outlook on macroeconomic conditions contributed significantly to the higher provision for credit losses. Our ACL and provision for credit losses are tied, in part, to our reasonable and supportable forecast which is related to future economic estimates and perceived economic outlook. Generally, if our reasonable and supportable forecast in future periods suggests economic conditions are expected to deteriorate, we may experience increases in our ACL and provision for credit losses and, generally, if our reasonable and supportable forecast suggests economic conditions are expected to improve, we may experience decreases in our ACL and provision for credit losses. There may be periods when our reasonable and supportable forecast captures more or less risk related to the

uncertainty of future U.S. economic conditions based upon how well we believe such uncertainty is reflected in the various Moody's macroeconomic scenarios. Thus, our weightings and selection of Moody's macroeconomic scenarios may vary significantly from period to period.

Our annualized return on average assets was 1.96% for the first quarter of 2024 compared to 2.41% for the first quarter of 2023. Our annualized return on average common stockholders' equity was 14.16% for the first quarter of 2024 compared to 15.24% for the first quarter of 2023. Our annualized return on average tangible common stockholders' equity was 16.38% for the first quarter of 2024 compared to 17.94% for the first quarter of 2023. 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 \$36.03 billion at March 31, 2024 compared to \$34.24 billion at December 31, 2023. Total loans were \$28.03 billion at March 31, 2024 compared to \$26.46 billion at December 31, 2023. Deposits were \$29.41 billion at March 31, 2024 compared to \$27.41 billion at December 31, 2023.

Common stockholders' equity was \$4.93 billion at March 31, 2024 compared to \$4.80 billion at December 31, 2023. Tangible common stockholders' equity was \$4.27 billion at March 31, 2024 compared to \$4.14 billion at December 31, 2023. Total common stockholders' equity to total assets was 13.68% at March 31, 2024, compared to 14.02% at December 31, 2023. Total tangible common stockholders' equity to total tangible assets was 12.06% at March 31, 2024, compared to 12.33% at December 31, 2023. Book value per common share was \$43.44 at March 31, 2024 compared to \$42.42 at December 31, 2023. Tangible book value per common share was \$37.62 at March 31, 2024 compared to \$36.58 at December 31, 2023. The calculations of our common stockholders' equity, ratio of total tangible common stockholders' equity to total tangible assets 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 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 ("COIBD"); 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 \$3.0 million and \$2.6 million for the three months ended March 31, 2024 and 2023. 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 first quarter of 2024 increased 9.4% to \$380.0 million compared to \$347.5 million for the first quarter of 2023. The increase in net interest income for the first quarter of 2024 was primarily due to growth in our average earning assets more than offsetting the impact of the decrease in our net interest margin compared to the same period in 2023.

Our net interest margin was 4.71% for the first quarter of 2024 compared to 5.54% for the first quarter of 2023. The decrease in our net interest margin for the first quarter of 2024 was primarily due to the increase in the rates paid on our average interest bearing liabilities, partially offset by the increase in yield on average earning assets. In the first quarter of 2024, our cost of interest bearing deposits increased more than the increase in yield on our loan portfolio, as deposit rates have been catching up with earlier increases in loan yields. We expect our COIBD will continue to increase over the next few quarters, albeit at a slowing pace of increase, likely resulting in further decreases in our net interest margin. Additionally, if the Federal Reserve begins to cut rates some time in 2024, we expect that our loan yields will initially decline more quickly than our COIBD.

The yield on our total earning assets was 7.93% for the first quarter of 2024 compared to 7.19% for the first quarter of 2023. The increase in the yield on earning assets for the first quarter of 2024 was primarily attributable to the increases in yield and volume of our non-purchased loans, compared to the same periods in 2023.

The yield on our interest earning deposits increased 100 bps to 5.32% for the first quarter of 2024 compared to 4.32% for the first quarter of 2023.

The yield on our aggregate investment securities portfolio increased 38 bps to 2.93% for the first quarter of 2024 compared to 2.55% for the first quarter of 2023. At March 31, 2024, all of our investment securities portfolio was classified as available-for-sale and we had no investment securities classified as held-to-maturity.

The yield on our non-purchased loans increased 64 bps to 8.71% for the first quarter of 2024 compared to 8.07% for the first quarter of 2023. The yield on our purchased loan portfolio increased 61 bps to 7.74% for the first quarter of 2024 compared to 7.13% for the first quarter of 2023. At March 31, 2024, approximately 82% of the funded balance of our total loans had variable rates, of which 85% were tied to 1-month term Secured Overnight Financing Rate (“SOFR”), 13% to Wall Street Journal Prime Rate (“WSJ Prime”) and 2% to other indexes.

The rates paid on our total interest bearing liabilities increased 184 bps to 4.15% for the first quarter of 2024 compared to 2.31% for the first quarter of 2023. The increase in rates on interest bearing liabilities for the first quarter of 2024 compared to the same period in 2023 was primarily due to an increase in rates paid on our interest bearing deposits and subordinated debentures.

Our COIBD increased 195 bps to 4.15% for the first quarter of 2024 compared to 2.20% for the first quarter of 2023. Like many banks within our industry, we have seen a shift in the mix of deposits away from non-interest bearing and lower cost deposits to more time deposits as many customers have been taking advantage of increases in time deposit rates. As a result, the increase in our COIBD was primarily due to an increase in rates paid on our time deposits during the first quarter of 2024 compared to the same period in 2023. Additionally, increased deposit levels necessary to fund future potential growth in earning assets, changes in the federal funds rate and other rates, the level of on-balance sheet liquidity, or competitive conditions, among other factors, could significantly affect our COIBD in future periods.

Our other borrowing sources include (i) other borrowings, comprised primarily of FHLB advances and fed funds purchased, (ii) subordinated notes and (iii) subordinated debentures. Beginning July 1, 2023, the rates paid on our subordinated debentures are tied to spreads over the 3-month term SOFR. Prior to July 1, 2023, the rates paid on our subordinated debentures were tied to spreads over the 90-day LIBOR. The rates paid on our subordinated debentures increased primarily due to increases in 3-month term SOFR and LIBOR during 2023.

The increase in average earning assets for the first quarter of 2024 compared to the same period in 2023 was primarily due to an increase in non-purchased loans, partially offset by decreases in the average balance of investment securities and purchased loans. The increase in the average balance of interest bearing liabilities for the first quarter of 2024 compared to the same period in 2023 was primarily due to an increase in the average balance of interest bearing deposits needed to fund the increase in our average earning assets.

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 March 31,					
	2024			2023		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
(Dollars in thousands)						
ASSETS						
Interest earning assets:						
Interest earning deposits	\$ 1,861,871	\$ 24,606	5.32%	\$ 739,521	\$ 7,870	4.32%
Investment securities:						
Taxable	2,052,980	9,333	1.83	2,450,756	10,171	1.68
Tax-exempt – FTE	1,172,116	14,144	4.85	1,027,806	11,727	4.63
Non-purchased loans – FTE	27,116,207	587,040	8.71	20,850,529	415,037	8.07
Purchased loans	257,788	4,960	7.74	370,887	6,518	7.13
Total earning assets – FTE	32,460,962	640,083	7.93	25,439,499	451,323	7.19
Non-interest earning assets	2,747,337			2,517,047		
Total assets	<u>\$ 35,208,299</u>			<u>\$ 27,956,546</u>		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Deposits:						
Savings and interest bearing transaction	\$ 9,182,745	\$ 66,902	2.93%	\$ 9,733,499	\$ 42,515	1.77%
Time deposits	15,476,373	187,421	4.87	7,563,013	51,117	2.74
Total interest bearing deposits	24,659,118	254,323	4.15	17,296,512	93,632	2.20
Other borrowings	85,041	750	3.55	467,098	5,422	4.71
Subordinated notes	347,864	2,574	2.98	347,049	2,574	3.01
Subordinated debentures	121,652	2,472	8.18	121,638	2,239	7.47
Total interest bearing liabilities	25,213,675	260,119	4.15	18,232,297	103,867	2.31
Non-interest bearing liabilities:						
Non-interest bearing deposits	4,100,769			4,471,407		
Other non-interest bearing liabilities	682,455			499,997		
Total liabilities	29,996,899			23,203,701		
Total stockholders' equity before noncontrolling interest	5,210,418			4,751,481		
Noncontrolling interest	982			1,364		
Total liabilities and stockholders' equity	<u>\$ 35,208,299</u>			<u>\$ 27,956,546</u>		
Net interest income – FTE		<u>\$ 379,964</u>			<u>\$ 347,456</u>	
Net interest margin – FTE			<u>4.71%</u>			<u>5.54%</u>
Core spread ⁽¹⁾			<u>4.56%</u>			<u>5.87%</u>

⁽¹⁾ 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. The yields on investment securities include amortization of premiums and accretion of discounts. The average balance of non-purchased loans and purchased loans includes loans on which we have discontinued accruing interest. The yields on loans include late fees, any prepayment penalties, yield maintenance or minimum interest provisions on loan repayments and amortization or accretion of certain deferred fees, origination costs, dealer fees (for non-purchased indirect loans) and, for purchased loans, accretion or amortization of any purchase accounting yield adjustment and accretion of non-credit discounts on purchased credit deteriorated loans. Interest expense and rates on our other borrowing sources, our subordinated debentures and our subordinated notes are presented net of interest capitalized on construction projects, if any, and include the amortization of debt issuance costs, if any. The interest expense on the subordinated debentures assumed through an acquisition includes the amortization of any purchase accounting adjustments.

