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

FORM 10-K/A
(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2023

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

For the transition period from __________ to __________.

FDIC Certificate No. 110

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

ARKANSAS	**71-0130170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
18000 CANTRELL ROAD, LITTLE ROCK, ARKANSAS	**72223**
(Address of principal executive offices)	**(Zip Code)**

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity as of the last business day of the registrant's most recently completed second fiscal quarter: $4.2 billion.

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

Class	Outstanding at February 23, 2024
Common Stock, $0.01 par value per share	113,049,093

Documents incorporated by reference: Portions of the Registrant's Proxy Statement for the 2024 Annual Meeting of Shareholders, scheduled to be held on May 6, 2024 are incorporated by reference into Part III of this Annual Report on Form 10-K.

Explanatory Note

On February 26, 2024, Bank OZK (the "Bank") filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2023 ("Original Filing") with the Federal Deposit Insurance Corporation ("FDIC"). The Bank is filing this Amendment No. 1 on Form 10-K/A to the Original Filing ("Amendment") solely to amend the audit opinion of PricewaterhouseCoopers LLP included in Part II, Item 8, "Report of Independent Registered Public Accounting Firm." Due to a clerical error, the Original Filing included the version of the audit opinion that referenced certain Federal Deposit Insurance Corporation Improvement Act ("FDICIA") requirements. This Amendment includes the audit opinion which should have been included in the Original Filing. There are no changes to our consolidated financial statements as set forth in the Original Filing and the amended audit opinion of PricewaterhouseCoopers LLP does not modify the unqualified opinion previously expressed in the Original Filing.

In addition, this Amendment includes updated certifications from the Bank's principal executive officer and principal financial officer as Exhibits 31.1, 31.2, 32.1 and 32.2.

Except as described above, this Amendment does not amend or modify any other information contained in the Original Filing to reflect events that may have occurred subsequent to the original filing date.

The Bank has included a complete copy of the Original Filing, as amended per above, with this Amendment.

BANK OZK
ANNUAL REPORT ON FORM 10-K
DECEMBER 31, 2023

PART I

FORWARD-LOOKING INFORMATION

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

Actual future performance, outcomes and results may differ materially from those expressed in, or implied by, forward-looking statements made by us and our management due to certain risks, uncertainties and other assumptions. Certain factors that may affect our future results include, but are not limited to, potential delays or other problems in implementing our growth, expansion and acquisition strategies, including hiring or retaining qualified personnel, obtaining regulatory or other approvals, delays in acquiring satisfactory sites, obtaining permits and designing, constructing and opening new offices or relocating, selling or closing existing offices, or integrating any acquisitions; the availability of and access to capital; possible downgrades in our credit ratings or outlook which could increase the costs of or decrease the availability of funding from capital markets; the ability to attract new or retain existing 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 our net interest margin or core spread; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; conditions within the banking industry, including the effects of recent failures of other financial institutions; recently enacted and potential 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; Federal Deposit Insurance Corporation ("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 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 cyber-attacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting us or our customers 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; the competition and costs of recruiting and retaining human talent; 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 Annual Report on Form 10-K or as detailed from time to time in our public filings. See also Part I, Item 1A. Risk Factors in this Annual Report on Form 10-K.

Should one or more of the foregoing risks materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described in, or implied by, such forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise.

EXPLANATORY NOTE

Bank OZK (the "Bank") is an Arkansas state banking corporation subject to regulation by the Arkansas State Bank Department ("ASBD") and, as an insured depository institution that is not a member bank of the Board of Governors of the Federal Reserve System ("FRB"), the Bank's primary federal regulator is the FDIC. The Bank is not subject to the FRB's regulation and supervision, except such regulations as are made applicable to the Bank by law and regulation of the FDIC. Unless the context otherwise requires, references in this Annual Report on Form 10-K to terms such as "Bank," "we," "us," and "our" refer to the Bank and its consolidated subsidiaries. Shares of the Bank's common stock are listed on the Nasdaq Global Select Market under the symbol "OZK" and shares of our 4.625% Series A Non-Cumulative Perpetual Preferred Stock ("preferred stock," unless the context requires otherwise) are listed under the symbol "OZKAP."

Item 1. BUSINESS

The disclosures set forth in this item are qualified by "Item 1A. Risk Factors," the section captioned "Forward-Looking Information" and other cautionary statements set forth elsewhere in this Annual Report on Form 10-K.

General

Bank OZK, chartered in 1903, is a full-service Arkansas state-chartered bank, headquartered in Little Rock, Arkansas with deposits insured by the FDIC. We provide a wide range of retail and commercial banking services through approximately 240 offices (as of December 31, 2023) in Arkansas, Georgia, Florida, North Carolina, Texas, California, New York and Mississippi. Deposit services include checking, savings, money market, time deposit and individual retirement accounts. Loan services include various types of real estate, consumer, commercial and industrial loans. We also provide, among other products and services, treasury management services for businesses, non-profits and governmental entities, including wholesale lockbox services, remote deposit capture services, trust and wealth management services for businesses, individuals and non-profit and governmental entities (including financial planning, money management, custodial services and corporate trust services, among other services), ATMs, online and mobile banking services (including electronic bill pay and mobile deposits), telephone banking, debit cards and safe deposit boxes. Through third-party providers, we offer credit cards for consumers and businesses and processing of merchant debit and credit card transactions. We currently operate in one business segment and do not have significant foreign operations. At December 31, 2023, we had total assets of $34.24 billion, total loans (including purchased loans) of $26.46 billion, total deposits of $27.41 billion and total common stockholders' equity of $4.80 billion. For 2023, net interest income was a record $1.44 billion, net income available to common stockholders was a record $0.67 billion and diluted earnings per common share were a record $5.87.

Our Mission

Our mission is to (i) maximize long-term shareholder returns by compounding short-term growth and achievements, (ii) provide exceptional customer experiences and (iii) prioritize culture, continuous improvement and efficiencies.

Business Strategy

We believe that stable long-term growth and profitability are the result of developing comprehensive, strong banking relationships with our customers by offering a wide range of products and services and delivering excellent customer service while maintaining disciplined underwriting standards. We are focused on originating high-quality loans and growing a stable deposit base through our emphasis on relationship-based banking and believe that the following strategies will assist us in growing our loan portfolio responsibly, managing our deposit sources to appropriately fund growth in our earning assets, maintaining favorable asset quality compared to industry averages and sustaining our strong profitability.

- We are focused on growing our non-purchased loan portfolio while remaining committed to our conservative credit culture. Historically, a significant portion of our non-purchased loan portfolio growth has been attributable to our Real Estate Specialties Group ("RESG"), which focuses primarily on acquisition, development and construction lending of commercial real estate ("CRE"). We expect to continue to pursue meaningful non-purchased loan growth, including growth within RESG, while diversifying our growth to achieve more balance between CRE lending and other types of loan originations through our Community Banking, Indirect Lending Group, Asset Based Lending Group, Corporate Business Specialties Group and

Equipment Finance and Capital Solutions Group. Our Community Banking division includes consumer finance, small business, government guaranteed, business aviation, affordable housing and middle market CRE homebuilder finance. Our indirect lending business is a national lending platform that primarily focuses on recreational vehicle ("RV") and marine lending and helps us achieve diversification within our loan portfolio. This "growth, growth and diversification" strategy allows us to capitalize on the unique strengths and expertise of RESG, while also continuing to increase growth in other lending teams contributing to long-term growth and portfolio diversification.

- As we continue to grow and diversify our lending activities, we intend to employ, and enhance as appropriate, the same disciplined underwriting standards and credit risk management processes that have contributed to our consistently favorable asset quality.
- Our reputation, expertise and banking model enable us to build and expand our banking relationships. We remain committed to growing our business in a disciplined manner. We intend to focus on expanding our business by offering an array of financial products and services, which we believe will allow us to continue to achieve long-term and profitable growth in a safe and sound manner.
- We are focused on generating primary deposit relationships with our personal, business and public funds clients throughout our footprint. We strive to offer competitive deposit products, services and rates that provide value to our customers, while generating a fair return for the Bank. A key priority for us is developing and promoting deposit products and tools that encourage positive savings habits and help our customers improve their financial security.
- We continue to focus on the evolving role and importance of technology in our business. This focus is critical in today's rapidly evolving banking environment where technology is becoming increasingly important in driving efficiency, speed and quality of service.
- Our focus on long-term operational efficiency is a key factor in achieving our profitability and future growth goals and objectives. We believe that our expanded and enhanced infrastructure, including our focus on technology and risk management, will allow us to maintain good operational efficiencies over the long term as we grow our business.
- Our historically strong earnings and earnings retention rate, among other factors, have contributed to our building capital ratios well above the minimum to be considered "well capitalized." We are focused on strategies to utilize our capital that are in the best long-term interest of our shareholders. Options for deploying our excess capital may include, among others, organic loan growth, adding new business lines, continuing to increase our cash dividend, and if appropriate, acquisitions or stock repurchases.

Lending Activities

We offer a variety of commercial and consumer lending products to our customers, including most types of real estate loans, consumer and small business loans, indirect lending primarily for RV and marine loans, asset-based commercial lending, equipment financing, lender and structured finance, business aviation financing, commercial and industrial loans, government guaranteed loans, agricultural loans, homebuilder loans, affordable housing loans and subscription financing, among others. Interest rates charged by us vary with degree of risk, type, size, complexity, repricing frequency and other relevant factors associated with the loan or financing arrangement. Competition from other lending providers also affects the interest rates we charge.

Real Estate Loans. Real estate loans are a significant portion of our loan portfolio and include loans secured by residential 1-4 family, non-farm/non-residential, agricultural, construction/land development, multifamily residential properties and other land loans. Non-farm/non-residential loans include those secured by real estate mortgages on owner-occupied commercial buildings of various types, leased commercial, retail and office buildings, hospitals, nursing and other medical facilities, hotels and motels, mixed use properties and other business and industrial properties. Agricultural real estate loans include loans secured by farmland and related improvements, including some loans guaranteed by the Farm Service Agency ("FSA") and the Small Business Administration ("SBA"). Real estate construction/land development loans include loans secured by vacant land, loans to finance land acquisition, development or construction of industrial, commercial, residential or farm buildings or additions or alterations to existing structures. Included in our residential 1-4 family loans are home equity lines of credit. Our real estate loan products are generally payable in monthly or other periodic installments of principal and/or interest, and due and payable in full (unless renewed) at a balloon maturity generally within one to seven years. A significant portion of our loans are structured as term loans with adjustable interest rates (adjustable daily, monthly, semi-annually, annually, or at other regular adjustment intervals), and many of such adjustable rate loans have established "floor" interest rates.

Commercial and Industrial Loans. Our commercial and industrial loan portfolio consists of loans for commercial, industrial and professional purposes including loans to fund working capital requirements (such as inventory, floor plan and receivables financing), purchases of machinery and equipment and other purposes. Also included in commercial and industrial loans are our subscription credit facilities and asset-backed facilities, our business aviation financing, and our equipment finance, lender finance and structured finance solutions. We offer a variety of commercial and industrial loan and financing arrangements, including term loans, balloon loans, lines of credit, and lease structures, including some loans guaranteed by the SBA, with the purpose and collateral supporting a particular loan determining its structure. These arrangements are offered to businesses and professionals for short and medium terms. As a general practice, we obtain as loan collateral a lien on furniture, fixtures, equipment, inventory, receivables, unfunded capital commitments or other assets.

Indirect Loans. Our portfolio of indirect consumer loans includes loans to individuals primarily for the purchase of RVs and marine vessels, generated largely through relationships with dealers and correspondent lenders. These loans are generally collateralized by the purchased asset and have terms ranging up to 240 months. These loans are underwritten based on a combination of borrower credit score, documented debt service coverage, previous asset ownership, experience and borrower liquidity, among other factors.

Consumer Loans. Our portfolio of consumer loans (other than indirect consumer loans) includes loans to fund the purchase of automobiles, equipment (including agricultural equipment), ATVs, mobile homes and other similar purposes for consumer needs. These loans are generally collateralized and have terms ranging up to 120 months, depending upon the nature of the collateral, size of the loan, and other relevant factors.

Government Guaranteed Loans. Our portfolio of government guaranteed loans is comprised mainly of SBA, FSA and U.S. Department of Agriculture guaranteed loans. These loans are commercial in nature and are typically for the refinance or origination of credit facilities secured by, but not limited to, commercial real estate, agricultural real estate, equipment and various other assets.

Small Business Loans. Our portfolio of small business loans includes loans to businesses with less than $1 million in annual revenues. Such loans generally include loans for the purchase (or refinance) of commercial or residential real estate, equipment (including agricultural equipment), lines of credit and various other business purposes. These loans are centrally underwritten and are based on the borrower's ability to make repayment from the cash flow of its business with collateral or guarantor support being a secondary source of repayment.

Mortgage Lending. We offer certain residential mortgage products, including long-term fixed rate loans. We recently began building a secondary market mortgage team to serve our customers' mortgage banking needs. We expect this new team to be operational on a limited basis during the first half of 2024 and to expand across much of our branch footprint in the second half of 2024 and 2025, originating long-term fixed rate and variable rate loans to be sold on a servicing-released basis in the secondary mortgage market.

Lending Approvals and Process

Our Board of Directors ("Board") and Portfolio Oversight Committee ("POC"), which is chaired by our Chief Executive Officer ("CEO"), oversee and provide policy direction for our lending operations, which are primarily administered by our CEO, President, Chief Credit Officer ("CCO") and Chief Lending Officer ("CLO"). We maintain a tiered loan limit authorization system. The CEO, CCO and CLO are granted lending authority by the Board. The loan authorities of other lending officers are granted by the Loan Committee and ratified by the POC on the recommendation of appropriate senior officers in amounts commensurate with the lending officer's skill level and knowledge. Our lending policies contain various measures to limit concentration exposures, including customer and CRE exposures for both funded balances and total commitment (comprised of both funded and unfunded balance), as well as by property type and geography.

We have detailed, comprehensive standards for evaluating credit risk, both at the point of origination and thereafter, as well as a comprehensive internal grading system that is used to identify credit risk at the individual loan level. Oversight of credit risk is provided through loan policy, and various other credit-related policies, clearly defined processes and detailed procedures. These policies, processes and procedures place emphasis on strong underwriting standards and early 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 on a daily basis by our lenders and lending support personnel, our credit administration group, our underwriters and various other officers and personnel that have credit management responsibilities.

Deposits

We offer an array of deposit products consisting of non-interest bearing checking accounts, interest bearing transaction accounts, business sweep accounts, savings accounts, money market accounts, time deposits, including individual retirement accounts, among others. We also make available, through various deposit placement networks, reciprocal deposits to our consumer, commercial and public funds deposit customers who want to make large deposit balances eligible for FDIC insurance beyond the traditional $250,000 per insured bank, per depositor. Rates paid on deposits vary by banking market and deposit category due to different terms and conditions, individual deposit size, services rendered and rates paid by competitors on similar deposit products. We act as depository for a number of state and local governments and government agencies or instrumentalities. Such public funds deposits are often subject to competitive bidding and generally must be secured by pledging a portion of our investment securities or a letter of credit.

Deposit balances are generally influenced by national, regional and local economic conditions, changes in prevailing interest rates, internal pricing decisions, perceived stability of financial institutions and competition, among other factors. Our deposits come primarily from within our trade area, except that brokered deposits, listing service deposits, certain of our public funds deposits and deposits from our RESG customers, and certain deposit accounts opened online are from outside our primary trade area and may vary from time to time depending on competitive interest rate conditions, funding needs and other factors.

In addition to our deposit base, we have access to other sources of funding, including Federal Home Loan Bank of Dallas ("FHLB") advances, FRB borrowings, repurchase agreements and secured and unsecured federal funds lines of credit from correspondent banks. In recent years, we have also accessed the capital markets through subordinated debt and common and preferred stock offerings. For additional information concerning the Bank's deposits and other funding sources, see Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Elements – Liquidity Risk Management to this Annual Report on Form 10-K.

Other Banking Services

Trust and Wealth Services. We offer a broad array of trust and wealth services from our headquarters in Little Rock, Arkansas, with additional staff in Northwest Arkansas, Texas, North Carolina, Georgia and Florida. These services include personal trusts, custodial accounts, investment management accounts, retirement accounts, corporate trust services including trustee, paying agent and registered transfer agent services, and other incidental services. At December 31, 2023, total trust assets were approximately $2.55 billion compared to approximately $2.38 billion at December 31, 2022 and approximately $2.65 billion at December 31, 2021.

Treasury Management Services. We offer treasury management services designed to provide a high level of customized solutions to business, non-profit and governmental customers. Our treasury management services include automated clearing house, or ACH, services (e.g., direct deposit, direct payment and electronic cash concentration and disbursement), wire transfer, zero balance accounts, current and prior day transaction reporting, wholesale lockbox services, remote deposit capture services, automated credit line transfer, investment sweep accounts, reconciliation services, positive pay services, and commercial card, among other services.

Market Areas, Concentrations and Competition

At December 31, 2023, we conducted operations through approximately 240 offices in Arkansas, Georgia, Florida, North Carolina, Texas, California, New York and Mississippi. Our business is impacted by the trends of the regional and local economies in the market areas we serve.

The banking industry in our market areas is highly competitive. In addition to competing with other commercial and savings banks and savings and loan associations, we compete with credit unions, finance companies, leasing companies, mortgage companies, fintech companies, insurance companies, brokerage and investment banking firms, asset-based non-bank lenders and many other financial service firms. Competition is based on interest rates offered on deposit accounts, interest rates charged on loans, fees and service charges, the quality and scope of products offered and services rendered, including technology-driven solutions and the convenience of banking facilities, among other factors.

A number of competing commercial banks operating in our market areas are branches or subsidiaries of larger organizations affiliated with regional or national banking companies and as a result may have greater resources and lower costs of funds than we have, may have greater access to capital markets, and may offer a broader range of financial services than we currently provide. Additionally, we face competition from a large number of smaller community banks in the markets we serve. Some of our competitors (larger or smaller) may have more liberal lending policies and processes. Competition among providers of financial products and services continues to increase as technology advances have lowered the barriers to entry for financial technology companies, with consumers having the opportunity to select from a growing variety of traditional and nontraditional alternatives, including crowdfunding, digital wallets and money transfer services, among others. The ability of non-banking financial institutions to provide services previously limited to commercial banks has also intensified competition. Because non-banking financial institutions are not subject to many of the same regulatory restrictions as banks, they can often operate with greater flexibility and lower cost structures. Despite the highly competitive environment, we believe we will continue to be competitive because of our expertise in real estate lending and various other types of lending, strong commitment to quality customer service, active community involvement and competitive products and pricing.

Information Technology

The ability to access and use technology is an increasingly competitive factor in the financial services industry. Technology is not only important with respect to delivering financial services and protection of the security of customer information but also in processing information. We must continually make technology investments to remain competitive in the financial services industry. The performance of our technology partners is managed and monitored in accordance with our internal policies, processes and procedures. Additionally, we have various technology applications developed or under development within our technology group to address the needs of our customers, our lending groups and our employees, among others, by using technology to provide solutions, create additional operational efficiencies and provide greater privacy and security protection for our and our customers' data.

Business Resilience

We have developed and implemented business resilience programs to provide employees, customers, and stakeholders with reasonable assurance of resilience and recovery capabilities prior to, during and following a disruption. These programs align with industry standards and leading practices, comply with regulatory requirements, including those of the Federal Financial Institutions Examination Council, and are subject to periodic review by the FDIC and ASBD, as well as internal audits.

The key elements of the programs are business continuity, disaster recovery and crisis management. These include planning, monitoring for new or adapting threats, adjustments to meet the needs of a dynamic and growing organization, verification of recovery capabilities through tests and exercises, and continuous process improvement. The programs are actively managed, include various plans and teams trained and available around-the-clock to respond to disruptions and provide appropriate response during a disruption affecting our employees, customers, assets, business operations, technology infrastructure, brand and/or third-party relationships. The plans and programs are supported by a governance framework and are reviewed no less than annually to ensure strategies are effective, scalable, and current.

Employees and Human Capital Resources

At December 31, 2023, we had 2,744 full-time equivalent employees. None of our employees is represented by a union, collective bargaining agreement or similar arrangement, and we have not experienced any labor disputes or strikes arising from any organized labor groups. We believe our employee relations are good.

Our Culture. We believe culture is critical to our success. The "OZK Way" reflects our guiding principles for driving success. These are the standards we expect every Bank team member to strive to achieve:

- *Better Character*. We conduct ourselves and our business with the highest standards of honesty, ethics, integrity and fair dealing.

- *Better Experiences*. We provide exceptional service, develop meaningful products and leverage technology to serve our clients effectively while fostering relationships rooted in trust.

- *Better^{X}*. We relentlessly pursue excellence through continuous innovation and improvement, realizing that many small incremental enhancements can compound mightily over time.

- *Better Together*. We champion teamwork and collaboration, and appreciate that our collective accomplishments lead to exponentially greater results.

Diversity, Equity and Inclusion. We believe that fostering a culture of diversity, equity and inclusion broadens perspectives, engages employees, encourages teambuilding and helps create a positive environment to work and grow. This ultimately can better address the varied needs of our customers and the communities in which we serve. We are investing in building a future pipeline of diverse candidates through educational institutions and programs within our local communities and by casting a wider net for talent acquisition and development, including internal talent mobility. Our talent acquisition practices are designed to attract top talent in the financial services industry and foster an inclusive, respectful and rewarding workplace. Our talent acquisition professionals guide supervisors in the proper recruitment and selection of talent, and our employee referral programs serve to reward current employees for identifying top talent who choose to apply and accept employment with us. We also provide education and training to our employees that focus on inclusive behaviors and understanding in the workplace.

Training, Talent Development and Employee Engagement. We aim to help each member of our corporate family grow, develop and achieve their career objectives and potential. In return, we expect all employees to advance our interests through their hard work, loyalty, positive attitudes and performance. Because continuous learning is essential to our success and the success of our employees, we invest significantly in employee education and development, not only to ensure our employees are knowledgeable about regulatory requirements and corporate policies, but also to build the skills and capabilities necessary for employees to advance professionally over the long-term. We continue to assess and enhance our programs and offerings to enable our employees to improve competencies in various areas, including communications, coaching, team dynamics, performance management and team development, through online and micro-learning and guided discussion sessions.

As the challenging employment market persists, including limited talent pools and expensive labor, we continue to focus on and assess employee engagement. We believe strengthening the connection employees feel toward the work they do, their teams and the overall organization is at the core of employee wellbeing, customer satisfaction and organizational success. We periodically conduct formal employee engagement surveys, with our most recent survey completed in the fall of 2022 and our next survey planned for fall of 2024. In addition, we conducted employee focus groups and actively promoted and supported a dedicated internal portal referred to as "Better^{X}" for employees to provide suggestions on how we can improve our processes, procedures, policies and practices. Providing our employees with platforms to voice their ideas and concerns enables us to develop and implement action plans to enhance employee satisfaction and to ensure alignment with our overall human capital strategy.

Compensation & Benefits. We provide and continually review competitive compensation and benefits programs to help meet the needs of our employees and their families. In addition to base wages, these programs include a 401(k) plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, family care resources, flexible work schedules, and employee assistance programs, among many others. All employees are compensated based on their individual merit and performance without regard to race, color, national origin, religion, sex (including gender, pregnancy, sexual orientation or gender identity), age, disability, genetic information, veteran status or any other protected status under federal, state or local law.

Employee Health, Wellness & Safety. The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of innovative, flexible and convenient health and wellness programs, including benefits that support their physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors.

We encourage you to refer to our most recent Corporate Social Responsibility ("CSR") Report, available on our investor relations website, for more detailed information regarding our human capital initiatives. Nothing on our website, or in our CSR Report, shall be deemed incorporated by reference into this Annual Report on Form 10-K.

Information about our Executive Officers

The following is a list of our executive officers. All information is given as of February 23, 2024.

George Gleason, age 70, Chairman and Chief Executive Officer. Mr. Gleason has served the Company as Chairman, Chief Executive Officer and/or President since 1979. He holds a B.A. in Business and Economics from Hendrix College and a J.D. from the University of Arkansas.

Brannon Hamblen, age 58, President. Prior to assuming the role of President in July 2021, Mr. Hamblen served as President and Chief Operating Officer – Real Estate Specialties Group ("RESG") since 2018. Mr. Hamblen joined the Bank in 2008 and served as Senior Vice President, Originations from 2008 to 2012, Director of Asset Management – RESG from 2012 to 2017, and Chief Operating Officer – RESG in 2017 until he was named President and Chief Operating Officer – RESG in 2018. Prior to joining the Bank, Mr. Hamblen worked in the real estate consulting practices of Ernst & Young/Kenneth Leventhal and KPMG, and in acquisitions, development, asset management, and capital markets with R.M. Crowe Company, a large Dallas-based, privately owned real estate owner/operator. Mr. Hamblen holds a B.S. in Agricultural Economics and a M.S. in Land Economics & Real Estate from Texas A&M University.

Tim Hicks, age 51, Chief Financial Officer. Prior to assuming the role of Chief Financial Officer in June 2022, Mr. Hicks served as Chief Credit and Administrative Officer since October 2020. He joined the Bank in 2009 and served as Senior Vice President, Corporate Finance from 2009 to 2012, Executive Vice President, Corporate Finance from 2012 to 2016, Executive Vice President and Chief of Staff from 2016 to July 2017, and Chief Administrative Officer and Executive Director of Investor Relations from July 2017 to October 2020. From 2006 to 2009, Mr. Hicks served as director of investor relations and assistant treasurer of a publicly traded telecommunications company. Prior to 2006, Mr. Hicks held various positions with a big-four public accounting firm, leaving as a senior audit manager. Mr. Hicks is a C.P.A. (inactive) and holds a B.A. in Business and Economics from Hendrix College.

Cindy Wolfe, age 58, Chief Operating Officer. Prior to assuming the role of Chief Operating Officer in June 2022, Ms. Wolfe served as Chief Banking Officer since 2018. She joined the Bank in 1997, opened the Bank's Charlotte loan production office in 2001, and served as Senior Vice President – Lending from 2001 to 2005, Executive Vice President – Lending from 2005 to 2012, Charlotte Market President from 2012 to 2014, Carolinas Division President from 2014 to 2018, and Deputy Director of Community Banking from 2015 to 2018. Prior to joining the Bank, Ms. Wolfe held various positions with national banks in commercial lending, operations, project management and internal audit. Ms. Wolfe holds a B.A. in Business Administration from Queens University of Charlotte and is a Certified Commercial Investment Member.

Alan Jessup, age 51, Chief Lending Officer. Prior to assuming the role of Chief Lending Officer, Mr. Jessup served as Deputy Director of Community Banking since 2015 overseeing the Bank's Agricultural Lending Division and offices across South Arkansas, Alabama, Florida and Georgia. He joined the Bank in 2008 and served as Saline County President from 2008 to 2011 and South Arkansas President from 2011 to 2015. Mr. Jessup holds a B.S. in Finance from Arkansas State University.

John Carter, age 43, Chief Credit Officer. Mr. Carter rejoined the Bank in March 2023 after serving as the Chief Investment Officer and then Chief Executive Officer for Huffman & Co., a real estate development company, from 2020 to 2023. From 2009 to 2020, he worked for the Bank in a variety of roles, including as Chief Credit Officer, Director of Community Banking, Deputy Director of Community Bank Lending, Little Rock Market President, and Senior Vice President. Mr. Carter holds a B.S. in Economics and Finance from Arkansas Tech University and a Master of Business Administration from the University of Arkansas at Little Rock.

Scott Trapani, age 61, Chief Risk Officer. Prior to joining the Bank in March 2019, Mr. Trapani served as Executive Vice President and Chief Risk Officer for Hilltop Holdings Inc. (NYSE: HTH) in Dallas, Texas from 2015 through 2019. Mr. Trapani served as Senior Vice President and Chief Risk Officer for the Federal Home Loan Bank of Dallas from 2013 through 2015 and as Chief Compliance Officer for Invesco, Ltd. in Atlanta, Georgia from 2008 through 2013. Earlier in his career, Mr. Trapani held senior roles in compliance and risk management with SunTrust Bank, GE Capital Corporation, BearingPoint Consulting and the FDIC. Mr. Trapani is a CFA charterholder and holds a B.S. in Finance from Arizona State University.

Stan Thomas, age 52, Chief Accounting Officer. Mr. Thomas joined the Bank in 2011 and served as Senior Vice President/ Director of Financial Reporting from 2011 to 2015 and Executive Vice President/Director of Financial Reporting from 2015 to 2019 prior to assuming the role of Chief Accounting Officer in January 2020. From 2008 to 2011, Mr. Thomas was a senior audit manager with a regional accounting firm. Prior to 2008, Mr. Thomas held various positions with big-four accounting firms, leaving as a senior audit manager. Mr. Thomas is a C.P.A and holds a B.S. in Accounting and an M.B.A from Louisiana Tech University.

Helen W. Brown, age 46, General Counsel and Corporate Secretary. Prior to assuming the role of General Counsel in February 2020, Ms. Brown served as the General Counsel Corporate Governance and Corporate Secretary from July 2018 to January 2020. Ms. Brown joined the Bank in November 2013 as General Counsel Corporate Finance. Prior to joining the Bank, Ms. Brown was a Partner at Bass, Berry & Sims PLC in the firm's Corporate and Securities practice group. While in private practice, Ms. Brown focused on capital markets transactions, mergers and acquisitions and strategic investments, as well as advising companies on a variety of corporate governance and securities law matters. Ms. Brown received her Juris Doctor degree from the University of Arkansas School of Law and her Bachelor of Arts degree from the University of Arkansas.