The following table reflects how changes in the volume of interest earning assets and interest bearing liabilities and changes in interest rates have affected our interest income – FTE, interest expense and net interest income – FTE for the 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 March 31, 2024 Over Three Months Ended March 31, 2023		
	Volume	Yield/Rate	Net Change
(Dollars in thousands)			
Increase (decrease) in:			
Interest income – FTE:			
Interest earning deposits	\$ 14,833	\$ 1,903	\$ 16,736
Investment securities:			
Taxable	(1,808)	970	(838)
Tax-exempt – FTE	1,741	676	2,417
Non-purchased loans – FTE	135,646	36,357	172,003
Purchased loans	(2,176)	618	(1,558)
Total interest income – FTE	<u>148,236</u>	<u>40,524</u>	<u>188,760</u>
Interest expense:			
Savings and interest bearing transaction	(4,013)	28,400	24,387
Time deposits	95,832	40,472	136,304
Other borrowings	(3,368)	(1,304)	(4,672)
Subordinated notes	6	(6)	—
Subordinated debentures	—	233	233
Total interest expense	<u>88,457</u>	<u>67,795</u>	<u>156,252</u>
Increase in net interest income – FTE	<u>\$ 59,779</u>	<u>\$ (27,271)</u>	<u>\$ 32,508</u>

Non-Interest Income

Our non-interest income consists primarily of service charges on deposit accounts, trust income, BOLI income, loan service, maintenance and other fees and net gains and losses on investment securities and sales of other assets. Non-interest income for the first quarter of 2024 was \$29.1 million compared to \$27.8 million for the first quarter of 2023.

Service charges on deposit accounts, our largest component of non-interest income, decreased 4.8% to \$10.3 million for the first quarter of 2024 compared to \$10.8 million for the first quarter of 2023. Consistent with the industry trend, we eliminated non-sufficient funds (“NSF”) fees effective January 1, 2024. During the first quarter of 2023, service charges on deposit accounts included NSF fees that totaled \$1.0 million.

Trust income increased 14.3% to \$2.3 million for the first quarter of 2024 compared to \$2.0 million for the first quarter of 2023. The increase in trust income for the first quarter of 2024 was primarily due to increases in personal trust income.

BOLI income from the change in cash surrender value increased 10.7% to \$5.5 million for the first quarter of 2024 compared to \$5.0 million for the first quarter of 2023.

Loan service, maintenance, and other fees, which includes fees that are not considered yield adjustments, increased 55.6% to \$6.3 million for the first quarter of 2024 compared to \$4.1 million for the first quarter of 2023. Income from these items may vary significantly from period to period.

Gains on sales of other assets were \$0.5 million for the first quarter of 2024 compared to \$0.3 million for the first quarter of 2023. Gains on sales of other assets may vary significantly from period to period.

We had net gains of \$0.4 million on trading investment securities sales during the first quarter of 2024, compared to net gains of \$1.7 million on trading investment securities sales during the first quarter of 2023. Gains or losses on sales of trading investment securities may vary significantly from period to period.

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

Non-Interest Income

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Service charges on deposit accounts:		
NSF fees	\$ —	\$ 991
Overdraft fees	3,427	3,287
All other service charges	6,839	6,502
Trust income	2,324	2,033
BOLI income	5,506	4,974
Loan service, maintenance and other fees	6,343	4,076
Gains on sales of other assets	459	343
Net gains on investment securities	410	1,716
Other	3,776	3,887
Total non-interest income	<u>\$ 29,084</u>	<u>\$ 27,809</u>

Non-Interest Expense

Our non-interest expense consists of salaries and employee benefits, net occupancy and equipment and other operating expenses. Non-interest expense increased 5.6% to \$133.3 million for the first quarter of 2024 compared to \$126.2 million for the first quarter of 2023. We expect continued increases in our total non-interest expenses in future quarters due to a combination of expected growth in deposits, loans and other aspects of our business.

Salaries and employee benefits, our largest component of non-interest expense, increased 10.0% to \$69.6 million in the first quarter of 2024 compared to \$63.2 million in the first quarter of 2023. During the first quarter of 2024, the increase in salaries and employee benefits was driven by competitive labor market conditions and our expanding staff. Current economic conditions have presented opportunities to add additional high-quality members to a number of our teams. We expect further growth in headcount to support our anticipated growth and this should result in further increases in salaries and employee benefits in future quarters.

Net occupancy and equipment expenses increased 0.6% to \$18.0 million for the first quarter of 2024 compared to \$17.9 million for the first quarter of 2023.

Our aggregate other operating expenses increased 1.5% to \$45.8 million for the first quarter of 2024 compared to \$45.1 million for the first quarter of 2023. This increase was primarily due to increases in our deposit insurance and assessments, and software and data processing, offset by the impact of the change in accounting method described in the paragraph below, related to the amortization of CRA and tax credit investments. In the first quarter of 2024, the FDIC approved a second special assessment applicable to banks generally. As a result, we accrued and expensed \$2.5 million for this second special assessment.

Effective January 1, 2024, we made an election to account for our tax credit investments using the proportional amortization method under *Accounting Standards Update 2023-02 ("ASU 2023-02")*, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. We adopted this new standard on a modified retrospective basis for all of our tax credit investments. Prior to the adoption of this standard, we accounted for the amortization of our CRA and tax credit investments in non-interest expenses and the impact of the associated income tax credits were accounted for as a component of income tax expense. Under the newly-adopted proportional amortization method, both the amortization and income tax benefits received are included as components of income tax expense. As seen in our results for the quarter just ended, this change in accounting method resulted in a reduction of non-interest expenses and an increase in income tax expense compared to our previous methodology.

Our efficiency ratio (non-interest expense divided by the sum of net interest income – FTE and non-interest income) was 32.6% for the first quarter of 2024 compared to 33.6% for the first quarter of 2023.

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

Non-Interest Expense

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Salaries and employee benefits	\$ 69,564	\$ 63,249
Net occupancy and equipment	17,974	17,870
Other operating expenses:		
Software and data processing	11,115	9,283
Deposit insurance and assessments	8,250	4,148
Professional and outside services	5,970	5,105
Advertising and public relations	3,897	4,036
Amortization of CRA and tax credit investments	—	6,414
Other	16,544	16,112
Total non-interest expense	<u>\$ 133,314</u>	<u>\$ 126,217</u>

Pre-Tax Pre-Provision Net Revenue (“PPNR”)

PPNR is a measure of earnings before provision for credit losses and income tax expense. We use PPNR, which is a non-GAAP financial measure, to measure our core earnings and trends. PPNR increased 10.7% to \$272.7 million for the first quarter of 2024 compared to \$246.4 million for the first quarter of 2023. The increase in PPNR was 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 March 31,	
	2024	2023
	(Dollars in thousands)	
Net income available to common stockholders	\$ 171,490	\$ 165,853
Preferred stock dividends	4,047	4,047
Earnings attributable to noncontrolling interest	18	12
Provision for income taxes	54,226	40,703
Provision for credit losses	42,923	35,829
Pre-tax pre-provision net revenue	<u>\$ 272,704</u>	<u>\$ 246,444</u>

Income Taxes

The provision for income taxes was \$54.2 million for the first quarter of 2024 compared to \$40.7 million for the first quarter of 2023. The effective income tax rate was 23.6% for the first quarter of 2024 compared to 19.3% for the first quarter of 2023. The increase in the effective tax rate for the first quarter of 2024 compared to the same period in 2023 was primarily due to the adoption of ASU 2023-02 effective January 1, 2024 as previously disclosed in the MD&A under the caption “Non-Interest Expense.” Accounting for our income taxes is deemed a critical accounting estimate and is discussed in the Critical Accounting Estimates section of our annual report on Form 10-K for the year ended December 31, 2023.

ANALYSIS OF FINANCIAL CONDITION

RISK ELEMENTS

Risk is inherent in substantially all of the Bank’s operations, and our business exposes us to strategic, credit, market (including interest rate), liquidity, operational, reputational, compliance and regulatory risks (including BSA/AML). 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 our risk appetite for the aforementioned risk categories and 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 our Chief Risk Officer (“CRO”), to assist BRC in the oversight of our enterprise risk management activities. The ERC, pursuant to its charter, has responsibility for review and approval of detailed risk management processes and procedures, monitoring each of our key performance and key risk indicators against our Board-approved risk thresholds, assessing current and emerging risks, monitoring our risk culture, overseeing compliance with regulatory expectations and requirements, and various other risk management functions and activities.

Our most significant risk exposure has traditionally been, and continues to be, credit risk from the extension of credit to our customers. In addition to credit risk, we are also exposed to risk from various other areas including liquidity risk, market and interest rate risks, strategic risk, compliance risk (including regulatory and BSA/AML risk), reputational risk and operational risk (including, among others, information technology risk, business resilience risk, model risk, third party vendor risk, fraud risk, legal risk and cyber security risk). Our BRC and/or our ERC review the framework, policies, procedures and processes employed by us to manage and

monitor each of these risks, including strategies for reducing such risks to appropriate levels consistent with Board-approved risk appetite. Additionally, we use various other committees and management councils to monitor each of these 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 first and second line of defense processes across the Bank, including those activities of our CRMG. These defense activities are executed by our Internal Audit department, which is led by our Chief Audit Executive, who reports directly to our Audit Committee.