Patrick Carr, age 52, Managing Director – Corporate Finance Data and Technology. Prior to joining the Bank in December 2021, Mr. Carr served as Senior Vice President and Chief Accounting Officer of Hanmi Financial Corporation (Nasdaq: HAFC) and its wholly owned subsidiary, Hanmi Bank, from September 2020 to November 2021. He previously held several roles in finance, accounting and risk management at JPMorgan Chase, most recently serving as Managing Director, Consumer Risk Analytics and Forecasting. Mr. Carr is a certified public accountant and spent the first 9 years of his career at big-four accounting firms. Mr. Carr earned his B.S. degree in business administration in accountancy from John Carroll University.

Jason Cathey, age 43, Chief Information Officer. Prior to assuming the role of Chief Information Officer in May 2022, Mr. Cathey served as Chief Information Security Officer from 2018 to 2022. He joined the Bank in 2015 and served as a Cybersecurity Intelligence Analyst from 2015 to 2016 and an Information Systems Security Officer from 2016 to 2018. Mr. Cathey has over twenty years of professional technology experience with various leadership positions in information technology, information security, and banking operations. He is actively involved in the financial and technology communities, serving on multiple advisory and executive boards, including as past president for the Infragard Arkansas Members Alliance. Mr. Cathey holds a B.S. in Management Information Systems from Arkansas State University.

Tamara Gotham, age 40, Chief Administrative Officer. Prior to assuming the role of Chief Administrative Officer in June 2022, Ms. Gotham served as Managing Director, Resilience and Learning and Development from 2021 to June 2022. She joined the Bank in 2016 and served as Director of Business Resilience from 2016 to 2019 and Director of Corporate Security and Resilience from 2019 to 2021. Prior to joining the Bank, Ms. Gotham held various leadership positions in business continuity and disaster recovery with other financial institutions. She holds a B.S. in Finance from John Carroll University.

SUPERVISION AND REGULATION

We are subject to extensive regulation under federal and state laws that establish a comprehensive framework for our operations. This regulatory framework may materially impact our growth and financial performance and is intended primarily for the protection of depositors, customers, the deposit insurance fund ("DIF") and the U.S. banking system as a whole, not for the protection of our shareholders or creditors. Material elements of certain statutes, regulations and policies applicable to us are described below, but the following discussion is a summary and does not purport to be complete. This description is qualified in its entirety by reference to the full text of the statutes, regulations and policies described herein.

Overview

The Bank is examined, supervised and regulated by the ASBD and the FDIC, which is our primary federal regulator. The laws enforced by, and regulations and policies of, these agencies affect almost every aspect of our business. We are also subject to the regulations of the states in which we do business, certain regulations of the FRB, the enforcement and rulemaking authority of the Consumer Financial Protection Bureau ("CFPB") regarding consumer protection laws and regulations, and various other regulatory authorities, as well as the information reporting requirements under the Exchange Act and the FDIC rules relating thereto, as administered and enforced by the FDIC. We file periodic and current reports and other materials required to be filed under the Exchange Act with the FDIC. Our common stock is listed on the Nasdaq Global Select Market ("NASDAQ") under the trading symbol "OZK" and our 4.625% Series A Non-Cumulative Perpetual Preferred Stock is listed on the NASDAQ under the trading symbol "OZKAP." Accordingly, we are also subject to the rules of the NASDAQ for listed companies.

With few exceptions, state and federal banking laws have as their principal objective either the maintenance of the safety and soundness of the DIF of the FDIC or the protection of customers, depositors, other classes of consumers and the banking system as a whole, rather than the specific protection of our non-deposit creditors or shareholders. Banks that fail to conduct their operations in a safe and sound manner or in compliance with applicable laws can be compelled by the regulators to change the way they do business and may be subject to regulatory enforcement actions, including civil monetary penalties and restrictions imposed on their operations, including in extraordinary circumstances, closure of the banks.

Proposals to change the laws governing our industry are frequently introduced in Congress and state legislatures. The current U.S. political environment makes the prospects for significant statutory changes to federal banking laws in the near term uncertain; however, even absent additional legislation, the federal banking agencies will continue to consider and propose and adopt regulatory changes, including proposed regulations responding to the bank failures of 2023. For example, in October 2023, the FDIC proposed highly prescriptive guidelines regarding corporate governance, risk management, and board oversight for insured institutions such as us with over $10 billion in total assets.

Regulatory, supervisory and investigatory activity has increased in recent years, and we expect it to continue to increase. In addition, changes in key personnel at the federal agencies that regulate us, including the federal banking regulators and the CFPB, may result in differing interpretations of existing rules and guidelines and potentially more stringent enforcement and more severe penalties than previously in place, along with new areas of supervisory and regulatory focus, such as CRA compliance, consumer protection, mergers and acquisitions, and enterprise risk management, among other things. Changes in applicable laws or regulations, and in their interpretation and application by regulatory agencies and other governmental authorities, cannot be predicted, but any of such changes may have an adverse effect on our business, financial condition or results of operations.

Permissible Activities

Our business is generally limited to activities permitted by Arkansas law and any applicable federal laws. Under the Arkansas Banking Code of 1997 (the "Arkansas Banking Code"), we may generally engage in all usual banking activities, including, among other activities, taking deposits, lending money, issuing letters of credit, buying, discounting and negotiating promissory notes, bonds, drafts and other forms of indebtedness, and buying and selling certain investment securities. Subject to the authorization of the Arkansas State Bank Commissioner (the "Bank Commissioner"), we may also engage in any activity permissible for national banks.

In addition, under the Gramm-Leach-Bliley Act of 1999 (the "GLBA"), state banks such as ours may invest in financial subsidiaries that engage as the principal in activities that would only be permissible for a national bank to conduct in a financial subsidiary. This authority is generally subject to the same conditions that apply to national bank investments in financial subsidiaries.

Safety and Soundness

The federal banking agencies have adopted guidelines pursuant to the Federal Deposit Insurance Act ("FDIA") establishing general safety and soundness standards for depository institutions related to, among other things, internal controls, information systems, internal audit systems, loan underwriting and documentation, compensation, interest rate exposure, and asset growth. For example, the FDIA limits the interest rates paid on deposits by undercapitalized institutions, restricts the use of brokered deposits, and limits the aggregate extensions of credit by a depository institution to an executive officer, director, principal shareholder or related interest. If the FDIC determines that an institution fails to meet these standards, the FDIC may require the institution to submit an acceptable compliance plan or, alternatively, pursue other courses of action depending on the specific circumstances and severity of the noncompliance.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") fundamentally restructured federal banking regulation by shifting from prudential regulation of individual institutions to a systemic view of regulations, resulting in significant regulatory change. Aspects of the Dodd-Frank Act that have had or may have a material effect on our business include, among others: changing the assessment base for federal deposit insurance; making permanent the $250,000 limit for federal deposit insurance; eliminating the requirement that the FDIC pay dividends from the DIF in certain cases; repealing the federal prohibitions on the payment of interest on demand deposits; heightening corporate governance requirements for all public companies (including "say-on-pay" shareholder votes, compensation clawback policy requirements, expanded executive compensation disclosures and enhanced director independence requirements); creation of the CFPB; imposing additional underwriting standards and other requirements for mortgage lending; permitting the establishment of *de novo* interstate branches; limiting debit card interchange fee charges for banks with $10 billion or more in assets; and incentivizing and protecting whistleblowers who report violations of the federal securities laws.

The Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA") became law in 2018 and, among other things, amended certain provisions of the Dodd-Frank Act and included certain additional banking, commercial real estate, consumer protection, and securities law-related provisions. The EGRRCPA provided limited regulatory relief to certain financial institutions while preserving the existing framework under which U.S. financial institutions are regulated. Despite the relief for mid-sized financial institutions such as us that have resulted from the EGRRCPA, many provisions of the Dodd-Frank Act and its implementing regulations remain in place and will continue to result in additional operating and compliance costs that could have a material adverse effect on our business, financial condition, and results of operations. In addition, the EGRRCPA requires the enactment of various implementing regulations that may have a material effect on the ultimate impact of the law.

Because our total assets exceed $10 billion, we are subject to certain additional requirements created by the Dodd-Frank Act, including enhanced prudential oversight requirements and a more frequent and enhanced regulatory examination regime. Failure to comply with these requirements could result in regulatory enforcement actions, could negatively impact our business, financial condition or results of operations and could limit our growth or expansion activities. The changes resulting from the Dodd-Frank Act have had and may continue to have an adverse effect on the profitability of our business activities, require further changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. These changes have required and may continue to require us to invest significant management attention and resources to evaluate and take any actions necessary to comply with new statutory and regulatory requirements.

Capital Stress Testing. As a result of the EGRRCPA, we are no longer required to prepare annual capital stress tests pursuant to the Dodd-Frank Act. However, we continue to utilize internal stress testing as part of our capital planning and risk management processes and monitor our capital consistent with the safety and soundness expectations of the federal regulators.

Debit Interchange Fees. We are required to comply with Section 1075 of the Dodd-Frank Act, often referred to as the Durbin Amendment, which caps interchange fees for debit card transactions, or "swipe fees," at $0.21 plus 5 basis points multiplied by the size of the transaction.

The Volcker Rule. Section 619 of the Dodd-Frank Act, also known as the Volcker Rule, prohibits banks and their affiliates from engaging in proprietary trading or acquiring or retaining an ownership interest in, sponsoring, or having certain relationships with a hedge fund or private equity fund. Although we do not currently engage and have not historically engaged in activities regulated by the Volcker Rule or its associated regulations, we may incur costs if we are required to adopt additional policies and systems to ensure compliance with the Volcker Rule, although any such costs are not expected to be material. Unanticipated effects of the Volcker Rule's provisions or future regulatory or court interpretations may have an adverse effect on our business.

Regulation B. In March 2023, the CFPB issued the small business lending rule amending Regulation B to implement the changes to the Equal Credit Opportunity Act made by section 1071 of the Dodd-Frank Act. This rule would require covered financial institutions such as us to collect and report to the CFPB data on applications for credit for small businesses, including those owned by women or minorities. As a result of pending litigation, the CFPB has temporarily stayed the deadline for compliance with the small business lending rule, and we cannot predict the impact of the rule, if any, on our business or results of operations.

Deposit Premiums and Assessments

Our deposits are insured by the FDIC's DIF to the fullest extent permissible by law, and we are subject to deposit insurance assessments to maintain the DIF. Under the FDIC's risk-based assessment system, the assessment rates for an insured depository institution are determined by an assessment rate calculator, which is based on a number of elements such as supervisory evaluations, regulatory capital levels and other components that measure the perceived risk the institution poses to the DIF. The calculated assessment rate is applied to the institution's average consolidated total assets less its average tangible equity during the assessment period to determine the dollar amount of the assessment paid by the institution. The FDIC has the ability to make discretionary adjustments to the total score based upon its determination of the existence of significant risk factors that are not adequately captured in the calculations. In addition to ordinary assessments, the FDIC has the ability to impose special assessments in certain instances to recover any losses to the DIF as a result of protecting uninsured depositors. In November 2023, the FDIC finalized a special assessment, determined based on a depository institution's estimated uninsured deposits as of December 31, 2022, to recover the loss to the DIF arising from the bank failures that occurred during the first quarter of 2023. In the fourth quarter of 2023, we fully accrued and expensed $9.9 million for our special assessment.

The Dodd-Frank Act increased the minimum target DIF reserve ratio from 1.15% to 1.35% of estimated insured deposits. The reserve ratio fell below 1.35% as of June 30, 2020, and on October 18, 2022, the FDIC finalized a rule increasing initial base deposit insurance assessment rates uniformly by 2 basis points, beginning with the first quarterly assessment period of 2023, in order to restore the DIF to the 1.35% minimum ratio by the September 30, 2028 statutory deadline.

The FDIC has established a long-term target for the reserve ratio of 2.0%. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking, if required. Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Capital Requirements

We are subject to various regulatory capital requirements administered by federal and state banking agencies, including the risk-based capital requirements established by the FDIC and other federal banking regulators consistent with agreements reached by the Basel Committee on Banking Supervision ("Basel III") and certain provisions of the Dodd-Frank Act (the "Basel III Rules"). See "Capital Management - Regulatory Capital" under Part III, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the Basel III Rules.

Information Security, Cybersecurity, and Privacy

Information security and cybersecurity are high-priority items for legislators and regulators at the federal and state levels, as well as internationally. State and federal banking regulators have issued various policy statements and, in some cases, regulations emphasizing the importance of technology risk management and supervision. Such policy statements and regulations require that financial institutions design multiple layers of security controls to establish lines of defense and ensure that their risk management processes address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing the internet-based services of the financial institution. A financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. These requirements may cause us to incur significant additional compliance costs and, in some cases, may impact our growth prospects. Additionally, if we fail to observe federal or state regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties which could be substantial.

Federal statutes and regulations, including the GLBA and the Right to Financial Privacy Act of 1978, limit our ability to disclose non-public information about consumers, customers and employees to nonaffiliated third parties. Specifically, the GLBA requires us to disclose our privacy policies and practices relating to sharing non-public information and enables retail customers to opt out of our ability to share information with unaffiliated third parties under certain circumstances. The GLBA also requires us to implement a comprehensive information security program that includes administrative, technical and physical safeguards to ensure the security and confidentiality of customer records and information and, if applicable state law is more protective of customer privacy than the GLBA, financial institutions, including us, will be required to comply with such state law. Other laws and regulations similarly impact our ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In connection with the regulations governing the privacy of consumer financial information, the federal banking agencies, including the FDIC, have adopted guidelines for establishing information security standards and programs to protect such information.

Proposed or new legislation or regulations related to data privacy may significantly increase our compliance costs and impede our ability to grow into specific markets. There are several proposals that have either recently been adopted or are currently pending before federal, state, and foreign legislative and regulatory bodies. For example, the California Consumer Privacy Act of 2018 (the "CCPA") became effective in January 2020, and its successor, the California Privacy Rights Act of 2020, which expands on the consumer data privacy provisions of the CCPA, largely became effective in January 2023. In November 2023, the CFPB issued a proposed rule to implement Section 1033 of the Dodd-Frank Act regarding consumer rights to access financial information, which would require that certain financial institutions make available certain consumer data and would subject certain third parties to data requirements related to secondary use and privacy. These laws, along with those either recently passed or currently pending in other states, impose additional obligations on companies regarding the handling of personal data while also providing enhanced individual privacy rights to persons whose data is stored.

In the event of a data breach, there are mandatory reporting requirements that may hamper a company's ability to fully assess an incident prior to external reporting; for example, in 2021 the federal banking agencies approved a final rule requiring financial institutions to notify their primary federal regulator of any significant computer-security incident as soon as possible and no later than 36 hours after the institution determines that a cyber incident has occurred. Risks and exposures related to cybersecurity attacks, including litigation and enforcement risks, are expected to be elevated for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services. See Item 1A. Risk Factors for a further discussion of risks related to cybersecurity. We must constantly monitor legal and regulatory requirements that apply to existing and future subsets of our customer base for protection against legal, reputational, and financial risk due to compliance failures.

Community Reinvestment Act and Fair Lending

The Community Reinvestment Act of 1977 ("CRA") requires that federal banking regulators, in connection with their examinations of financial institutions, evaluate the record of financial institutions in meeting the credit needs of their local communities, including low and moderate-income individuals and neighborhoods, consistent with the safe and sound operations of the banks. Failure to adequately meet these criteria could impose additional requirements and limitations on us. Regulations under the CRA also provide for regulatory assessment of a bank's record in meeting the needs of its service areas, and this record is taken into account by the regulators when considering applications to, among other things, establish branches or merge with or acquire another bank or its assets or liabilities. An unsatisfactory performance record can substantially delay or block the transactions contemplated by such applications. In October 2023, the FDIC and other federal banking regulators issued a joint final rule extensively amending the regulations implementing the CRA. These amendments include the delineation of assessment areas, overall evaluation framework and performance standards and metrics, the definition of community development activities and data collection and reporting, and require significant new lending by banks to low- and moderate-income communities. The rule generally becomes effective on January 1, 2026, with its additional data collection and reporting requirements taking effect January 1, 2027. We are evaluating the impact of these changes and their impact on our financial condition, results of operations, and/or liquidity, which cannot be predicted at this time.

We are also subject to certain fair lending laws and regulations, including the Equal Credit Opportunity Act of 1974 and the Fair Housing Act of 1968, which (among other things) prohibit discrimination in credit and residential real estate transactions, including discrimination on the basis of, among other factors, race or color, national origin, gender, marital or familial status, age, handicap or disability, and religion. We are required to have a fair lending program of sufficient depth and breadth to monitor fair lending risks and appropriately remediate identified risks. Bank regulators have increasingly focused on the enforcement of these laws, and fair lending weaknesses can result in significant supervision and/or enforcement actions, along with fines, penalties, or financial remediation; reputational damage; CRA rating downgrade; investigation and enforcement actions by the U.S. Department of Justice ("DOJ"); or restrictions on our growth, revenue or expansion opportunities. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation.

Anti-Money Laundering, the USA PATRIOT Act and the Office of Foreign Assets Control Regulation

A major focus of governmental policy on financial institutions in recent years has been aimed at combatting money laundering and terrorist financing. The Bank Secrecy Act ("BSA") and its implementing regulations and parallel requirements of the federal banking regulators require us to maintain a risk-based anti-money laundering ("AML") program reasonably designed to prevent and detect money laundering and terrorist financing and to comply with the recordkeeping and reporting requirements of the BSA, including the requirement to report suspicious activity. The USA PATRIOT Act of 2001 (the "Patriot Act") substantially broadened the scope of AML laws and regulations by imposing significant new compliance and due diligence obligations on financial institutions, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. Financial institutions, including banks, are required under final rules implementing Section 326 of the Patriot Act to establish procedures for collecting standard information from customers opening new accounts and verifying the identity of these new account holders within a reasonable period of time. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must take certain steps to assist government agencies in detecting and preventing money laundering and to report certain types of suspicious transactions. The Patriot Act also amended Section 18(c) of the FDIA (commonly referred to as the "Bank Merger Act") to require federal banking regulatory authorities to consider the effectiveness of a financial institution's AML program when reviewing an application to expand operations.

We are subject to the customer due diligence rules issued by the U.S. Department of the Treasury's (the "Treasury") Financial Crimes Enforcement Network ("FinCEN") under the BSA, which require financial institutions to identify the beneficial owners who own or control certain legal entity customers at the time an account is opened and to update their AML compliance programs to include risk-based policies and procedures for conducting ongoing customer due diligence, including policies and procedures that are reasonably designed to (1) identify and verify the identity of customers; (2) identify and verify the identity of the beneficial owners of companies opening accounts; (3) understand the nature and purpose of customer relationships to develop customer risk profiles; and (4) conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information. As part of the requirement to obtain beneficial ownership information, we must identify and verify the identity of any individuals who own 25% or more of a legal entity, and an individual who controls the legal entity.

On January 1, 2021, as part of the National Defense Authorization Act for Fiscal Year 2021, Congress enacted the Anti-Money Laundering Act of 2020 (the "AMLA"). The AMLA significantly amends the BSA to, among other things, increase the duties and powers of FinCEN and require certain companies to report beneficial ownership information to FinCEN that will be made available to financial institutions to conduct customer due diligence. In September 2022, FinCEN issued a final rule implementing the beneficial ownership reporting requirements of the AMLA, which became effective January 1, 2024 and requires non-exempt entities to report their beneficial ownership information to FinCEN no later than January 1, 2025.

Among other things, AMLA's provisions clarify that cryptocurrency and other digital assets are within the scope of the regulatory requirements of the BSA and codify existing guidance from FinCEN to resolve any doubts raised by some industry participants regarding Congress' delegation of authority intended to regulate this sector. AMLA also updates and expands whistleblower rewards and anti-retaliation protections contained in the BSA, including that whistleblowers can receive up to 30% of an assessed monetary penalty where that penalty totals more than $1 million, and imposes enhanced applicable penalties for BSA violators and persons convicted of repeat violations or committing an "egregious violation" of the BSA. Among other changes enacted in AMLA, FinCEN must provide financial institutions with information about financial crime concerns and patterns and within six months after passage of AMLA, Treasury must establish national AML priorities, to be updated at least once every four years. Federal banking regulators may subsequently review whether and to what extent financial institutions have incorporated the national AML priorities into their risk-based programs to comply with BSA requirements.

FinCEN and the federal banking agencies continue to issue regulations and guidance with respect to the application and requirements of the BSA and their expectations for effective AML programs. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, to comply with United States sanctions that affect transactions with designated foreign countries, nationals and others, or to comply with any other relevant laws or regulations, could have serious legal, economic and reputational consequences for the institution, including causing applicable bank regulatory authorities to not approve any applications, including branch openings and mergers or acquisitions, when regulatory approval is required or to prohibit such transactions even if approval is not required. The ultimate impact of AMLA and the regulations to be promulgated thereunder, including its effect on our business, results of operations and financial condition, is uncertain.

Oversight and Enforcement

Enforcement Authority. The FDIC possesses enforcement authority over insured banks, including us, pursuant to the FDIA, the Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDICIA") and other statutes. Insured banks may be subject to potential actions for unsafe or unsound practices or violations of laws, rules, regulations or conditions imposed in writing by applicable federal banking agencies. The FDIC may exercise its enforcement powers by, among other things, issuing a cease-and-desist order, imposing civil monetary penalties, requiring an increase in capital, entering into informal and formal enforcement actions against the insured bank, requiring the insured bank to take identified corrective actions to address cited concerns or refrain from taking certain actions, or terminating deposit insurance.

Federal and state banking regulators have the authority to initiate informal or formal enforcement actions against us. Informal actions may include board resolutions approved by the applicable regulators, supervisory letters or memoranda of understanding. Formal actions may include consent orders, cease-and-desist orders, requiring an increase in capital, termination of deposit insurance and civil money penalties. Informal actions are generally a confidential part of the regulators' examination and supervisory process and may not be disclosed without the permission of the regulators. Formal actions, however, are publicly disclosed.

In connection with the FDICIA, federal banking agencies established capital measures (including both a leverage measure and a risk-based capital measure) and specified for each capital measure the levels at which depository institutions will be considered well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized. If an institution becomes classified as undercapitalized, the appropriate federal banking agency will require the institution to submit an acceptable capital restoration plan and can suspend or greatly limit the institution's ability to effect numerous actions, including capital distributions, certain deposit gathering activities, acquisitions of assets, establishing new branches, entering into new lines of business, or using brokered deposits.

Examination. Consistent with their supervision practices for banks of our size, the FDIC and ASBD utilize a joint examination team that remains on site throughout the year. The examination team conducts regular examinations of us, reviewing such matters as the overall safety and soundness of our institution, the adequacy of our allowance for credit losses, the quality of our loans and investments, the appropriateness of management practices, risk management, interest rate exposure, model risk, internal controls and audit systems, compliance with laws and regulations, and other aspects of our operations. These examinations are designed for the protection of our depositors, rather than our shareholders. Our FDIC and ASBD examinations are generally conducted jointly by the agencies. In addition, the Dodd-Frank Act gives the CFPB the authority to include its examiners, on a sampling basis, in examinations performed by primary federal regulators such as the FDIC, in order to assess compliance with consumer financial protection laws.

Acquisition Approvals. Under the Bank Merger Act and the Arkansas Banking Code, the prior approval of the FDIC and the ASBD is required for us to merge with another bank or purchase all or substantially all of the assets or assume any of the deposits of another FDIC-insured depository institution. In reviewing applications for merger and acquisition transactions, bank regulators consider, among other things, the competitive effect and public benefits of the transactions, the capital position and managerial resources of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's CRA performance record, the applicant's compliance with fair housing and other consumer protection laws and the effectiveness of all organizations involved in combatting money laundering activities. Failure to implement or maintain adequate compliance programs could cause bank regulators not to approve an acquisition where regulatory approval is required or to prohibit an acquisition even if approval is not required. In addition, in July 2021, President Biden issued an Executive Order on Promoting Competition in the American Economy. Among other initiatives, the Executive Order encouraged the federal banking agencies to review their current merger oversight practices under the BHC Act and the Bank Merger Act and adopt a plan for revitalization of such practices. The adoption of more expansive or prescriptive standards may have an impact on our future acquisition activities. See Item 1A. Risk Factors for a more extensive discussion of this topic.

Change in Bank Control. Under the Change in Bank Control Act (the "CIBCA"), a notice must be submitted to the FDIC if any person (including a company), or group acting in concert, seeks to acquire "control" of us. Control is defined as the power, directly or indirectly, to direct our management or policies or to vote 25% or more of any class of our outstanding voting securities. Additionally, a rebuttable presumption of control arises when any person (including a company), or group acting in concert, seeks to acquire 10% or more, but less than 25%, of any class of our outstanding voting securities which are publicly traded. When reviewing a notice under the CIBCA, the FDIC will take into consideration the financial and managerial resources of the acquirer, the convenience and needs of the communities served by us, the anti-trust effects of the acquisition and other factors. Under the Bank Holding Company Act of 1956, as amended (the "BHCA"), any company that is not an existing bank holding company would be required to obtain prior approval from the FRB before it could obtain "control" of us (and thereby become a bank holding company) within the meaning of the BHCA. Control generally is defined to mean the ownership or power to vote 25% or more of any class of our voting securities, the ability to control in any manner the election of a majority of our directors or the exercise of a controlling influence over our management and policies. An existing bank holding company would be required to obtain the FRB's prior approval under the BHCA before acquiring more than 5% of any class of our voting securities.

CRE Lending Concentrations. The federal banking agencies, including the FDIC, have promulgated guidance governing financial institutions with concentrations in CRE lending. The guidance indicates that, for supervisory purposes, a bank has a concentration in CRE lending if (i) total reported loans for construction, land development and other land represent 100% or more of the sum of the bank's tier 1 capital plus its allowance for credit losses attributed to loans and leases or (ii) total reported loans secured by multifamily and non-owner occupied non-farm/non-residential properties and loans for construction, land development and other land represent 300% or more of the sum of the bank's tier 1 capital plus its allowance for credit losses attributed to loans and leases and the bank's CRE loan portfolio has increased 50% or more during the prior 36 months. If a concentration is present, management must employ heightened risk management practices that address key elements, including board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of CRE lending. We have determined that we have a concentration in CRE lending, and while we believe we have implemented policies and procedures with respect to our CRE lending consistent with the regulatory guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us.

Consumer Financial Protection

We are subject to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. These laws include, among others, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Home Ownership and Equity Protection Act, the Electronic Fund Transfer Act, the Fair and Accurate Credit Transactions Act, the Fair Debt Collection Practices Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Truth in Savings Act, the Expedited Funds Availability Act, the Check Clearing for the 21st Century Act, the Servicemembers' Civil Relief Act, the Telephone Consumer Protection Act, the CAN-SPAM Act, and similar state laws, as well as state usury laws and other state consumer protection laws. These and other laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, prohibit unfair, deceptive and abusive acts and practices, restrict our ability to raise interest rates and subject us to significant regulatory oversight. Failure to comply with these and other consumer protection requirements may result in significant liability in private civil actions or enforcement actions by federal and state bank regulators or consumer protection agencies or state attorney generals, and may prevent us from engaging in merger or acquisition transactions or other activities requiring regulatory approval or that regulators may prohibit even if approval is not required.

The CFPB is responsible for implementing, enforcing, and examining compliance with federal consumer financial protection laws. As an insured depository institution with more than $10 billion in total assets, the CFPB has direct supervision and enforcement authority over us, including the authority to investigate possible violations of federal consumer financial laws, hold hearings and commence civil litigation, and establish applicable examination, enforcement and reporting requirements.

The CFPB may issue regulations that impact the products and services we offer. The regulations could reduce the fees that we receive, require that we provide additional consumer disclosures, alter the way we provide our products and services, impair our ability to compete with other providers of financial products or services, or expose us to greater risk of private litigation or regulatory enforcement action. The CFPB has engaged in rulemakings that affect, among other things, consumer remittance transfers and the qualified mortgage definition under the Truth in Lending Act, the Home Mortgage Disclosure Act and the Fair Debt Collection Practices Act, and may establish, or modify, rules governing other aspects of consumer financial products or services in the future. For example, in January 2024, the CFPB issued a proposed rule to eliminate the overdraft exemption from the Truth in Lending Act and other consumer financial protection laws. The review of products and practices to prevent unfair, deceptive or abusive acts and practices is a continuing focus of the CFPB, and of banking regulators more broadly. This heightened scrutiny, as well as any adoption by our regulators of new rules (such as the CFPB's January 2024 proposed rule) or more aggressive examination and enforcement policies in respect of banks' service charges on accounts could result in changes to our pricing, practices, products and procedures in ways that may have a negative impact on our revenue and earnings. It could also result in increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties.

In addition, the CFPB has broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations, to impose significant monetary penalties or injunctive relief that prohibits lenders from engaging in allegedly unlawful practices, or to obtain cease and desist orders providing for affirmative relief or monetary penalties. The CFPB has been active in bringing enforcement actions related to consumer financial protection laws and obtaining the forms of relief described above. State regulation of financial products and potential enforcement actions, which could be stricter in some cases than federal consumer protection standards, could also adversely affect our business, financial condition or results of operations.