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

Credit Risk Management

Overview. Credit risk is defined as the risk that arises from the potential that a borrower or counterparty will fail to perform its financial or contractual obligations. Credit risk arises primarily from our lending activities, including our unfunded credit commitments comprised primarily of the unfunded balance of closed construction loans that have closed but have not yet funded. The Board is responsible for approving overall credit policies relating to the management of credit risk and the Bank’s overall credit risk appetite, along with overseeing and monitoring credit risk. Our lending policies also contain various measures to limit concentration exposures, including customer and commercial real estate (“CRE”) exposures for both funded balances and total commitment balances, as well as by property type and geography.

Our Loan Committee (“LC”) has primary responsibility for monitoring our credit approval process. The LC consists of our Chairman & Chief Executive Officer (“CEO”), President, Chief Credit Officer (“CCO”) and Chief Lending Officer (“CLO”). Loans and aggregate loan relationships exceeding \$20 million up to the limits established by our Board must be approved by the LC. Our Portfolio Oversight Committee (“POC”) oversees the performance and overall quality of our loan portfolio. The POC is comprised of three directors and is chaired by our CEO. At least quarterly, our Board and/or POC review various reports regarding our credit management activities including, but not limited to, summary reports of past due loans, internally classified and criticized loans, lending concentration reports, and various other loan and credit management reports.

Credit Management. The daily administration of our lending function is the responsibility of our CEO, President, CCO and CLO. We maintain a tiered loan limit authorization system. Loan authority is granted to the CEO, CCO and CLO by the Board. The loan authorities of other lending officers are granted by the LC (and ratified by the POC) on the recommendation of appropriate senior officers in amounts commensurate with the officer’s skill level and knowledge.

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

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

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

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

Loan Portfolio. At March 31, 2024, the funded balance of our total loan portfolio was \$28.0 billion, an increase of 5.9% from \$26.5 billion at December 31, 2023. At March 31, 2024, our total loan portfolio consisted of 76.9% real estate loans, 4.8% commercial and industrial loans, 11.3% consumer loans and 7.0% other loans. Real estate loans, the largest category of loans, include loans secured by real estate as evidenced by mortgages or other liens, including loans made to finance the development of real property construction projects.

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

Total Loan Portfolio

	March 31, 2024		December 31, 2023	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	\$ 967,941	3.5%	\$ 961,338	3.6%
Non-farm/non-residential	5,590,632	19.9	5,309,239	20.1
Construction/land development	12,322,321	44.0	11,653,487	44.0
Agricultural	252,232	0.9	256,423	1.0
Multifamily residential	2,408,875	8.6	2,064,106	7.8
Total real estate	21,542,001	76.9	20,244,593	76.5
Commercial and industrial	1,355,125	4.8	1,269,610	4.8
Consumer	3,169,016	11.3	2,965,042	11.2
Other	1,965,206	7.0	1,979,830	7.5
Total loans	<u>\$ 28,031,348</u>	<u>100.0%</u>	<u>\$ 26,459,075</u>	<u>100.0%</u>

Included in “other” loans at March 31, 2024 and December 31, 2023 are loans totaling approximately \$1.17 billion and approximately \$1.24 billion, respectively, made to non-depository financial institutions and typically collateralized by an assignment of a promissory note and all related note documents including mortgages, deeds of trust, or other documents (“debt-on-debt” loans). While such loans are considered “other” loans in accordance with FDIC instructions for the Federal Financial Institutions Examination Council 041 Consolidated Reports of Condition and Income (“Call Report”), we underwrite these lending transactions based on the fundamentals of the underlying collateral, repayment sources and guarantors, among other factors, consistent with other similar lending transactions.

Our credit risk management strategies include efforts to avoid risk of undue concentrations of credit in a particular collateral type, geography or with an individual customer. While we do have concentrations in CRE lending, our CRE loan portfolio is diversified by geography and collateral type. 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 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)	
March 31, 2024:			
Miami–Fort Lauderdale–Pompano Beach, FL MSA	\$ 1,585,215	\$ 2,639,793	\$ 4,225,008
New York–Newark–Jersey City, NY–NJ–PA MSA	2,466,110	1,647,265	4,113,375
San Diego–Chula Vista–Carlsbad, CA MSA	993,987	1,003,795	1,997,782
Atlanta–Sandy Springs–Alpharetta, GA MSA	1,354,192	618,815	1,973,007
Dallas–Fort Worth–Arlington, TX MSA	1,135,195	713,768	1,848,963
Los Angeles–Long Beach–Anaheim, CA MSA	1,490,882	354,585	1,845,467
San Francisco–Oakland–Berkeley, CA MSA	866,970	675,367	1,542,337
Chicago–Naperville–Elgin, IL–IN–WI MSA	1,041,749	449,401	1,491,150
Phoenix–Mesa–Chandler, AZ MSA	346,208	929,155	1,275,363
Washington–Arlington–Alexandria, DC–VA–MD–WV MSA	586,653	647,149	1,233,802
All other geographies	9,674,840	7,355,624	17,030,464
Total real estate loans	<u>\$ 21,542,001</u>	<u>\$ 17,034,717</u>	<u>\$ 38,576,718</u>
December 31, 2023:			
New York–Newark–Jersey City, NY–NJ–PA MSA	\$ 2,422,053	\$ 1,801,635	\$ 4,223,688
Miami–Fort Lauderdale–Pompano Beach, FL MSA	1,511,970	2,009,347	3,521,317
San Diego–Chula Vista–Carlsbad, CA MSA	862,634	1,133,910	1,996,544
Atlanta–Sandy Springs–Alpharetta, GA MSA	1,271,596	669,262	1,940,858
Los Angeles–Long Beach–Anaheim, CA MSA	1,426,251	418,205	1,844,456
Dallas–Fort Worth–Arlington, TX MSA	1,060,705	717,813	1,778,518
San Francisco–Oakland–Berkeley, CA MSA	780,616	760,914	1,541,530
Chicago–Naperville–Elgin, IL–IN–WI MSA	1,010,023	485,375	1,495,398
Phoenix–Mesa–Chandler, AZ MSA	341,898	1,014,478	1,356,376
Washington–Arlington–Alexandria, DC–VA–MD–WV MSA	563,014	706,173	1,269,187
All other geographies	8,993,833	7,482,624	16,476,457
Total real estate loans	<u>\$ 20,244,593</u>	<u>\$ 17,199,736</u>	<u>\$ 37,444,329</u>

Debt-on-debt loans are reported as “other” loans 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 March 31, 2024 and December 31, 2023, we had 82 and 81 additional geographies and MSAs that contain total committed balances (both funded and unfunded) of \$10 million or more.

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

	March 31, 2024		December 31, 2023	
	Amount	%	Amount	%
(Dollars in thousands)				
Office, including medical offices	\$ 2,353,562	42.1%	\$ 2,215,736	41.7%
Hotels and motels	1,065,208	19.1	894,055	16.8
Manufacturing and industrial facilities	709,528	12.7	691,124	13.0
Retail, including shopping centers and strip centers	308,249	5.5	313,794	5.9
Mixed use properties	230,376	4.1	223,809	4.2
Churches and schools	222,644	4.0	220,907	4.2
Life Science	171,010	3.0	164,326	3.1
Restaurants and bars	113,665	2.0	115,458	2.2
Gasoline stations and convenience stores	93,081	1.7	90,226	1.7
Office warehouse, warehouse and mini-storage	66,761	1.2	124,576	2.3
Other non-farm/non-residential	256,548	4.6	255,228	4.9
Total	<u>\$ 5,590,632</u>	<u>100.0%</u>	<u>\$ 5,309,239</u>	<u>100.0%</u>

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

	March 31, 2024		December 31, 2023	
	Amount	%	Amount	%
(Dollars in thousands)				
Unimproved land	\$ 813,731	6.6%	\$ 814,301	7.0%
Land development and lots:				
1-4 family residential and multifamily	586,122	4.8	573,696	4.9
Non-residential	375,115	3.0	381,906	3.3
Construction:				
1-4 family residential:				
Owner occupied	8,556	0.1	7,397	0.1
Non-owner occupied	1,939,952	15.7	1,713,754	14.7
Multifamily	3,225,061	26.2	3,040,681	26.1
Mixed use properties	1,755,231	14.2	1,946,036	16.6
Life science	1,301,704	10.6	1,093,159	9.3
Manufacturing, industrial and warehouse	1,248,091	10.1	976,884	8.4
Offices, including medical offices	789,414	6.4	852,966	7.3
Hotels and motels	148,351	1.2	128,006	1.1
Other	130,993	1.1	124,701	1.2
Total	<u>\$ 12,322,321</u>	<u>100.0%</u>	<u>\$ 11,653,487</u>	<u>100.0%</u>

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, capital sources other than our loans, total an amount sufficient to cover all soft costs, including construction period interest and a portion of the hard costs. While we advance interest reserves as part of the funding process, this has been considered in determining the borrower's initial equity contribution. During the three months ended March 31, 2024 and 2023, 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 March 31, 2024 and December 31, 2023, we had no construction and development loans with interest reserves that were nonperforming.