Arkansas Law

We are subject to examination and regulation by the ASBD. Under the Arkansas Banking Code, the acquisition of more than 25% of any class of the outstanding capital stock of any bank requires approval of the Bank Commissioner. The Bank Commissioner's approval is required in order for us to make acquisitions, amend our articles of incorporation, repurchase shares of our capital stock (other than payments to dissenting shareholders in a transaction), issue debt, increase, reduce or retire any part of our capital stock, retire debt instruments, or conduct certain types of activities that are incidental or closely related to banking.

The Bank Commissioner has the authority, with the consent of the Governor of the State of Arkansas, to declare a state of emergency and temporarily modify or suspend banking laws and regulations in communities where such a state of emergency exists. The Bank Commissioner may also authorize a bank to close its offices and any day when such bank offices are closed will be treated as a legal holiday, and any director, officer or employee of such bank shall not incur any liability related to such emergency closing. To date no such state of emergency has been declared to exist by the Bank Commissioner.

Climate Accountability

In recent years, the federal banking agencies have increased their focus on climate-related risks affecting the operations of banks, the communities they serve and the broader financial system. The agencies have begun to enhance their supervisory expectations regarding banks' climate risk management practices, including by proposing guidance that would encourage banking organizations to, among other things: evaluate the potential impact of climate-related risks on the bank's financial condition, operations and business objectives as part of its strategic planning process; account for the effects of climate change in stress testing scenarios and systemic risk assessments; revise expectations for credit portfolio concentrations based on climate-related factors; and prepare for the transition risks to the bank associated with the adjustment to a low-carbon economy and related changes in laws, regulations, governmental policies, technology, and consumer behavior and expectations. While the agencies' efforts to date have focused on banking organizations with $100 billion or more in total assets, their supervisory expectations on climate risk management practices may ultimately apply to smaller banking organizations such as the Bank.

In October 2023, California enacted the Climate Corporate Data Accountability Act, which mandates the disclosure of Greenhouse Gas ("GHG") emissions, including Scope 1, Scope 2 and Scope 3 emissions, and the Climate-Related Financial Risk Act, which mandates the disclosure of climate-related financial risks and measures adopted to reduce and adapt to such risks. We are considered a reporting entity under both laws, which require initial disclosures in 2026.

To the extent that federal and state regulators adopt climate-related supervisory expectations and requirements that apply to us, we may be required to incur compliance, operating, maintenance and remediation costs to conform to such expectations and requirements.

Other Regulations and Restrictions

We are subject to a wide range of other requirements and restrictions contained in both federal and state laws. These regulations include, but are not limited to, the following:

- Limitations on our ability to pay dividends on our common and preferred stock, which are subject to regulatory restrictions and certain covenants contained in the indentures governing our trust preferred securities, subordinated debentures, and subordinated notes. See Note 18 of the consolidated financial statements under Part II, Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a discussion of dividend restrictions.
- Limits on interchange fees for debit card transactions.
- Limitations on the dollar amount of loans made to a borrower and its affiliates.
- Limitations on transactions with affiliates.
- Requirements regarding the time, manner, and form of compensation given to key executives and other personnel receiving incentive compensation, including requirements related to the SEC's 2022 rule on clawback policies and the NASDAQ's responsive listing standard.

Any deficiencies in compensation practices may be incorporated into supervisory ratings, which can affect our ability to make acquisitions or engage in certain other activities, or could result in regulatory enforcement actions.

Effect of Governmental Monetary Policies

Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the U.S. government and its agencies. The monetary policies of the FRB have had, and are likely to continue to have, an important impact on the operating results of commercial banks through the FRB's statutory power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The FRB, through its monetary and fiscal policies, affects the levels of bank loans, investments and deposits through its control over the issuance of U.S. government securities, its regulation of the discount rate applicable to member banks and its influence over reserve requirements to which member banks are subject. We cannot predict the nature or impact of future changes in the FRB's monetary and fiscal policies.

Future Regulation of Banks

Banking regulators, federal and state governments and other bodies routinely consider and enact new laws, regulations and policies, and may have differing interpretations regarding certain laws, regulations and policies, regulating the banking industry and public companies generally. In addition to potential legislative action, it is unclear whether or to what extent the federal departments and agencies will finalize, adopt, amend or repeal existing or proposed rules and regulations, including those implementing the Dodd-Frank Act, the EGRRCPA and the AMLA, among others. The ultimate impact of changes in laws on our business and results of operations will depend in part on regulatory interpretation and rulemaking, including as a result of the EGRRCPA and the AMLA, among others, as well as the success of any actions taken to mitigate the negative earnings impact of certain provisions.

We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which our business may be affected by any new regulation or statute. However, given our growth and the extensive and comprehensive regulation of our industry, we expect that our regulatory compliance costs will continue to increase over time. The scope, timing and implementation of regulatory and statutory changes, including as a result of staffing changes at the federal banking regulatory agencies, are uncertain and could have an adverse effect on our business, financial condition or results of operation.

AVAILABLE INFORMATION

We file annual, periodic and current reports, proxy statements and other information required by the Exchange Act with the FDIC, copies of which are available electronically at the FDIC's website at http://www.fdic.gov. In addition, we make available, free of charge, through the Investor Relations section of our Internet website at http://ir.ozk.com under "Filings," our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such reports with or furnish them to the FDIC. You may also inspect and copy any document we file with the FDIC at the public reference facilities maintained at the FDIC, Accounting and Securities Disclosure Section, Division of Risk Management Supervision, 550 17th Street, NW, Washington, DC 20429.

We have adopted a written code of ethics that applies to all directors, officers and employees of the Bank, including our principal executive officer, principal financial officer and principal accounting officer, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder. Our code of ethics is available on our Investor Relations website, http://ir.ozk.com, under "Corporate – Governance Documents." In the event that we make changes in, or provide waivers from, the provisions of this code of ethics that we are required to disclose, we intend to disclose these events on our Investor Relations website in such section. Our Corporate Governance Guidelines, Board committee charters and other corporate governance related documents are also posted on our website, and available in print upon request from any shareholder to our Investor Relations Department.

Information contained on or accessible through our website or any other website referenced in this report is not part of this report. References to websites in this report are intended to be inactive textual references only.

Shareholders may obtain a copy of any of the above-referenced corporate governance documents by writing to our Investor Relations Department at Investor Relations, Bank OZK, P. O. Box 8811, Little Rock, Arkansas 72231-8811 or by calling (501) 978-2265. Pursuant to Section 350.3 of the FDIC rules and regulations, each bank is required to make available on request an annual disclosure statement. Our Annual Report on Form 10-K serves as our annual disclosure statement.

Item 1A. RISK FACTORS

An investment in shares of our common or preferred stock involves a variety of risks, some of which are specific to us and some of which are inherent to the financial services industry. The following risks and other information in this report or incorporated in this report by reference, including our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," should be carefully considered before investing in our securities. These risks may adversely affect our financial condition, results of operations or liquidity. Many of these risks are out of our direct control, though efforts are made to manage those risks while optimizing financial results. These risks are not the only ones we face. Additional risks and uncertainties that we are not aware of or focused on or that we currently deem immaterial may also adversely affect our business and operation. This Annual Report on Form 10-K is qualified in its entirety by all these risk factors.

SUMMARY

The following is a summary of the principal risks that could adversely affect our business, financial condition and results of operations.

Economic and Credit Risks

- Our business has been, and may continue to be, adversely affected by conditions in the financial markets and economic conditions generally and in our markets in particular.
- Our business depends on the condition of the local and regional economies where we operate and we may have more credit risk to the extent loans are concentrated by location or industry of the borrowers or collateral.
- If we experience greater credit losses in our loan portfolios than anticipated, our earnings may be materially adversely affected.
- Credit risk and concentrations of risk, including our concentration in CRE lending, can increase the potential for us to incur significant losses and may subject us to additional scrutiny.
- Our business may suffer if there are significant declines in the value of real estate.
- The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property may not accurately describe the net value of the collateral that we can realize.
- Our indirect lending involves risk elements in addition to normal credit risk.
- Inflation could negatively impact our business and our profitability.
- We face strong competition in our markets.

Operational Risks

- We depend on key personnel for our success.
- We rely on certain third-party vendors.
- We need to stay current on technological changes in order to compete and meet customer demands.
- Failures or interruptions in or breaches to our computer systems, or other cyber threats or information security incidents, could materially and adversely affect our business and operations.
- We may incur losses as a result of unforeseen or catastrophic events, extreme weather events, or other natural disasters and other unexpected events due to climate change.
- Climate change-related legislative and regulatory initiatives and the increased focus on environmental, social and governance issues may result in operational changes or reputational damage that could significantly impact our business.
- New lines of business, products, product enhancements or services may subject us to additional risks.
- Ineffective techniques for managing risk, maintaining data quality, or failures or circumvention of our internal controls, may expose us to material unanticipated losses.
- Our accounting estimates and risk management processes rely on analytical and forecasting models and tools.
- Our selection of accounting policies and methods may affect our reported financial results.
- We depend on the accuracy and completeness of information about customers.
- We are subject to environmental liability risks.

Legal, Compliance and Regulatory Risks

- We are subject to extensive and evolving government regulation and supervision, which could increase our cost of doing business, limit or restrict our activities and adversely affect our operations.
- Existing and proposed legislation and regulations and any new laws and regulations may affect our operations and growth.
- We are involved in legal proceedings and may be the subject of additional litigation and/or investigations in the future.
- We may be subject to claims and litigation asserting lender liability.
- We may be subject to claims and litigation pertaining to fiduciary responsibility.
- We are subject to litigation risk pertaining to intellectual property.
- Changes in accounting standards could materially impact how we report our financial results.

- Increases in FDIC insurance premiums may adversely impact our earnings and financial condition.
- We are subject to changes in federal, state and local tax laws, interpretation of existing laws and examinations and challenges by taxing authorities.

Liquidity and Market Risks

- Our operations are significantly affected by interest rate levels.
- We may not be able to meet the cash flow requirements of our depositors, borrowers, or creditors, or the cash needs for expansion or other corporate activities.
- If we lose a significant portion of our core deposits or our cost of funding deposits increases significantly, our liquidity and/or profitability could be adversely impacted.
- We use brokered deposits which may be an unstable and/or expensive deposit source to fund earning asset growth.
- We may need to raise additional capital in the future to continue to grow, but that capital may not be available when needed.
- We cannot guarantee that we will pay dividends on our common or preferred stock in the future.
- The performance of our investment securities portfolio is subject to fluctuation due to changes in interest rates and market conditions, including credit deterioration of the issuers of individual securities.
- We currently invest in bank owned life insurance and may continue to do so in the future.
- Our investments and/or financings in certain tax-advantaged projects may not generate returns as anticipated and may have an adverse impact on our financial results.
- We and/or the holders of certain classes of our securities could be adversely affected by unfavorable ratings from rating agencies.
- The holders of our subordinated debentures, subordinated notes and preferred stock have rights that are senior to those of our common shareholders.
- The price of our common stock and preferred stock is affected by a variety of factors, many of which are outside our control.
- Our common stock and preferred stock trading volume may not provide adequate liquidity for investors.
- Future issuances of additional equity securities could result in dilution of existing shareholders' equity ownership and may adversely affect the market price of our stock.
- Our capital stock is not an insured deposit.

Strategic, Reputational and Other Risks

- Our recent results may not be indicative of our future results.
- If we do not manage our growth effectively, our business, future prospects, financial condition, results of operations and liquidity could be adversely affected.
- We may be adversely affected by risks associated with any potential future acquisition.
- Reputational risk and social factors may impact our results.
- The soundness of other financial institutions could adversely affect us.
- If our goodwill becomes impaired, we could be required to record impairment charges.

ECONOMIC AND CREDIT RISKS

Our business has been, and may continue to be, adversely affected by conditions in the financial markets and economic conditions generally and in our markets in particular.

We provide traditional commercial, retail and mortgage banking services, as well as other financial services including trust and wealth management. All of our products and services are materially affected by conditions in the financial markets and economic conditions in the principal markets in the United States in which we conduct business. Global economic and geopolitical conditions also affect our operating results because these conditions directly influence the U.S. economic conditions. Sources of global economic and geopolitical instability include, but are not limited to, the potential for an economic slowdown in the United Kingdom, Europe and the United States; the impact of trade negotiations; economic conditions in China, including the global economic impacts of the Chinese economy and China's regulation of commerce; and the wars in Ukraine and the Middle East. Various market conditions also affect our operating results. Concern regarding the ability of Congress and the President collectively to reach agreement on federal budgetary matters (including the debt ceiling), or prolonged stalemates leading to total or partial governmental shutdowns, also can have adverse economic consequences and create the risk of economic instability or market volatility, with potential adverse consequences to our business and financial performance. A worsening of business and economic conditions generally or specifically in the principal markets in which we conduct business could have adverse effects on our business, including, but not limited to, the following:

- a decrease in deposit balances or the demand for, or the availability of, loans and other products and services offered by us;

- an increase in the number of borrowers who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us, which could lead to higher levels of past due loans, nonperforming assets, net charge-offs and provisions for credit losses;
- a decrease in the value of loans and other assets secured by consumer or commercial real estate;
- an impairment of goodwill;
- a decrease in net interest income from our lending and deposit gathering activities; and
- an increase in competition resulting from financial services companies.

Economic and inflationary pressure on consumers and uncertainty regarding continuing economic improvement could result in changes in consumer and business spending, borrowing and savings habits. Such conditions could have a material adverse effect on the credit quality of our loans and our business, financial condition and results of operations.

Our business depends on the condition of the local and regional economies where we operate and we may have more credit risk to the extent loans are concentrated by location or industry of the borrowers or collateral.

A large number of our banking offices are located in south central and southeastern portions of the United States. As a result, our financial condition and results of operations may be significantly impacted by changes in the economies of the states where we currently have most of our banking offices, or the markets in which our assets are geographically located. In addition, approximately 12% of the funded balance of our total loan portfolio at December 31, 2023 (11% at December 31, 2022) was concentrated in the New York–Newark–Jersey City, NY–NJ–PA Metropolitan Statistical Area (“MSA”). As a result, our financial condition and results of operations depend, in part, upon economic conditions in this market area. Slowdown in economic activity in this market, or in our other principal market areas, including deterioration in housing or real estate markets or increases in unemployment and under-employment, may have a significant and disproportionate effect on consumer and business confidence and the demand for our products and services, result in an increase in problem assets, foreclosures, charge-offs, delinquencies or non-payment of loans and a decrease in the demand for our products and services, in collateral value (especially real estate) and significantly affect our deposit funding sources. Any of these events could have an adverse effect on our financial position, results of operations and liquidity.

If we experience greater credit losses in our loan portfolios than anticipated, our earnings may be materially adversely affected.

As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans may not be sufficient to assure repayment. Credit losses are inherent in the business of making loans and could have a material adverse effect on our operating results. We establish an allowance for the lifetime expected losses on individual loans, and a reserve (reflected as a liability on our consolidated balance sheet) for lifetime expected losses on our unfunded loan commitments (comprised primarily of closed but unfunded construction and development loans). The aggregate of the allowance for our funded loans and the reserve for losses on unfunded loan commitments is referred to as our ACL. Although we believe that we maintain our ACL at a level adequate to absorb lifetime expected losses in our loan portfolio, estimates of credit losses are subjective and their accuracy may depend on the outcome of future events that are difficult to predict. Our experience in the banking industry indicates that some portion of our loans may only be partially repaid or may never be repaid at all. Credit losses occur for many reasons beyond our control. Accordingly, we may incur charge-offs or otherwise be required to make significant and unanticipated increases in our ACL during future periods which could materially affect our financial position and results of operations.

Additionally, bank regulatory authorities, as an integral part of their supervisory functions, periodically review our ACL and our methodologies for calculating the ACL. These regulatory authorities may require adjustments to the ACL or ACL methodology or may require recognition of additional credit losses or charge-offs based upon their judgment. Any increase in the ACL, credit losses or charge-offs required by bank regulatory authorities could have a material adverse effect on our financial condition, results of operations and liquidity.

Credit risk and concentrations of risk, including our concentration in CRE lending, can increase the potential for us to incur significant losses and may subject us to additional scrutiny.

Our loan portfolio is comprised of a significant amount of real estate loans, including a large number of construction/land development and non-farm/non-residential loans. Our real estate loans comprised 76.5% of our total loans at December 31, 2023 (75.1% at December 31, 2022). In addition, our construction/land development and non-farm/non-residential loans, which are components of our real estate loans, comprised 44.0% and 20.1%, respectively, of our total loan portfolio at December 31, 2023 (39.5% and 22.5%, respectively, at December 31, 2022).

Real estate construction, acquisition and land development loans have certain risks not present in other types of loans, including, among others, risks associated with uncertainty of total construction costs, including the potential for construction cost overruns in excess of original estimates (as a result of, for instance, shortages in labor and raw materials and supplies), market deterioration during construction, project completion risk, general contractor credit risk, lack of permanent take-out financing, and risks associated with the ultimate sale, lease or use of the completed construction. These loans often involve the disbursement of funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss. Increases in market rates of interest may have an effect on construction loans by increasing the end-purchaser's borrowing costs, thereby possibly reducing the overall demand for the project. Properties under construction are often difficult to sell and typically must be completed in order to be successfully sold which also complicates the process of working out problem construction loans. This may require us to advance additional funds and/or contract with another builder to complete construction and assume the market risk of selling the project at a future market price, which may or may not enable us to fully recover unpaid loan funds and associated construction and liquidation costs. Land development loans can also pose additional risk because of the lack of income being produced by the property and potential illiquid nature of the collateral. These risks can be significantly impacted by supply and demand conditions.

In addition, many of our real estate construction, acquisition and development loans typically involve large balances and may be to single borrowers or groups of related borrowers. If a decline in economic conditions or other issues cause difficulties for our borrowers of these types of loans, if we fail to accurately evaluate the credit risk of these loans when we underwrite them or if we do not continue to adequately monitor the performance of these loans, the underlying construction projects that collateralize our loans may have material adverse deviations from projected construction plans and budgets, resulting in the potential that our loan portfolio could experience delinquencies, defaults and credit losses that could have a material adverse effect on our business, financial condition or results of operations.

Our non-farm/non-residential real estate loan portfolio includes commercial real estate loans, which are secured by apartments, hotels and motels, offices, shopping/retail centers, industrial, mixed use and other types of commercial properties. Our non-farm/non-residential real estate loan portfolio may carry more risk as compared to other types of lending, because they typically involve larger loan balances and may be to single borrowers or groups of related borrowers. This may result in larger charge-offs on commercial real estate loans on a per loan basis than those incurred with our consumer loan portfolio. The payment experience on commercial real estate loans that are secured by income producing properties are typically dependent on the successful operation of the related real estate project and thus, may subject us to adverse conditions in the real estate market or to the general economy. In addition, certain commercial real estate sectors, particularly office, remain at risk as a result of shifts in demand and tighter financial and credit conditions. Any unexpected deterioration in the credit quality of our commercial real estate loan portfolio would require us to increase our provision for credit losses, which would reduce our profitability and could materially adversely affect our business, financial condition, results of operations and prospects. In addition, the collateral securing these loans typically cannot be liquidated as easily as residential real estate. If we foreclose on these loans, our holding period for the collateral typically is longer than residential properties because there are fewer potential purchasers of the collateral.

We believe we have established appropriate underwriting and ongoing monitoring policies and procedures for our real estate loans, including construction/land development and non-farm/non-residential loans, and have established appropriate ACL levels for such loans. However, there can be no assurance that such underwriting and ongoing monitoring policies and procedures are, or will continue to be, appropriate or that losses on real estate loans, including construction/land development and non-farm/non-residential loans, will not require additions to our ACL, which could have an adverse effect on our financial position and results of operations.

In addition, the federal banking agencies, including the FDIC, have promulgated guidance on sound risk management practices for financial institutions with concentrations in construction/land development and/or CRE lending. The guidance states that if a concentration is present, management must employ heightened risk management practices that address key elements, including board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of CRE lending. While we believe we have implemented policies, procedures and appropriate risk management practices with respect to our construction/land development and CRE loan portfolio consistent with this guidance, bank regulators could require us to implement additional policies, procedures or risk management practices, or require us to maintain increased capital levels, consistent with their interpretation of the guidance that may result in additional costs to us.

Our business may suffer if there are significant declines in the value of real estate.

The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located, whether locally, regionally or nationally, and numerous other factors. If the value of the real estate serving as collateral for our loan portfolio were to decline materially, a significant part of our loan portfolio could become under-collateralized. If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, we may not be able to realize the value of the security anticipated when we originated the loan, which in turn could have an adverse effect on our net charge-offs, our allowance and provision for credit losses and our financial condition, results of operations and liquidity.

The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property may not accurately describe the net value of the collateral that we can realize.

Our underwriting and ongoing monitoring policies and processes for real estate loans generally utilize appraisals of the real property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may change significantly in relatively short periods of time (especially in periods of heightened economic uncertainty), this estimate may not accurately describe the net value of the real property collateral after the loan is made. As a result, we may obtain subsequent appraisals that differ materially from prior appraisals regarding the value of the property, which could have an adverse effect on the loan's credit quality or risk rating, and we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. This could have a material adverse effect on our business, financial condition or results of operations.

Our indirect lending involves risk elements in addition to normal credit risk.

Our indirect lending group makes loans to individuals primarily for the purchase of RV and marine vehicles and vessels. We serve customers that cover varying ranges of creditworthiness, and the terms and rates of these types of loans reflect those varying risk profiles. While our lending team is experienced and skilled at underwriting and monitoring these loans, such loans involve risk elements in addition to normal credit risk. While these loans are secured, they are secured principally by depreciating assets and characterized by LTV ratios that could result in us not recovering the full value of an outstanding loan upon default by the borrower. If the losses from our indirect loan portfolio are higher than anticipated, it could have a material adverse effect on our allowance and provision for credit losses and our financial condition and results of operations.

We have limited personal contact with the borrowers as a result of indirect lending through non-bank channels, namely dealer and correspondent relationships. If we are not able to maintain existing relationships with significant dealers or correspondents or if we are not able to develop new relationships for any reason – including if we are not able to provide services on a timely basis or compete successfully with the products and services of our competitors – our indirect lending volumes, and the number of dealers and correspondents with whom we have relationships, could decline in the future, which could adversely affect our results of operations or financial condition.

Inflation could negatively impact our business and our profitability.

Prolonged periods of inflation may impact our profitability by negatively impacting our non-interest expenses, including increasing expense related to hiring and retaining qualified team members. Additionally, inflation may lead to a decrease in consumer and client purchasing power and negatively affect the need or demand for our products and services. If significant inflation continues, our business could be negatively affected by, among other things, increased default rates leading to credit losses which could decrease our appetite for new credit extensions. These inflationary pressures could adversely affect our results of operations or financial condition.

We face strong competition in our markets.

Competition in many of our banking markets is intense. We compete with financial and bank holding companies, state and national commercial banks, savings and loan associations, consumer finance companies, credit unions, securities brokerages, insurance companies, mortgage companies, money market mutual funds, asset-based non-bank lenders and other financial institutions and intermediaries, as well as non-financial institutions offering payroll, debit card and other services. Some of these competitors have an advantage over us through greater financial resources, lending limits and larger distribution networks, and may be able to offer a broader range of products and services. Other competitors, many of which are smaller, are either privately-held or non-banks that are not subject to the same extensive regulations that govern our activities and thus benefit from greater flexibility than we have in adopting or modifying growth or operational strategies. Some of our competitors (larger or smaller) may have more liberal lending policies and processes. If we fail to compete effectively for deposits, loans and other banking customers in our markets, we could lose substantial market share, suffer a slower growth rate or no growth and our financial condition, results of operations and liquidity could be adversely affected.

In addition, technology and other changes are allowing parties to compete, through alternative methods and delivery channels, for financial transactions that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, with an Internet-only bank, or with virtually any other bank in the country through online or mobile banking. Consumers can also complete transactions such as purchasing goods and services, paying bills and/or transferring funds directly without the assistance of banks by transacting through non-bank enterprises or through the use of emerging payment technologies. The process of eliminating banks as intermediaries could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower-cost deposits as a source of funds could have an adverse effect on our financial condition, results of operations and liquidity.

OPERATIONAL RISKS

We depend on key personnel for our success.

Our operating results and ability to execute our strategic plans and minimize credit losses are highly dependent on the services, managerial abilities and performance of our current executive officers and other key personnel. We have an experienced management team that our Board believes is capable of managing and growing our business and executing those strategic plans. Losses of or changes in our current executive officers or other key personnel and their responsibilities may disrupt our business and could adversely affect our financial condition and results of operations. Competition for the most qualified people in many activities engaged in by us is intense, including with respect to compensation, emerging workplace practices, accommodations and remote work options, and we may not be able to hire sufficiently skilled people or to retain them. Additionally, our ability to retain our current executive officers and other key personnel may be further impacted by existing or new legislation and regulations regarding incentive compensation that is affecting or may affect the financial services industry. There can be no assurance that we will be successful in retaining our current executive officers or other key personnel or hiring additional key personnel to assist in executing our business strategies. Our ability to execute our business strategy will suffer if we unexpectedly lose one or more of our key personnel, as will our ability to provide high quality service if we are unable to recruit or retain a sufficient number of qualified personnel or the costs of employee compensation or benefits increase substantially.

We rely on certain third-party vendors.

Our reliance on certain third-party vendors to provide products and services necessary to maintain our day-to-day operations subjects us to the risk of operational disruption, failure or capacity constraints. Third-party vendors provide certain key operational components, such as cloud-based computing, storage services, payment and card processing services and internet connections and network access, among others. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with applicable contractual arrangements or service level agreements. Legal authorities and regulators could hold us responsible for failures by these parties to comply with applicable laws, rules or regulations. These failures could expose us to significant litigation or regulatory action that could limit our activities or impose significant fines or other financial losses. Additionally, we could be subject to significant litigation from consumers or other parties harmed by these failures and could suffer significant losses of business and revenue, as well as reputational harm as a result of these failures.

We maintain a system of policies and procedures designed to monitor vendor risks including, among other things, (i) changes in the vendor's organizational structure, (ii) changes in the vendor's financial condition, (iii) changes in existing products and services or the introduction of new products and services, and (iv) changes in the vendor's support for existing products and services. While we believe these policies and procedures help to mitigate risk, the failure of an external vendor to perform in accordance with applicable contractual arrangements or the service level agreements could be disruptive to our operations, which could have a material adverse effect on our business and our financial condition and results of operations.

We need to stay current on technological changes in order to compete and meet customer demands.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven solutions, and as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide solutions through various delivery channels that will satisfy customer demands for product functionality and convenience, including our ability to fully deploy and leverage the technology applications under development from our technology groups, and to create additional operational efficiencies and greater privacy and security protection for customers and their personal information. Some of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven solutions or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could impair our ability to retain or acquire new customers and could have an adverse effect on our business, financial position, results of operations and liquidity.

Failures or interruptions in or breaches to our computer systems, or other cyber threats or information security incidents, could materially and adversely affect our business and operations.

We are dependent upon information technologies, computer systems and networks, including those maintained by us and those maintained and provided to us by third parties (e.g., cloud solutions and "software-as-a-service"), to conduct operations and are reliant on technology to help increase efficiency in our business. These systems could become unavailable or impaired from a variety of causes, including, among others, storms and other natural disasters, terrorist attacks, fires, utility outages, internal or external theft or fraud, design defects, human error or complications encountered as existing systems are maintained, replaced or upgraded. We maintain a system of internal controls and security for many systems we maintain, including redundancy and/or back-up technologies, to mitigate the risks of these occurrences, and we maintain insurance coverage for certain risks. However, should an event occur that is not prevented or detected by our internal controls, causes an interruption in service where we do not have an effective redundant or back-up system, or is uninsured against or in excess of applicable insurance limits, such occurrence could have an adverse effect on our business and our reputation, which, in turn, could have a material adverse effect on our financial condition, results of operations and liquidity.

In addition, our operations require us to protect our information systems, technology infrastructure and data. Cybersecurity incidents and other disruptions could jeopardize the security of information stored in and transmitted through our information systems and networks and result in the transmission, theft, unauthorized disclosure and/or destruction of our confidential information, including customer information, corporate information or other assets. We proactively monitor our network and deploy security personnel, processes and technologies to identify, protect, detect, respond and recover from damage or unauthorized access to our information systems and network; however, there can be no assurance that these security measures or procedures will be completely successful against every threat, every time, or that we will discover a breach in a timely fashion, especially as the methods used become increasingly complex and sophisticated and change frequently. We have experienced security breaches and cyber attacks in the past, and it is inevitable that additional breaches and attacks will occur in the future. While such breaches and attacks have not materially impacted us to date, future security breaches and cyber attacks could result in serious and harmful consequences for us or our clients and customers. Our risk and exposure to cyber threats and other information security breaches is heightened as we expand our use of cloud technology and internet and mobile banking delivery channels for our products and services.

We also face the risk of operational disruption, failure, termination, or capacity constraints of any of the third parties that facilitate our business activities, including vendors, exchanges, and other financial intermediaries. Such parties could also be the source or cause of an attack on, or breach of, our operational systems, data or infrastructure, and could disclose such an attack or breach to us in a delayed manner or not at all. In addition, we may be at risk of an operational failure with respect to our customers' systems. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats and the continued uncertain global economic environment.