During the first quarter of 2024, we recognized approximately \$134 million of interest income on construction and development loans from the advance of interest reserves, compared to approximately \$91 million during the comparable period in 2023. We advanced construction period interest on construction and development loans totaling approximately \$133 million in the first quarter of 2024 compared to approximately \$87 million in the first quarter of 2023.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at March 31, 2024 was approximately \$26.37 billion, of which \$11.33 billion was outstanding at March 31, 2024 and \$15.04 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 loan-to-value ("LTV") on such loans, based on the most recent appraisals and assuming such loans are ultimately fully advanced, was approximately 43%.

Purchased Loans. Purchased loans, which consist of the remaining loans from the fifteen acquisitions we made between 2010 and 2016, accounted for 0.9% of our total loan portfolio at March 31, 2024 compared to 1.0% at December 31, 2023. This portfolio is expected to 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 purchased credit deteriorated ("PCD") loans, and loans that do not contain evidence of credit deterioration. Unless individually evaluated, all purchased commercial loans, including both PCD and non-PCD loans, are dual risk rated through our score cards, which were previously discussed under Credit Risk Management – Credit Management Actions above. While our purchased consumer loans and certain small business loans, including both PCD and non-PCD, are not risk rated through our score cards, 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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	(Dollars in thousands)	
Loans not deemed PCD:		
Unpaid principal balance	\$ 239,427	\$ 252,834
Valuation discount	(2,512)	(2,721)
Carrying value	<u>236,915</u>	<u>250,113</u>
PCD loans:		
Unpaid principal balance	15,508	16,281
Valuation discount	(2,166)	(2,349)
Carrying value	<u>13,342</u>	<u>13,932</u>
Total carrying value	<u>\$ 250,257</u>	<u>\$ 264,045</u>

Nonperforming Assets. Our nonperforming assets consist of (1) nonaccrual loans, (2) accruing loans 90 days or more past due and (3) real estate or other assets that have been acquired in partial or full satisfaction of loan obligations or upon foreclosure or former branches which are no longer being utilized for banking purposes.

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.

The following table presents information concerning nonperforming assets as of the dates indicated.

Nonperforming Assets

	March 31, 2024	December 31, 2023
	(Dollars in thousands)	
Nonaccrual loans ⁽¹⁾	\$ 56,217	\$ 60,982
Accruing loans 90 days or more past due	—	—
Total nonperforming loans, excluding purchased loans	56,217	60,982
Nonaccrual purchased loans	4,980	5,695
Total nonperforming loans	61,197	66,677
Foreclosed assets	60,782	61,720
Total nonperforming assets	\$ 121,979	\$ 128,397
Nonperforming loans to total loans, excluding purchased loans ⁽¹⁾	0.20%	0.23%
Nonaccrual loans to total loans	0.22	0.25
Nonperforming assets to total assets, excluding purchased loans ⁽²⁾	0.32	0.36
Nonperforming assets to total assets	0.34	0.38
ALL to nonaccrual loans ⁽³⁾	598%	509%
ACL to nonaccrual loans	877	752

⁽¹⁾ Excludes purchased loans.

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

⁽³⁾ Excludes reserve for losses on unfunded credit commitments.

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

At March 31, 2024, we had reduced the carrying value of our nonperforming loans to the estimated fair value of such loans of \$44.8 million. The adjustment to reduce the carrying value of such nonperforming loans to the estimated fair value consisted of \$16.4 million of allowance for loan loss allocations.

At March 31, 2024 and December 31, 2023, we had certain substandard loans not designated as nonperforming, nonaccrual or 90 days past due, totaling \$183.6 million and \$178.5 million, respectively, including two credits originated by our Real Estate Specialties Group. The first credit, which was downgraded to substandard during the fourth quarter of 2019, is collateralized by a lot development and townhouse construction project near Lake Tahoe, California. This credit had an outstanding balance of \$40.5 million at March 31, 2024 and \$39.4 million at December 31, 2023. The second credit, which was downgraded from special mention to substandard during the fourth quarter of 2023, is collateralized by vacant land in Chicago, Illinois and had an outstanding balance of \$128.0 million at March 31, 2024 and December 31, 2023. These credits were not past due at March 31, 2024 or December 31, 2023.

The following table presents information concerning the geographic location of nonperforming assets at March 31, 2024. 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)		
California	\$ 1,421	\$ 60,004	\$ 61,425
Arkansas	14,541	74	14,615
Georgia	9,293	279	9,572
Texas	8,551	142	8,693
Florida	4,835	83	4,918
North Carolina	3,325	89	3,414
All other	19,231	111	19,342
Total	<u>\$ 61,197</u>	<u>\$ 60,782</u>	<u>\$ 121,979</u>

Allowance for Credit Losses. Our provision for credit losses for the first quarter of 2024 was \$42.9 million, including a provision expense of \$33.8 million related to our allowance for loan losses (“ALL”) for outstanding loans and a provision of \$9.1 million related to our reserve for losses on unfunded credit commitments. Our provision for credit losses for the first quarter of 2023 was \$35.8 million, including a provision expense of \$20.5 million related to our ALL for outstanding loans and a provision expense of \$15.3 million related to our reserve for losses on unfunded credit commitments.

The calculations of our provision for credit losses for the first quarter of 2024 and our total ACL at March 31, 2024 were based on a number of key estimates, assumptions and economic forecasts. Management utilized recent economic forecasts provided by Moody’s, including the Moody’s updates released in March 2024.

In selecting the weightings for the various economic scenarios for purposes of determining its ACL at March 31, 2024, our combined weightings assigned to Moody’s S4 (Alternative Adverse Downside) and S6 (Stagflation) scenarios exceeded that of the Moody’s Baseline scenario. Our selection and weightings of these scenarios reflected our assessment of conditions in the U.S. economy, and acknowledged the uncertainty regarding future U.S. economic conditions, including risks from: a possible recession, inflationary pressures, U.S. fiscal policy actions, quantitative tightening, changes in the Fed funds target rate, the conflict in the Middle East, the ongoing war in Ukraine, global trade and geopolitical matters, supply chain disruptions and various other factors. These forecasts included a number of economic variables, including gross domestic product (“GDP”), unemployment rates, commercial and residential real estate prices, among others. For purposes of the forecasts used in the Bank’s CECL methodology, management utilized a reasonable and supportable forecast period of two years, followed by a reversion, on a systematic basis, of estimated losses back to the our historical mean. Management also utilized certain qualitative adjustments to increase our ACL estimates to capture items not fully reflected in our modeled results. CECL has and is expected to continue to increase the volatility in our provision for credit losses and associated ACL from period to period.

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

Allowance for Credit Losses

	Allowance for Loan Losses	Reserve for Losses on Unfunded Credit Commitments	Total Allowance for Credit Losses
	(Dollars in thousands)		
Three months ended March 31, 2024:			
Balances – December 31, 2023	\$ 339,394	\$ 161,834	\$ 501,228
Net charge-offs	(7,264)	—	(7,264)
Provision for credit losses	33,805	9,118	42,923
Balances – March 31, 2024	<u>\$ 365,935</u>	<u>\$ 170,952</u>	<u>\$ 536,887</u>
Three months ended March 31, 2023:			
Balances – December 31, 2022	\$ 208,858	\$ 156,419	\$ 365,277
Net charge-offs	(7,339)	—	(7,339)
Provision for credit losses	20,506	15,323	35,829
Balances – March 31, 2023	<u>\$ 222,025</u>	<u>\$ 171,742</u>	<u>\$ 393,767</u>

The amount of our provision for credit losses is based on our analysis of the adequacy of the ACL utilizing the criteria discussed in the Critical Accounting Estimates section of our annual report on Form 10-K for the year ended December 31, 2023.

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 March 31,		As of and for the Year Ended December 31,
	2024	2023	2023
Net charge-offs of non-purchased loans to total average non-purchased loans ⁽¹⁾⁽²⁾	0.11%	0.15%	0.11%
Net charge-offs of total loans to total average loans ⁽¹⁾	0.11	0.14	0.13
ALL to total loans ⁽³⁾	1.31	1.01	1.28
Reserve for losses on unfunded credit commitments to total unfunded credit commitments	0.84	0.82	0.79
ACL to total loans	1.92	1.78	1.89
ACL to total loans and unfunded credit commitments	1.11	0.92	1.07

⁽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 credit commitments.

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

Allocation of the ALL

	March 31, 2024				December 31, 2023			
	ALL	% of ALL to Loans	Total Loans	% of loans to Total Loans	ALL	% of ALL to Loans	Total Loans	% of loans to Total Loans
(Dollars in thousands)								
ALL for loans:								
Real estate:								
Residential 1-4 family	\$ 24,258	2.51%	\$ 967,941	3.5%	\$ 23,151	2.41%	\$ 961,338	3.6%
Non-farm/non-residential	47,382	0.85	5,590,632	19.9	44,250	0.83	5,309,239	20.1
Construction/land development	130,224	1.06	12,322,321	44.0	127,320	1.09	11,653,487	44.0
Agricultural	5,215	2.07	252,232	0.9	4,732	1.85	256,423	1.0
Multifamily residential	21,904	0.91	2,408,875	8.6	15,469	0.75	2,064,106	7.8
Commercial and industrial	9,371	0.69	1,355,125	4.8	7,626	0.60	1,269,610	4.8
Consumer	110,889	3.50	3,169,016	11.3	98,974	3.34	2,965,042	11.2
Other	16,692	0.85	1,965,206	7.0	17,872	0.90	1,979,830	7.5
Total ALL	<u>\$365,935</u>	1.31%	<u>\$28,031,348</u>	100.0%	<u>\$339,394</u>	1.28%	<u>\$26,459,075</u>	100.0%

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 Credit Commitments	Total ACL
	(Dollars in thousands)		
March 31, 2024:			
Real estate:			
Residential 1-4 family	\$ 24,258	\$ 5,437	\$ 29,695
Non-farm/non-residential	47,382	3,483	50,865
Construction/land development	130,224	102,870	233,094
Agricultural	5,215	59	5,274
Multifamily residential	21,904	1,584	23,488
Commercial and industrial	9,371	29,853	39,224
Consumer	110,889	142	111,031
Other	16,692	27,524	44,216
Total	<u>\$ 365,935</u>	<u>\$ 170,952</u>	<u>\$ 536,887</u>
December 31, 2023:			
Real estate:			
Residential 1-4 family	\$ 23,151	\$ 5,252	\$ 28,403
Non-farm/non-residential	44,250	3,605	47,855
Construction/land development	127,320	108,525	235,845
Agricultural	4,732	66	4,798
Multifamily residential	15,469	1,021	16,490
Commercial and industrial	7,626	16,680	24,306
Consumer	98,974	134	99,108
Other	17,872	26,551	44,423
Total	<u>\$ 339,394</u>	<u>\$ 161,834</u>	<u>\$ 501,228</u>

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

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

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

The total available liquidity from primary and secondary sources are reflected in the following table.

Available Primary and Secondary Liquidity Sources

	March 31, 2024		
	Total Capacity	Outstanding	Available Liquidity
	(Dollars in thousands)		
Cash & cash equivalents	\$ 2,323,813	\$ —	\$ 2,323,813
Unpledged investment securities	2,125,236	—	2,125,236
FHLB ⁽¹⁾	10,018,997	3,498,755	6,520,242
Unsecured lines of credit	855,000	200,000	655,000
Fed discount window	369,384	—	369,384
Total	<u>\$ 15,692,430</u>	<u>\$ 3,698,755</u>	<u>\$ 11,993,675</u>

⁽¹⁾ FHLB Borrowing outstanding included \$3.50 billion of outstanding letters of credit at March 31, 2024.

Deposits. In recent years, we have worked to improve the mix and quality of our deposit base by focusing significant efforts on growing our core relationships. This groundwork has been very helpful in the current environment, allowing us to continue to grow deposits even as many banks have seen deposit outflows. Like many in the industry, we have seen a shift in the mix of deposits away from non-interest bearing and lower cost deposits to more time deposits. Most of our deposits are generated through our network of 228 retail branches in Arkansas, Georgia, Florida, North Carolina and Texas and are primarily used to fund our growth in non-purchased loans. Our total deposits increased \$2.00 billion, or 7.3%, not annualized, to \$29.41 billion at March 31, 2024 compared to \$27.41 billion at December 31, 2023. Our loan-to-deposit ratio at March 31, 2024 was 95.3% compared to 96.5% at December 31, 2023.

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

	March 31, 2024		December 31, 2023	
	(Dollars in thousands)			
Non-interest bearing	\$ 4,046,054	13.8%	\$ 4,095,874	14.9%
Interest bearing:				
Transaction (NOW)	4,716,441	16.0	4,486,372	16.4
Savings and money market	4,788,004	16.3	4,587,924	16.7
Time deposits	15,855,571	53.9	14,234,973	52.0
Total deposits	<u>\$ 29,406,070</u>	<u>100.0%</u>	<u>\$ 27,405,143</u>	<u>100.0%</u>

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

	March 31, 2024		December 31, 2023	
	(Dollars in thousands)			
Non-interest bearing	\$ 4,046,054	13.8%	\$ 4,095,874	14.9%
Interest bearing:				
Consumer and commercial:				
Consumer – Non-Time	2,807,465	9.5	2,792,199	10.2
Consumer – Time	11,545,695	39.3	10,216,217	37.3
Commercial – Non-Time	2,860,322	9.7	2,439,175	8.9
Commercial – Time	868,118	3.0	767,566	2.8
Public funds	3,631,328	12.3	3,725,766	13.6
Brokered	2,842,124	9.7	2,655,317	9.7
Reciprocal	804,964	2.7	713,029	2.6
Total deposits	<u>\$ 29,406,070</u>	<u>100.0%</u>	<u>\$ 27,405,143</u>	<u>100.0%</u>

At March 31, 2024, brokered deposits totaled \$2.84 billion, compared to \$2.66 billion at December 31, 2023. Brokered deposits totaled 9.7% of total deposits as of March 31, 2024 and December 31, 2023, respectively. 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 primary 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 March 31,			
	2024		2023	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(Dollars in thousands)			
Interest bearing:				
Transaction (NOW)	\$ 4,439,848	3.27%	\$ 4,208,169	1.53%
Savings and money market	4,742,897	2.61	5,525,330	2.09
Time deposits	15,476,373	4.87	7,563,013	2.74
Total interest-bearing deposits	24,659,118	4.15	17,296,512	2.20
Non-interest bearing	4,100,769	—	4,471,407	—
Total deposits	<u>\$ 28,759,887</u>	3.56	<u>\$ 21,767,919</u>	1.74

The calculation of the average rate paid on total interest bearing deposits of 4.15% for the three months ended March 31, 2024 and 2.20% for the three months ended March 31, 2023, 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 3.56% for the three months ended March 31, 2024 and 1.74% for the three months ended March 31, 2023. Because of the recent increases in the federal funds target rate, we expect further increases in our rates on interest-bearing deposits in future periods, albeit at a slowing pace of increase. Future increases or decreases in the rate paid on our interest bearing deposits will depend on funding needs to support growth in our earning assets, changes in the federal funds rate and other interest rates, the level of on-balance sheet liquidity, competitive conditions and other factors.

As of March 31, 2024, approximately 81% of our deposits are either insured (66%) or, in the case of public funds and certain other deposits, collateralized (15%). The estimated amount of uninsured deposits at March 31, 2024 was \$9.9 billion. Estimated uninsured deposits exclude intercompany deposits that are eliminated in financial consolidation. The following table sets forth time deposits that are in excess of the FDIC insurance limit or are otherwise uninsured as of the date indicated.

Maturity Distribution of Time Deposits

	Estimated Aggregate Time Deposits that Exceed the FDIC Insurance Limit or Otherwise Uninsured Time Deposits ⁽¹⁾
	(Dollars in thousands)
March 31, 2024:	
3 months or less	\$ 1,566,087
Over 3 to 6 months	1,340,087
Over 6 to 12 months	2,012,238
Over 12 months	221,954
Total	<u>\$ 5,140,366</u>

⁽¹⁾ Includes time deposits, by account, that are in excess of \$250,000.

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

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

Deposits by State

Deposits Attributable to Offices In	March 31, 2024		December 31, 2023	
	(Dollars in thousands)			
Arkansas	\$ 10,664,611	36.3%	\$ 10,315,992	37.6%
Georgia	8,226,255	28.0	7,739,622	28.2
Florida	5,099,323	17.3	4,471,030	16.3
Texas	3,426,925	11.7	3,020,420	11.0
North Carolina	1,988,956	6.7	1,858,079	6.9
Total	\$ 29,406,070	100.0%	\$ 27,405,143	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 March 31, 2024 by type and by fixed or floating interest rates. This table is based on actual maturities and does not reflect amortizations, projected paydowns or the earliest repricing for floating rate loans. Many loans have principal paydowns scheduled in periods prior to the period in which they mature. In addition, many floating rate loans are subject to repricing in periods prior to the period in which they mature.

Loan Maturities

	1 Year or Less	Over 1 Through 5 Years	Over 5 Through 15 Years	Over 15 Years	Total
	(Dollars in thousands)				
Real estate	\$ 7,968,098	\$ 12,128,523	\$ 806,543	\$ 638,837	\$ 21,542,001
Commercial and industrial	694,557	622,360	37,771	437	1,355,125
Consumer	16,206	25,202	924,570	2,203,038	3,169,016
Other	927,147	1,028,961	4,302	4,796	1,965,206
Total	\$ 9,606,008	\$ 13,805,046	\$ 1,773,186	\$ 2,847,108	\$ 28,031,348
Fixed rate	\$ 274,547	\$ 1,473,473	\$ 1,021,667	\$ 2,406,918	\$ 5,176,605
Floating rate (not at a floor or ceiling rate) ⁽¹⁾	9,092,650	12,055,520	223,979	216,697	21,588,846
Floating rate (at floor rate) ⁽¹⁾	185,737	253,741	521,256	223,288	1,184,022
Floating rate (at ceiling rate)	53,074	22,312	6,284	205	81,875
Total	\$ 9,606,008	\$ 13,805,046	\$ 1,773,186	\$ 2,847,108	\$ 28,031,348

⁽¹⁾ At March 31, 2024, 99% of our variable rate loans had floor rates and the majority of the rates on these loans were above their floor rate. In a declining rate environment, such loans will reprice immediately until they reach their floor rate.