As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures, investigate and remediate any information security vulnerabilities, or respond to any changes to state or federal regulations, policy statements or laws concerning information systems or security. Any failure to maintain adequate security over our information systems, our technology-driven products and services or our customers' personal and transactional information could negatively affect our business and our reputation and result in fines, penalties, or other costs, including litigation expense and/or additional compliance costs, all of which could have a material adverse effect on our financial condition, results of operations and liquidity. See Item 1C. Cybersecurity for further discussion of our process for assessing, identifying and managing material risks from cybersecurity threats.

We may incur losses as a result of unforeseen or catastrophic events, extreme weather events, or other natural disasters and other unexpected events due to climate change.

The occurrence of unforeseen or catastrophic events, extreme weather events or other natural disasters, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations) that could impair our ability to manage our business. Our operations and customer base are located in markets where natural disasters, including tornadoes, severe storms, fires, floods, hurricanes, earthquakes and other extreme weather conditions often occur. Such natural disasters could significantly impact the local population and economies and our business and could pose physical risks to our properties and/or employees, and could increase the risk that many of our borrowers may experience losses or sustained job interruption, which may materially impair their ability to satisfy their loan obligations. A significant natural disaster in or near one or more of our markets could have a material adverse effect on our business, financial condition or results of operations.

There is an increasing concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change include discrete events, such as flooding and wildfires, and long-term shifts in climate patterns, such as extreme heat, sea level rise, and more frequent and prolonged drought. Such events could disrupt our operations or those of our customers or third parties on which we rely, including through direct damage to assets and indirect impacts from supply chain disruption and market volatility. Our markets could experience symptomatic effects which over time, could result in declining demand for certain types of business that we finance, including commercial real estate projects, or decrease the value of our loans and other assets secured by real estate that might be impacted. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable. Additionally, transitioning to a low carbon economy may entail extensive policy, legal, technology, and market initiatives. Transition risks, including changes in consumer preferences and additional regulatory requirements or taxes, could increase our expenses and undermine our strategies. In addition, our reputation and client relationships may be damaged as a result of our practices related to climate change, including our involvement, or our clients' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change.

We have recently begun to incorporate systemic and idiosyncratic shock scenarios related to such changes in our internal stress testing activities. In addition, we are evaluating additional methodologies to further consider the relationship of such shocks to climate change related events and further develop internal strategies, policies and related risk management practices in an effort to bolster our state of readiness to deal with such unforeseen and catastrophic events. However, because the timing and impact of climate change has limited predictability, our risk management strategies may not be effective in mitigating climate risk exposure.

Climate change-related legislative and regulatory initiatives and the increased focus on environmental, social and governance issues may result in operational changes or reputational damage that could significantly impact our business.

The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting GHG emissions. The United States government has rejoined the Paris Climate Agreement, the most recent international climate change accord, while the U.S. Congress, state legislatures and federal and state regulatory agencies are likely to continue to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change, including mandatory disclosure and/or substantive requirements regarding climate change. These agreements and measures may result in the imposition of taxes and fees, the required purchase of emission credits, and the implementation of significant operational changes. Changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to, among other things, improve the energy efficiency of properties we own in order to comply with such regulations. In addition, the federal banking agencies may address climate-related issues in their agendas in various ways, including by increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors, and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. Each of the above-described initiatives, as well as other similar initiatives, may require us to expend significant capital and incur compliance, operating, maintenance and remediation costs.

Increasing governmental, investor and societal attention to environmental, social and governance matters, including expanding mandatory and/or voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, labor and risk oversight, among others, could expand the nature, scope, and complexity of matters that we are required to control, assess and report. These factors may alter the environment in which we do business and may increase the ongoing costs of compliance and adversely impact our results of operations, reputation and cash flows. In addition, as a publicly traded financial institution, we have multiple constituencies, including our shareholders, customers, employees, federal and state regulators, and other interested parties, all of which have diverse and often conflicting views, priorities and expectations regarding environmental, social and governance issues. If we take action inconsistent with the expectations of one or another of these parties, we could experience an increase in client complaints, a loss of business, or reputational harm. We could also face negative publicity or reputational harm based on the identity of those with whom we choose to do business. If we are unable to adequately address such environmental, social and governance matters, receive adverse publicity in connection with such matters, or we or our borrowers fail or are perceived to fail to comply with applicable laws, regulations, policies and related interpretations, it could negatively impact our reputation, our ability to attract and retain customers and employees, compete effectively and grow our business, and our business results.

New lines of business, products, product enhancements or services may subject us to additional risks.

From time to time, we may implement or acquire new lines of business or offer new products and product enhancements as well as new services within our existing lines of business. There are substantial risks and uncertainties associated with these efforts. In acquiring, developing or marketing new lines of business, products, product enhancements or services, we may invest significant time and resources, although there is no guarantee that these new lines of business, products, product enhancements or services will be successful or that we will realize their expected benefits. Further, initial timetables for the introduction, development and delivery of new lines of business, products, product enhancements or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the ultimate implementation and success of new lines of business or offerings of new products, product enhancements or services. Furthermore, any new line of business, product, product enhancement or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or offerings of new products, product enhancements or services could have a material adverse effect on our business, financial condition or results of operations.

Ineffective techniques for managing risk, maintaining data quality, or failures or circumvention of our internal controls, may expose us to material unanticipated losses.

In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and control our exposure to material risks, such as credit, operational, legal and reputational risks, among other risks. Additionally, data is key to the decision-making processes used throughout our Bank. We maintain appropriate data management standards, frameworks and processes to help ensure that data and data elements are accurately identified, securely stored, accessed appropriately and utilized in compliance with internal policies and procedures. Our risk management methods and data standards may prove to be ineffective due to their design, their implementation or the degree to which we adhere to them, the lack of adequate, accurate or timely information, inappropriate use of data or various other factors. If our risk management or data management efforts are ineffective, we could suffer losses that could have a material adverse effect on our financial condition, results of operations and liquidity, and we could be subject to litigation from customers or sanctions or fines from regulators. Our techniques for managing the risks we face may not fully mitigate the risk exposure in all economic or market environments, including exposure to risks that we might fail to identify or anticipate.

Our internal controls, disclosure controls, processes and procedures, and corporate governance policies and procedures are based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls, processes and procedures or failure to comply with regulations related to controls, processes and procedures could necessitate changes in those controls, processes and procedures, which may increase our compliance costs, divert management attention from our business or subject us to regulatory actions and increased regulatory scrutiny. Any of these could have an adverse effect on our financial condition, results of operations and liquidity.

Our accounting estimates and risk management processes rely on analytical and forecasting models and tools.

The processes we use to estimate our ACL, to measure the fair value of financial instruments, and to measure and monitor risk throughout the Bank, as well as the processes used to estimate the effects of changing interest rates and other measures of our financial condition and results of operations, depend upon the use of analytical and forecasting models and tools. These models and tools reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are accurate, the models and tools may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. Any such failure in our analytical or forecasting models and tools could have a material adverse effect on our business, financial condition and results of operations.

Our selection of accounting policies and methods may affect our reported financial results.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with accounting principles generally accepted in the U.S. ("GAAP") and reflect management's judgment of the most appropriate manner to report our financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet which may result in our reporting materially different results than would have been reported under a different alternative.

Certain accounting estimates have been determined by management to be critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the ACL or sustain credit losses that are significantly higher than the ACL allocation provided; recognize an ACL on our portfolio of investment securities; or significantly increase our accrued tax liability. Any of these could have a material adverse effect on our business, financial condition, or results of operations. For a discussion of our critical accounting estimates, see Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates included in this Annual Report on Form 10-K.

We depend on the accuracy and completeness of information about customers.

In deciding whether to extend credit or enter into certain transactions, we rely on information furnished by or on behalf of customers, including financial statements, credit reports, tax returns and other financial information. We may also rely on representations of those customers or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading information, financial statements, credit reports, tax returns or other financial information, including information falsely provided as a result of identity theft, could have an adverse effect on our business, financial condition and results of operations.

We are subject to environmental liability risks.

A significant portion of our loan portfolio is secured by real property. In the ordinary course of business, we may foreclose on and take title to real properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. Additionally, we have acquired a number of retail banking facilities and other real properties, any of which may contain hazardous or toxic substances. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. We have policies and procedures that require either formal or informal evaluation of environmental risks and liabilities on real property (i) before originating any loan or foreclosure action, except for certain loans where the real estate collateral is second lien collateral or (ii) prior to the completion of any acquisition of retail banking facilities, real property for future development of retail banking facilities or any other real property, including any real property to be acquired in a merger and acquisition transaction. These policies, procedures and evaluations may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard, including any fines or penalties levied for noncompliance with environmental laws, could have an adverse effect on our financial condition, results of operations and liquidity.

LEGAL, COMPLIANCE AND REGULATORY RISKS

We are subject to extensive and evolving government regulation and supervision, which could increase our cost of doing business, limit or restrict our activities and adversely affect our operations.

We are subject to extensive state and federal regulation, supervision and examination governing almost all aspects of our operations, which limits the businesses in which we may permissibly engage. The laws and regulations governing our business are intended primarily for the protection of our depositors, our customers, the financial system and the FDIC insurance fund, not our shareholders or other creditors. These laws and regulations govern a variety of matters, including certain debt obligations, changes in control, maintenance of adequate capital, and general business operations and financial condition (including permissible types, amounts and terms of loans and investments, the amount of reserves against deposits, restrictions on dividends and repurchases of our capital securities, establishment of branch offices, and the maximum interest rate that may be charged by law). In recent years, both Congress and the federal banking regulators have engaged in a rebalancing of the post financial crisis legal and regulatory framework. Under the current presidential administration and Congress, financial institutions are becoming subject to increased scrutiny and more intense supervision and regulation, which creates a higher risk of enforcement action. We expect that our business will remain subject to extensive regulation and supervision.

Financial regulators' prudential and supervisory authority gives them broad power and discretion to direct our actions, and they have assumed an active oversight, examination, and enforcement role across the financial services industry on both the federal and state levels. Mortgage-related practices, sales practices and related incentive compensation programs, consumer privacy, fair banking, overdraft fees, and other consumer compliance matters have been areas of regulatory focus in the recent past. Additionally, misconduct by employees, including unethical, fraudulent, improper, or illegal conduct, or other unfair, deceptive, abusive, or discriminatory practices, can result in litigation, or government investigations and enforcement actions, and cause significant reputational harm.

Federal law grants substantial enforcement powers to federal banking regulators and law enforcement agencies. This authority includes, among other things, the ability to assess significant civil or criminal monetary penalties, fines, or restitution; to issue informal or formal enforcement actions, including required board resolutions, memoranda of understanding, written agreements, consent orders, cease and desist orders or prompt corrective action orders; to take corrective action and cease unsafe and unsound practices; and to initiate injunctive actions against banking organizations and institution-affiliated parties. These enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. In some cases, regulatory agencies may take supervisory actions that may not be publicly disclosed, which may address existing controls and could restrict or limit a financial institution. Also, as part of our regular examination process, our regulators may advise us to conduct significant remediation activities or operate under various restrictions as a prudential matter. Such supervisory actions or restrictions, in whatever manner imposed, could negatively affect our ability to engage in new activities and certain transactions, as well as have a material adverse effect on our business and results of operations and may not be publicly disclosed.

A failure to comply with regulatory requirements and expectations could expose us to fines, regulatory penalties, other costs, reputational damage and regulatory or enforcement actions, such as limitations on engaging in new activities or expanding geographically. In some cases, governmental authorities have required criminal pleas or other extraordinary terms as part of such settlements, which could have significant consequences for a financial institution, including loss of clients, restrictions on the ability to access the capital markets and the inability to operate certain businesses or offer certain products for a period of time. Violations of laws and regulations or deemed deficiencies in risk management practices also may be incorporated into our confidential supervisory ratings. A downgrade in these ratings or these or other regulatory actions and settlements, could limit our ability to conduct expansionary activities for a period of time and require new or additional regulatory approvals before engaging in certain other business activities. Any future enforcement action could have a material adverse impact. See Item 1. Business – Supervision and Regulation for additional discussion of the extensive regulation and supervision to which we are subject.

Existing and proposed legislation and regulations and any new laws and regulations may affect our operations and growth.

Proposals to change the laws and regulations governing the operations of banks and other financial institutions are frequently raised in the U.S. Congress, state legislatures and before bank regulatory authorities. New laws and regulations, modifications and changes to existing regulations or regulatory policies, or their interpretation or implementation, may significantly affect the markets in which we do business and the markets for and value of our loans and securities, limit the types of financial services and products we may offer, alter the investments we make, affect the manner in which we operate our businesses, increase our litigation and regulatory costs should we fail to appropriately comply with new or modified laws and regulatory requirements and increase the ability of non-banks to offer competing financial services and products.

We are subject to laws, rules, and regulations regarding compliance with privacy policies and the disclosure, collection, use, sharing and safeguarding of personal identifiable information of certain parties. There has recently been an increase in legislative and regulatory efforts to protect the privacy of consumer data. We will likely be subject to new and evolving data privacy laws, which could result in additional costs of compliance, litigation, regulatory fines, and enforcement actions. These laws may limit how companies can use customer data and will likely increase compliance complexity and related costs, result in significant financial penalties for compliance failures, and limit our ability to develop new products or respond to technological changes. We also rely upon third parties who may expose us to compliance and legal risk. New or existing legal requirements also could heighten the reputational impact of perceived misuses of customer data by us and third parties.

We are involved in legal proceedings and may be the subject of additional litigation and/or investigations in the future.

In the normal course of business, from time to time, we are or have been subject to claims and proceedings related to our operations, business activities and acquisitions. These claims and legal actions could include supervisory or enforcement actions by our regulators, criminal proceedings by prosecutorial authorities, arbitrations, or civil claims by our customers, former customers, contractual counterparties, and current and former employees. We have in the past and may in the future face class action lawsuits for alleged violations of employment, state wage and hour and consumer protection laws. Certain legal actions may include claims for substantial compensatory or punitive damages or indeterminate amounts of damages.

Although we have developed policies and procedures to minimize the occurrence and impact of legal noncompliance and other disputes and endeavored to provide reasonable insurance coverage, litigation, government investigations and regulatory actions present an ongoing risk. We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against us, our directors, management or employees, including remedies or damage awards. On a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of our business) utilizing the latest and most reliable information available. The actual cost of any outstanding legal proceedings or threatened claims, however, may turn out to be substantially higher than the amount accrued. Further, our insurance may not cover all litigation, other proceedings or claims, or the costs of defense. Future developments could result in an unfavorable outcome for any existing or new lawsuits or investigations in which we are, or may become, involved, which may have a material adverse effect on our business and our results of operations.

We may be subject to claims and litigation asserting lender liability.