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

At March 31, 2024, we had \$20.46 billion in unfunded credit commitments, the vast majority of which is attributable to the unfunded balance of closed construction and development loans. In most cases the borrower's equity and all or most other required subordinated elements of the capital structure must be fully funded before we advance funds. In many cases we do not advance funds on construction and development loans for many months after closing because the borrower's equity and a majority of 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 loan fundings and loan repayments. Our ability to project periodic net portfolio growth with a reasonable degree of accuracy is an important part of our liquidity management process.

Investment Securities AFS. We classify all of our securities as either available for sale or trading; thus, we have no securities classified as held-to-maturity. Cash flows from our investment securities portfolio also provide us with an additional source of liquidity. The following table reflects the expected maturity distribution of our investment securities AFS, at estimated fair value, at March 31, 2024 and weighted average yields (for tax exempt obligations on an FTE basis) of such securities.

Expected Maturity Distribution of Investment Securities AFS

	1 Year Or Less	Weighted Average Yield- FTE	Over 1 Through 5 Years	Weighted Average Yield- FTE	Over 5 Through 10 Years	Weighted Average Yield- FTE	Over 10 Years	Weighted Average Yield- FTE	Total	Weighted Average Yield- FTE
(Dollars in thousands)										
U.S. Government agency mortgage-backed	\$ 311,755	1.56%	\$ 649,487	1.38%	\$ 113,487	1.30%	\$ 6,595	2.24%	\$1,081,324	1.43%
Obligations of state and political subdivisions	80,467	2.97	142,146	5.27	221,407	4.85	938,087	4.98	1,382,107	4.87
Other U.S. Government agency securities	578,578	1.07	—	—	—	—	—	—	578,578	1.07
Corporate obligations	2,916	4.70	16,039	3.92	3,540	4.77	7,887	4.91	30,382	4.36
Total	\$ 973,716	1.40%	\$ 807,672	2.07%	\$ 338,434	3.60%	\$ 952,569	4.96%	\$3,072,391	2.90%
Percentage of total	31.7%		26.3%		11.1%		30.9%		100.0%	
Cumulative percentage of total	31.7%		58.0%		69.1%		100.0%			

The maturity for all investment securities is shown based on each security's contractual maturity date, except (1) mortgage-backed securities, which are allocated among various maturities based on an estimated repayment schedule utilizing third party median prepayment speeds or other estimates of prepayment speeds and interest rate levels at March 31, 2024 and (2) callable investment securities for which we have received notification of call, which are included in the maturity category in which the call occurs or is expected to occur. Actual maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. The weighted-average yields-FTE are calculated based on the coupon rate and amortized cost for such securities and includes any projected discount accretion or premium amortization.

Other Interest Bearing Liabilities. Given that deposit levels, loan repayments and cash flow from our investment securities portfolio may be affected by a number of factors, we may be required from time to time to rely on other sources of liquidity to meet growth in loans and deposit withdrawal demands or otherwise fund operations. Such other sources include, among others, secured and unsecured federal funds lines of credit from correspondent banks, other borrowings (primarily FHLB advances and, to a lesser extent, federal funds purchased), Federal Reserve System ("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 March 31,			
	2024		2023	
	Average Balance	Rate Paid	Average Balance	Rate Paid
(Dollars in thousands)				
Other borrowings	\$ 85,041	3.55%	\$ 467,098	4.71%
Subordinated notes	347,864	2.98	347,049	3.01
Subordinated debentures	121,652	8.18	121,638	7.47
Total other interest bearing liabilities	\$ 554,557	4.20%	\$ 935,785	4.44%

We utilize FHLB advances and Fed Funds purchased from time to time to support our funding sources and provide additional on-balance sheet liquidity. Details of those outstanding Fed Funds purchased, at March 31, 2024, are shown in the following table.

Fed Funds Purchased

Borrowing Type	Balance	Interest Rate	Maturity Date
		(Dollars in thousands)	
Fed Funds Purchased	\$ 200,000	5.45%	4/1/2024

At March 31, 2024, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) \$6.5 billion of available blanket borrowing capacity with the FHLB, (2) \$2.1 billion of investment securities available to pledge for federal funds or other borrowings, (3) \$0.7 billion of available unsecured federal funds borrowing lines, and (4) up to \$0.4 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 and Fed Funds purchased, will be used to augment our primary funding sources.

Sources and Uses of Funds. Operating activities provided net cash of \$0.24 billion for the first three months of 2024 and \$0.25 billion for the first three months of 2023. 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 used net cash of \$1.41 billion in the first three months of 2024 and \$1.28 billion in the first three months of 2023. The increase in net cash used by investing activities in the first three months of 2024 was primarily the result of changes in the net cash used for our growth in non-purchased loans, which used \$1.59 billion in the first three months of 2024 and \$1.37 billion in the first three months of 2023, partially offset by an increase in the net cash provided from our investments securities AFS, which provided net cash of \$0.16 billion in the first three months of 2024 and \$0.11 billion in the first three months of 2023.

Financing activities provided net cash of \$1.34 billion in the first three months of 2024 and \$1.03 billion in the first three months of 2023. The increase in net cash provided by financing activities was primarily the result of an increase in deposits which provided \$2.00 billion in the first three months of 2024, partially offset by repayments of other borrowings which used \$0.60 billion in the first three months of 2024. During the first three months of 2023, the increases in deposits provided \$0.78 billion and proceeds from other borrowing provided \$0.39 billion.

Market and Interest Rate Risk Management

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

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

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

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

The following table presents the earnings simulation model's projected impact of a change in interest rates on the projected baseline net interest income for the 12-month period commencing April 1, 2024. This change in interest rates is assumed to occur ratably over that 12-month period, and also assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve.

Earnings Simulation Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline Net Interest Income
+300	16.8%
+200	11.1
+100	5.5
-100	(5.4)
-200	(10.5)
-300	(14.9)

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.

The following table presents our EVE results as of March 31, 2024.

EVE Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline EVE
+200	(0.6)%
+100	—
-100	(0.4)
-200	(0.8)

Variable Rate Loans and Loan Repricing. At March 31, 2024, approximately 82% of our funded balance of total loans had variable rates. Additionally, approximately 99% of our variable rate loans had floor rates. The following table reflects total loans as of March 31, 2024 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	\$ 482,090	\$ 431,700	\$ 709,388	\$ 841,659	\$ 2,711,768	\$5,176,605
Floating rate (not at a floor or ceiling rate) ⁽¹⁾	21,340,222	72,222	67,536	100,079	8,787	21,588,846
Floating rate (at floor rate) ⁽¹⁾	406,744	211,364	233,909	296,711	35,294	1,184,022
Floating rate (at ceiling rate)	79,604	647	207	1,417	—	81,875
Total	<u>\$22,308,660</u>	<u>\$ 715,933</u>	<u>\$1,011,040</u>	<u>\$1,239,866</u>	<u>\$2,755,849</u>	<u>\$28,031,348</u>
Percentage of total	79.6%	2.6%	3.6%	4.4%	9.8%	100.0%
Cumulative percentage of total	79.6%	82.2%	85.8%	90.2%	100.0%	

⁽¹⁾ At March 31, 2024, 99% of our variable rate loans had floor rates and the majority of the rates on these loans were above their floor rate. In a declining rate environment, such loans will reprice immediately until they reach their floor rate.

The following table is a summary of our floating rate loan portfolio and contractual interest rate indices at March 31, 2024.

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 term SOFR	\$ 15,905	\$ 19,416,671	\$ —	\$ 19,432,576
Wall Street Journal Prime	1,121,170	1,749,077	81,875	2,952,122
Other contractual interest rate indices	46,947	423,098	—	470,045
Total	<u>\$ 1,184,022</u>	<u>\$ 21,588,846</u>	<u>\$ 81,875</u>	<u>\$ 22,854,743</u>

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.

Market Risk Management. 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 March 31, 2024 and 2023, all of our investment securities were classified as AFS, with the exception of a small balance of investment securities designated as “trading” at March 31, 2023. Our investment securities AFS are reported at estimated fair value with the unrealized gains and losses, net of related income tax, reported as a separate component of stockholders’ equity and included in other comprehensive income. Our investment securities designated as trading are reported at estimated fair value with unrealized gains and losses included in earnings.

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

Investment Securities – AFS

	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
U.S. Government agency mortgage-backed securities	\$ 1,181,249	\$ 1,081,324	\$ 1,272,015	\$ 1,174,429
Obligations of state and political subdivisions	1,402,752	1,382,107	1,406,617	1,400,888
Other U.S. Government agency securities	594,998	578,578	658,851	638,272
Corporate obligations	33,660	30,382	34,341	30,782
Total	\$ 3,212,659	\$ 3,072,391	\$ 3,371,824	\$ 3,244,371

Our investment securities portfolio is reported at estimated fair value, which included gross unrealized gains of \$13.9 million and gross unrealized losses of \$154.2 million at March 31, 2024 and gross unrealized gains of \$22.7 million and gross unrealized losses of \$150.2 million at December 31, 2023. We believe that the vast majority of unrealized losses on individual investment securities at March 31, 2024 and December 31, 2023 are the result of fluctuations in interest rates.

If we intend to sell an AFS security in an unrealized loss position, or if it is more likely than not that we will be required to sell an AFS security in an unrealized loss position 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 in an unrealized loss position 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, with such decline included in accumulated other comprehensive income.

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)			
March 31, 2024:				
U.S. Government agency mortgage-backed securities	\$ 1,181,249	\$ 27	\$ (27,677)	\$ 1,153,599
Obligations of state and political subdivisions	1,402,752	28,260	(21,722)	1,409,290
Other U.S. Government agency securities	594,998	2	—	595,000
Corporate obligations	33,660	183	(1,508)	32,335
Total	\$ 3,212,659	\$ 28,472	\$ (50,907)	\$ 3,190,224
December 31, 2023:				
U.S. Government agency mortgage-backed securities	\$ 1,272,015	\$ 31	\$ (30,528)	\$ 1,241,518
Obligations of state and political subdivisions	1,406,617	28,595	(23,263)	1,411,949
Other U.S. Government agency securities	658,851	9	—	658,860
Corporate obligations	34,341	191	(1,617)	32,915
Total	\$ 3,371,824	\$ 28,826	\$ (55,408)	\$ 3,345,242

We recognized premium amortization, net of discount accretion, of \$4.1 million during the three months ended March 31, 2024 compared to \$5.7 million during the three months ended March 31, 2023. Any premium amortization or discount accretion is considered an adjustment to the yield of our investment securities.

We had no sales of investment securities AFS in the first three months of 2024 or 2023. We purchased \$10.0 million of investment securities AFS in the first three months of 2024 compared to \$48.8 million of investment securities AFS purchased in the first three months of 2023.

We invest in securities we believe offer good relative value at the time of purchase. 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.

Our trading securities are carried at estimated fair value with unrealized and realized gains and losses reported in net income. At March 31, 2024 the Bank had no trading securities compared to \$4.5 million at March 31, 2023. During the three months ended March 31, 2024, the Bank had net gains of \$0.4 million from the sale of approximately \$161.0 million of trading securities, compared to net gains of \$1.7 million from the sale of approximately \$425.0 million of trading securities during the three months ended March 31, 2023.

At March 31, 2024, approximately 95% of our investment securities had an investment grade credit rating and approximately 5% of our investment securities were not rated. For those securities that were not rated, we have performed our own evaluation of the security and/or the underlying issuer and believe that such security or its issuer has credit characteristics equivalent to those which would warrant an investment grade credit rating.

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. We primarily rely on our total stockholders' equity, comprised of preferred and common stock, additional paid-in capital, our retained earnings and our accumulated other comprehensive income (loss) to support our operations and act as a cushion to absorb unanticipated losses. Our common stockholders' equity totaled \$4.93 billion at March 31, 2024 compared to \$4.80 billion at December 31, 2023. Included below in this Capital Management section of our MD&A is the calculation and reconciliation of our common stockholders' equity to the most directly comparable GAAP measure. Additionally, our common stockholders' equity is augmented by our preferred stock, our subordinated notes, our subordinated debentures and our ACL.

Common Stock Repurchase Program. We had no stock repurchases during the first quarter of 2024. During the first quarter of 2023, we repurchased approximately 2.35 million shares of common stock at a weighted average cost of \$36.35 for a total of \$85.3 million.

Since 2021, we have had an active stock repurchase program. In light of our substantial growth in 2023 and expectations for further growth in 2024, we have chosen, for the time being, to not pursue an additional stock repurchase program. In evaluating whether or not we will pursue future stock repurchases, management will consider a variety of factors including our expected growth, stock price, capital position, regulatory requirements and other factors.

Preferred Stock. At March 31, 2024, we had 14,000,000 shares issued and outstanding 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"), totaling \$339.0 million net of the initial purchaser discount and estimated offering expenses. We pay cash dividends on our Preferred Stock, when, as, and if declared by our Board. Subject to declaration by our Board, cash dividends accrue and are payable from the original date of issuance at a rate of 4.625% per annum, payable quarterly, in arrears, on February 15, May 15, August 15, and November 15 of each year. Dividends on our Preferred Stock are not cumulative or mandatory. During the first quarter of 2024, we paid dividends on our Preferred Stock of \$4.0 million.

Subordinated Notes. At March 31, 2024, we had \$350 million in aggregate principal amount of our 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 term SOFR) plus 209 basis points. The 2.75% Notes are unsecured, subordinated debt obligations and mature on October 1, 2031. As of March 31, 2024, the Bank's 2.75% Notes had a carrying value of \$348.0 million and the remaining unamortized discounts and offering expenses totaled \$2.0 million.

We may, beginning with the interest payment date on October 1, 2026, and on any interest payment date thereafter, redeem the 2.75% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2.75% Notes to be redeemed plus accrued and unpaid interest to, but excluding, the date of redemption. We may also redeem the 2.75% Notes at any time, including prior to October 1, 2026, at our option, in whole but not in part, if: (i) a change or prospective change in law occurs that could prevent

us from deducting interest payable on the 2.75% Notes for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the 2.75% Notes from being recognized as Tier 2 capital for regulatory capital purposes; or (iii) we are required to register as an investment company under the Investment Company Act of 1940, as amended; in each case, at a redemption price equal to 100% of the principal amount of the 2.75% Notes plus any accrued and unpaid interest to, but excluding, the redemption date. The 2.75% Notes provide us with additional Tier 2 regulatory capital to support our expected future growth.

Subordinated Debentures. We own eight 100%-owned finance subsidiary business trusts – Ozark Capital Statutory Trust II (“Ozark II”), Ozark Capital Statutory Trust III (“Ozark III”), Ozark Capital Statutory Trust IV (“Ozark IV”), Ozark Capital Statutory Trust V (“Ozark V”), Intervest Statutory Trust II (“Intervest II”), Intervest Statutory Trust III (“Intervest III”), Intervest Statutory Trust IV (“Intervest IV”) and Intervest Statutory Trust V (“Intervest V”), (collectively, the “Trusts”). At March 31, 2024, 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	Carrying Value of Subordinated Debentures at March 31, 2024	Trust Preferred Securities of the Trusts	Contractual Interest Rate at March 31, 2024 ⁽¹⁾	Final Maturity Date
(Dollars in thousands)					
Ozark II	\$ 14,433	\$ 14,433	\$ 14,000	8.46%	September 29, 2033
Ozark III	14,434	14,434	14,000	8.53	September 25, 2033
Ozark IV	15,464	15,464	15,000	7.80	September 28, 2034
Ozark V	20,619	20,619	20,000	7.19	December 15, 2036
Intervest II	15,464	15,464	15,000	8.54	September 17, 2033
Intervest III	15,464	15,464	15,000	8.38	March 17, 2034
Intervest IV	15,464	15,464	15,000	7.99	September 20, 2034
Intervest V	10,310	10,310	10,000	7.24	December 15, 2036
	<u>\$ 121,652</u>	<u>\$ 121,652</u>	<u>\$ 118,000</u>		

⁽¹⁾ Our trust preferred securities and related subordinated debentures are tied to a spread over the three-month term SOFR. 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.

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

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

	March 31,		December 31,
	2024	2023	2023
	(Dollars in thousands)		
Total stockholders' equity before noncontrolling interest	\$ 5,266,847	\$ 4,761,927	\$ 5,139,001
Less preferred stock	(338,980)	(338,980)	(338,980)
Total common stockholders' equity	\$ 4,927,867	\$ 4,422,947	\$ 4,800,021
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	—	(1,565)	—
Total intangibles	(660,789)	(662,354)	(660,789)
Total tangible common stockholders' equity	\$ 4,267,078	\$ 3,760,593	\$ 4,139,232
Total assets	\$ 36,029,904	\$ 28,971,170	\$ 34,237,457
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	—	(1,565)	—
Total intangibles	(660,789)	(662,354)	(660,789)
Total tangible assets	\$ 35,369,115	\$ 28,308,816	\$ 33,576,668
Ratio of total common stockholders' equity to total assets	13.68%	15.27%	14.02%
Ratio of total tangible common stockholders' equity to total tangible assets	12.06%	13.28%	12.33%

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

	March 31,		December 31,
	2024	2023	2023
	(In thousands, except per share amounts)		
Total stockholders' equity before noncontrolling interest	\$ 5,266,847	\$ 4,761,927	\$ 5,139,001
Less preferred stock	(338,980)	(338,980)	(338,980)
Total common stockholders' equity	\$ 4,927,867	\$ 4,422,947	\$ 4,800,021
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	—	(1,565)	—
Total intangibles	(660,789)	(662,354)	(660,789)
Total tangible common stockholders' equity	\$ 4,267,078	\$ 3,760,593	\$ 4,139,232
Shares of common stock outstanding	113,435	115,080	113,149
Book value per common share	\$ 43.44	\$ 38.43	\$ 42.42
Tangible book value per common share	\$ 37.62	\$ 32.68	\$ 36.58

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

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Net income available to common stockholders	\$ 171,490	\$ 165,853
Average stockholders' equity before noncontrolling interest	\$ 5,210,418	\$ 4,751,481
Less average preferred stock	(338,980)	(338,980)
Total average common stockholders' equity	\$ 4,871,438	\$ 4,412,501
Less average intangible assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	—	(2,243)
Total average intangibles	(660,789)	(663,032)
Average tangible common stockholders' equity	\$ 4,210,649	\$ 3,749,469
Return on average common stockholders' equity ⁽¹⁾	14.16%	15.24%
Return on average tangible common stockholders' equity ⁽¹⁾	16.38%	17.94%

⁽¹⁾ Ratios annualized based on actual days.

Common Stock Dividend Policy. During the first quarter of 2024, we paid cash dividends of \$0.38 per common share. On April 1, 2024, our Board approved a cash dividend of \$0.39 per common share that was paid on April 19, 2024. The determination of future dividends on our common stock will depend on conditions existing at that time and approval of our Board. In addition, our ability to pay common stock dividends to our shareholders is subject to the restrictions set forth in Arkansas law, by our federal regulator, the relative powers, preferences and other rights of the holders of our Preferred Stock and by certain covenants contained in the indentures governing the trust preferred securities, the subordinated debentures and the 2.75% Notes.

Preferred Stock Dividend Policy. As previously disclosed in the Capital Management section, we have 14,000,000 shares issued and outstanding of 4.625% non-cumulative preferred stock totaling \$339.0 million, net of the initial purchaser discount and offering expenses. During the first quarter of 2024, we paid cash dividends of \$4.0 million on our Preferred Stock. On April 1, 2024, our Board declared a quarterly cash dividend of \$0.28906 per share on Preferred Stock for the period covering February 15, 2024 through, but excluding May 15, 2024. The Preferred Stock dividend is payable on May 15, 2024, to the holders of record of the Preferred Stock at the close of business on May 6, 2024. 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 on shares of the Preferred Stock 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. In addition, our ability to pay dividends on our preferred shares is subject to the restrictions set forth in Arkansas law and by our federal regulator.

Regulatory Capital. We are subject to various regulatory capital requirements administered by federal and state banking agencies. These capital requirements are consistent with agreements reached by the Basel Committee on Banking Supervision ("Basel III") and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Basel III Rules"). The Basel III Rules require the maintenance of minimum amounts and ratios of common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets, and of tier 1 capital to adjusted quarterly average assets. Failure to meet minimum capital requirements can result in certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments and adjustments by the regulators about component risk weightings and other factors.

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 March 31, 2024 and December 31, 2023, our tier 1 capital includes both our common equity tier 1 capital and our preferred stock.

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

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

Basel III Rules allowed for insured depository institutions to make a one-time election not to include most elements of accumulated other comprehensive income (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 variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of our investments securities portfolio.

The Basel III Rules limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” in addition to the amount necessary to meet minimum risk-based capital requirements for common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets. The 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 March 31, 2024 and December 31, 2023, our capital levels exceeded all minimum capital requirements and requirements to be considered well capitalized under the Basel III Rules.

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)						
March 31, 2024:						
Common equity tier 1 to risk-weighted assets	\$ 4,368,207	10.63%	\$ 2,877,370	7.00%	\$ 2,671,843	6.50%
Tier 1 capital to risk-weighted assets	4,707,187	11.45	3,493,949	8.50	3,288,423	8.00
Total capital to risk-weighted assets	5,689,279	13.84	4,316,055	10.50	4,110,528	10.00
Tier 1 leverage to average assets	4,707,187	13.58	1,386,973	4.00	1,733,716	5.00
December 31, 2023:						
Common equity tier 1 to risk-weighted assets	\$ 4,230,243	10.79%	\$ 2,743,864	7.00%	\$ 2,547,873	6.50%
Tier 1 capital to risk-weighted assets	4,569,223	11.66	3,331,835	8.50	3,135,844	8.00
Total capital to risk-weighted assets	5,527,326	14.10	4,115,796	10.50	3,919,805	10.00
Tier 1 leverage to average assets	4,569,223	13.91	1,313,917	4.00	1,642,396	5.00

Capital Stress Testing. We expect to complete our annual capital stress tests during the third quarter of 2024 utilizing multiple economic scenarios, including an adverse idiosyncratic scenario unique to our Bank. The results of our most recent stress test completed in the third quarter of 2023 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, among others factors, have contributed to our building capital ratios well above the minimum to be considered “well capital.” We are focused on strategies to grow our business and utilize our capital that are in the best long-term interest of our shareholders. These strategies may include, among others, organic loan growth, adding new business lines, continuing to increase our cash dividend, and, if appropriate, acquisitions or stock repurchases.

Growth and Branching. We expect to open several new branches during the remainder of 2024 and may open additional branches and loan production offices as our needs and resources permit. Additionally, as we have done in recent years, 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 three months of 2024, we spent approximately \$15.1 million on capital expenditures for premises and equipment. Our capital expenditures for the remainder of 2024 are expected to be in the range of \$25 million to \$35 million, including progress payments on construction projects expected to be completed in 2024 or 2025, furniture and equipment costs, network equipment and other information technology costs and acquisition of sites for future development. Actual expenditures may vary significantly from those expected, depending on the number and cost of additional branch offices acquired or constructed and sites acquired for future development, progress or delays encountered on ongoing and new construction projects, delays in obtaining or inability to obtain required approvals, potential premises and equipment expenditures associated with acquisitions, if any, and other factors.

Operational Risk Management

Overview. Operational risk is the risk to current or anticipated earnings or capital arising from inadequate or failed internal processes or systems, human errors or misconduct, reputational damage or other adverse internal or 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 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. We also mitigate certain operational risks through the purchase of insurance. Our Operational Risk Management group, which reports to our CRO, has responsibilities for assisting the business units in identifying, managing and monitoring operational risks including risks resulting from the use of technology, cyber security risk, third party vendor management risk, risks associated with the introduction of new products and services, and various other operational risks.

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

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

Reputational Risk Management

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

Strategic Risk Management

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

Compliance Risk Management

Compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements, or codes of conduct and other standards of self-regulatory organizations applicable to us. Compliance risk exposures are actively and primarily managed by our business units in conjunction with our Corporate Compliance group, our legal department and the associated compliance programs operated under our compliance framework and our compliance management system that govern the management of compliance risk. Our ERC 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 provided education of applicable regulatory standards to our employees in an effort to comply with these requirements. Our Corporate Compliance group and various other teams throughout the Bank perform various monitoring and testing activities, and our Internal Audit Group performs periodic reviews of our various compliance programs, including reviews of our Corporate Compliance group.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 15 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 52 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 March 31, 2024 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

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 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, 2023.

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

Recent Sales of Unregistered Securities

During the first quarter of 2024, the Bank issued 6,148 shares of common stock in connection with the exercise of outstanding stock options previously granted to certain officers and directors. The shares were issued in reliance on the exemption provided by Section (3)(a)(2) of the Securities Act of 1933 because the sales involved securities issued by a bank.

During the first quarter of 2024, the Bank issued an aggregate of 238,938 shares of restricted common stock and 209,112 performance-based restricted stock units (“PSUs”) to certain officers pursuant to the Bank’s 2019 Omnibus Equity Incentive Plan. In addition, during the first quarter 2024, the Bank issued 239,732 shares of common stock in connection with the settlement of vested PSUs granted in January 2020. The Bank did not receive any cash consideration in connection with these grants. These grants were exempt from registration pursuant to Section (3)(a)(2) of the Securities Act of 1933 because the grants involved securities issued by a bank.

Repurchases of Equity Securities by Issuer

During the first quarter of 2024, the Bank repurchased shares of its common stock as indicated in the following table.

<u>Period</u>	<u>Total Number of Shares Purchased ⁽¹⁾</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of a Publicly Announced Program</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program</u>
(In thousands, except per share amounts)				
January 1-31, 2024	—	\$ —	—	\$ —
February 1-29, 2024	89,213	42.64	—	—
March 1-31, 2024	95,202	44.16	—	—
Total	<u>184,415</u>	<u>\$ 43.43</u>	<u>—</u>	<u>—</u>

⁽¹⁾ The Bank withheld 89,213 shares of common stock in February 2024 and 95,202 shares of common stock in March 2024 to satisfy federal and state tax withholding requirements related to the vesting of restricted stock and settlement of PSUs.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the quarter ended March 31, 2024, no director or Section 16 officer of the Bank adopted or terminated any Rule 10b5-1 trading arrangement (as defined in Item 408(a) of Regulation S-K) or non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

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 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: May 6, 2024

/s/ Tim Hicks

Tim Hicks
Chief Financial Officer
(Principal Financial Officer and Authorized Officer)

Bank OZK
Exhibit Index

**Exhibit
Number**

- 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).
- 3.4 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).
- 10.1* Form of 2024 Performance Based Restricted Stock Unit Award Agreement for Executive Officers (“2024 LTIP Award”) (previously filed as Exhibit 10.25 to the Bank’s Annual Report on Form 10-K filed with the FDIC on February 26, 2024, and incorporated herein by reference).
- 10.2* Bank OZK 2024 Executive Officer Cash Incentive Plan (previously filed as Exhibit 10.26 to the Bank’s Annual Report on Form 10-K filed with the FDIC on February 26, 2024, and incorporated herein by reference).
- 31.1 Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002, filed herewith.
- 31.2 Certification of Chief Financial Officer 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.

*Management contract or a compensatory plan or arrangement.

**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: May 6, 2024

/s/ George Gleason

George Gleason
Chairman and Chief Executive Officer

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

I, Tim Hicks, 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: May 6, 2024

/s/ Tim Hicks

Tim Hicks
Chief Financial Officer

**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 March 31, 2024, 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.

Date: May 6, 2024

/s/ George Gleason

George Gleason
Chairman and Chief Executive Officer

**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 March 31, 2024, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, Tim Hicks, 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.

Date: May 6, 2024

/s/ Tim Hicks

Tim Hicks

Chief Financial Officer