From time to time, customers, including real estate developers and consumer borrowers, may make claims or otherwise take legal action pertaining to the performance of our responsibilities. These claims are often referred to as “lender liability” claims and are sometimes brought in an effort to produce or increase leverage against us in workout negotiations or debt collection proceedings. Lender liability claims frequently assert one or more of the following allegations: breach of fiduciary duties, fraud, economic duress, breach of contract, breach of the implied covenant of good faith and fair dealing, and similar claims. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a favorable manner, they may result in significant financial liability and/or adversely affect our reputation, products and services, as well as potentially affecting customer demand for those products and services. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition, results of operations and liquidity.

We may be subject to claims and litigation pertaining to fiduciary responsibility.

From time to time as part of our normal course of business, customers may make claims and take legal action against us based on actions or inactions related to the fiduciary responsibilities of our Trust and Wealth Division. If such claims and legal actions are not resolved in a manner favorable to us, they may result in financial liability and/or adversely affect our reputation or our products and services. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

We are subject to litigation risk pertaining to intellectual property.

We rely on third-party companies to provide information technology products and services that support our day-to-day operations. These third parties frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. Competitors of our vendors, or other individuals or companies, have from time to time claimed to hold intellectual property sold to us by our vendors or in use by us and we are, and may in the future be, named as defendants in various related legal claims. Such claims may increase in the future as the financial services industry becomes more reliant on information technology vendors. The plaintiffs in these actions frequently seek injunctions and substantial damages and may also seek to enter into licensing agreements with us to obtain ongoing fees. Any such litigation or claims brought against us or our vendors, whether with or without merit, could result in substantial costs to us, require us to seek licenses and pay royalties which may only be available on unfavorable terms, if at all, and ultimately harm our business and results of operations.

Changes in accounting standards could materially impact how we report our financial results.

The Financial Accounting Standards Board, the SEC and other bodies that establish and/or interpret accounting standards periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements or may change prior interpretations or positions on how these standards should be applied. These changes may be difficult to predict and may materially affect how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, which would result in changes to previously reported financial results.

Increases in FDIC insurance premiums may adversely impact our earnings and financial condition.

Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums we will be required to pay for FDIC insurance, with such premiums being based on our risk classification under an FDIC risk-based assessment system. Our assessments are based on our average consolidated total assets minus our average tangible equity. To determine our initial assessment rate, the FDIC uses a performance score and a loss-severity score, and in calculating these scores the FDIC uses our capital level, supervisory ratings and certain financial measures to assess our ability to withstand asset-related stress and funding-related stress. The FDIC also has the ability to make discretionary adjustments to the total score based upon significant risk factors that the FDIC determines are not adequately captured in these calculations. Recently, the FDIC adopted a final rule to increase the assessment rate for all insured depository institutions, effective January 1, 2023. Additional changes to our assessment base or assessment rate, which are determined on a quarterly basis, could result in additional increases in our FDIC insurance premiums. In addition, unfavorable economic conditions, increased bank failures or other events causing the DIF to suffer losses may cause the FDIC to charge additional special assessments. For example, in November 2023, the FDIC implemented a special assessment to recover the loss to the DIF associated with the 2023 failed bank resolutions, which is calculated based on an institution’s estimated uninsured deposits as of December 31, 2022, and collected over eight quarterly assessment periods beginning with the first quarter of 2024. We expect our assessment to be $9.9 million in total, which we fully accrued and expensed in the fourth quarter of 2023. Future increases of FDIC insurance premiums or special assessments could have a material adverse effect on our business, financial condition or results of operations.

We are subject to changes in federal, state and local tax laws, interpretation of existing laws and examinations and challenges by taxing authorities.

Our financial performance is impacted by federal, state and local tax laws. Given the current economic and political environment, and ongoing budgetary pressures, the enactment of additional new federal or state tax legislation may occur or interpretations of existing tax laws could change. The enactment of such legislation or changes in the interpretation of existing law may have a material adverse effect on our financial condition, results of operations and liquidity.

In the normal course of business, we are routinely subjected to examinations and audits from federal, state and local taxing authorities regarding tax positions taken by us and the determination of the amount of tax due. These examinations may relate to income, franchise, gross receipts, payroll, property, sales and use, unclaimed property or other tax returns filed, or not filed, by us. The challenges made by taxing authorities may result in adjustments to the amount of taxes due, and may result in the imposition of penalties and interest. If any such challenges are not resolved in our favor, they could have a material adverse effect on our financial condition, results of operations and liquidity.

LIQUIDITY AND MARKET RISKS

Our operations are significantly affected by interest rate levels.

Beginning in 2022 and throughout 2023, the Federal Reserve steadily increased the target federal funds rate. These increases and future changes in the target rate could adversely affect our ability to originate new loans and our ability to grow.

Our profitability is dependent to a large extent on net interest income, which is the difference between interest income earned on loans and investment securities and interest expense paid on deposits, other borrowings, subordinated debentures and subordinated notes. Because of the differences in maturities and repricing characteristics of our interest-earning assets and interest-bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Accordingly, fluctuations in interest rates could adversely affect our interest rate spread, and, in turn, our profitability. If the Federal Reserve were to lower the target federal funds rate rapidly, these actions could constrain our interest rate spread and may adversely affect our results of operation. On the other hand, increases in interest rates, to combat inflation or otherwise, may result in a change in the mix of non-interest and interest-bearing accounts. All else being equal, if the interest rates on the Bank's interest-bearing liabilities increase at a faster pace than the interest rates on our interest-earning assets, the result could be a reduction in net interest income and with it, a reduction in net income. Following an increase in the general level of interest rates, our ability to maintain a positive net interest spread is dependent on our ability to increase our loan offering rates, replace loan maturities with new originations, minimize increases on our deposit rates, and maintain an acceptable level and mix of funding. We are unable to predict changes in interest rates, which are affected by factors beyond our control, including inflation, deflation, recession, unemployment, money supply and other changes in financial markets.

The increased interest rates could also adversely affect the ability of our floating-rate borrowers to meet their higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and charge offs, which could adversely affect our business.

We rely primarily on an earnings simulation model and economic value of equity ("EVE") to analyze our interest rate risk and our sensitivity to interest rate changes. This earnings simulation model projects a baseline net interest income and estimated changes to such baseline from changes in interest rates and incorporates a number of assumptions. The assumptions and inputs used in our interest simulation model and EVE are difficult to accurately predict. Should these assumptions prove to be inaccurate, our interest simulation model and EVE results may not accurately project our interest rate risk and our sensitivity to interest rate changes. As a result, we may incur increased or unexpected losses due to changes in interest rates which could materially and adversely affect our net interest income, net interest margin and results of operations.

We may not be able to meet the cash flow requirements of our depositors, borrowers, or creditors, or the cash needs for expansion or other corporate activities.

Liquidity represents our ability to provide funds to satisfy demands from depositors, borrowers and other creditors by either converting assets into cash or accessing new or existing sources of incremental funds. Liquidity risk is the potential that we will be unable to meet our obligations as they become due because of an inability to liquidate assets or obtain adequate funding (referred to as "funding liquidity risk") or that we cannot easily unwind or offset specific expenses without significantly lowering market prices because of inadequate market depth or market disruptions (referred to as "market liquidity risk").

The objective of managing liquidity risk is to ensure that our 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 that our cost of funding such requirements and needs is reasonable. We maintain an asset/liability and interest rate risk policy and a liquidity and funds management policy, including a contingency funding plan that, among other things, include policies and procedures for managing and monitoring liquidity risk. Generally, we rely on deposits, repayments of loans and cash flows from our investment securities as our primary sources of funds. Our principal deposit sources include consumer and commercial customers in our markets. We have used these funds, together with deposits for public funds customers, brokered deposits, FHLB advances, federal funds purchased and other sources of short-term borrowings to make loans, acquire investment securities and other assets and to fund continuing operations. Recently proposed changes to the FHLB system could adversely impact our access to FHLB borrowings or increase the cost of such borrowings.

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

We anticipate we will continue to rely primarily on deposits, loan repayments, and cash flows from our investment securities, as well as other funding sources as appropriate, to provide liquidity. Additionally, where necessary, the secondary sources of borrowed funds described above will be used to augment our primary funding sources. If we are unable to access any of these secondary funding sources when needed, or if we otherwise experience an increase in funding liquidity risk or an increase in market liquidity risk, we might be unable to meet our depositors', borrowers' or creditors' needs, which would adversely affect our financial condition, results of operations and liquidity.

If we lose a significant portion of our core deposits or our cost of funding deposits increases significantly, our liquidity and/or profitability could be adversely impacted.

Our profitability depends in part on successfully attracting and retaining a stable base of relatively low-cost deposits, as deposits have traditionally served as our largest, least costly source of funding. The competition for these deposits in our markets is strong, and deposit trends can shift with economic conditions. Our deposit levels might fall if an improving economy, rising market rates, or increased competition causes depositors to become more comfortable with risk and to demand higher interest rates on their deposits or seek other investments or vehicles offering higher rates of return. If customers move money out of bank deposits, we would lose a relatively low-cost source of funds, which could have an adverse effect on our financial position, results of operations and liquidity.

We sometimes offer credit enhancements to depositors, such as FHLB letters of credit and, for certain deposits of public monies, pledges of collateral in the form of readily marketable securities. Any event or circumstance that interferes with or limits our ability to offer these products to customers that require greater security for their deposits, such as a significant regulatory enforcement action or a significant decline in our capital levels, could negatively impact our ability to attract and retain deposits. If we were to lose a significant portion of our low-cost deposits, we would be required to borrow from other sources at higher rates and our liquidity and profitability could be adversely impacted.

We use brokered deposits which may be an unstable and/or expensive deposit source to fund earning asset growth.

We use brokered deposits, subject to certain limitations and requirements, as a source of funding to augment deposits generated from our branch network. 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) our ALCO monitors our use of brokered deposits on a regular basis, including interest rates and the total volume of such deposits in relation to our total deposits. At December 31, 2023 we had $2.7 billion in brokered deposits ($2.1 billion at December 31, 2022). In the event that our funding strategies call for the increased use of brokered deposits, there can be no assurance that such sources will be available, or will remain available, or that the cost of such funding sources will be reasonable. Additionally, should we no longer be considered well-capitalized, our ability to access new brokered deposits or retain existing brokered deposits could be adversely affected by market conditions, regulatory requirements or a combination thereof, which could result in most, if not all, brokered deposit sources being unavailable. The inability to utilize brokered deposits as a source of funding could have an adverse effect on our financial position, results of operations and liquidity.

We may need to raise additional capital in the future to continue to grow, but that capital may not be available when needed.

Federal and state bank regulators require us to maintain adequate levels of capital to support operations. At December 31, 2023, our regulatory capital ratios were above the minimum to be considered "well-capitalized" under regulatory guidelines. However, our business strategy calls for continued growth in our existing lending verticals and banking markets and to expand into new lines of business and new markets as appropriate opportunities arise. Growth in assets at rates in excess of the rate at which our capital is increased through retained earnings will reduce our capital ratios unless we continue to increase capital through other means. If our capital ratios were to fall below "well-capitalized" levels, the FDIC insurance assessment rate would increase until capital is restored and maintained at a "well-capitalized" level. Additionally, should our capital ratios fall below "well-capitalized" levels, certain funding sources could become more costly or could cease to be available to us until such time as capital is restored and maintained at a "well-capitalized" level. A higher assessment rate resulting in an increase in FDIC insurance premiums, increased cost of funding or loss of funding sources could have an adverse effect on our financial condition, results of operations and liquidity.

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 company, a likely source of additional funds is the capital markets, accomplished generally through the issuance of equity, including common stock, preferred stock, warrants, depository shares, stock purchase contracts or stock purchase units, and the issuance of senior or subordinated debt. Our ability to raise additional capital, including senior or subordinated debt, if needed, will depend, among other things, on conditions in the equity and/or debt markets at that time, which are outside of our control, and our financial performance. In addition, any issuance of preferred stock or debt by us may be accompanied by time delays associated with obtaining any required regulatory approvals. 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.

We cannot be assured that access to additional capital will be available to us on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, our depositors or counterparties participating in the capital markets, may materially and adversely affect our capital costs and our ability to raise capital and/or debt and, in turn, our liquidity. If we cannot raise additional capital when needed, our ability to continue to grow in our existing lending verticals and banking markets and to expand into new business lines and new markets could be impaired.

We cannot guarantee that we will pay dividends on our common or preferred stock in the future.

Our shareholders are only entitled to receive dividends on our common or preferred stock as our Board may declare out of funds legally available for such payments. Although we have historically declared such dividends, we are not required to do so and may reduce or eliminate our common and/or preferred stock dividends in the future. Our ability to pay dividends on our capital stock is subject to the restrictions set forth in Arkansas law, by the FDIC, and by certain covenants contained in the indentures governing our trust preferred securities, our subordinated debentures, our subordinated notes and the terms and conditions of our 4.625% Series A Non-Cumulative Perpetual Preferred Stock ("preferred stock"). For example, in the event we become subject to an enforcement action or depending upon our regulatory status, our regulators may prevent us from paying dividends to our shareholders. Further, we cannot declare or pay dividends on our common stock or redeem or repurchase our common stock for any period for which we have not declared and paid in full dividends on our preferred stock. Our capital planning and risk management is subject to supervisory review, and, as a result of that review, our discretion to pay dividends or determine the amount of any dividend could be limited. Accordingly, there can be no assurance that we will continue to pay dividends on our common or preferred stock in the future. Our Board will continue to evaluate the payment of dividends based on our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors our Board deems relevant. See Note 17 of the consolidated financial statements under Part II, Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a discussion of dividend restrictions.

The performance of our investment securities portfolio is subject to fluctuation due to changes in interest rates and market conditions, including credit deterioration of the issuers of individual securities.

Changes in interest rates can negatively affect the performance of most of our investment securities. Interest rate volatility can reduce unrealized gains or increase unrealized losses in our portfolio. Interest rates are highly sensitive to many factors including monetary policies, domestic and international economic and political issues, and other factors beyond our control. Fluctuations in interest rates can materially affect both the returns on and market value of our investment securities. Additionally, actual investment income and cash flows from investment securities that carry prepayment risk, such as mortgage-backed securities and callable securities, may materially differ from those anticipated at the time of investment or subsequently as a result of changes in interest rates and market conditions.

Our investment securities portfolio consists of several securities whose trading markets are "not active." As a result, we utilize alternative methodologies for pricing these securities that include various estimates and assumptions. There can be no assurance that we can sell these investment securities at the price derived by these methodologies, or that we can sell these investment securities at all, which could have an adverse effect on our financial position, results of operations and liquidity.

Our investment portfolio also includes securities that are designated as "trading." These securities are typically bought and sold over a relatively short period with the intent of generating gains on such transactions. However, there can be no assurance that we will be able to generate such gains in future periods. Additionally, any trading securities that are not sold as of the end of any reporting period must be marked to market with such unrealized gains and losses recorded in current period earnings. Mark-to-market adjustments on these investments may reduce our profitability or cause our net income to vary from period to period. We may be unable to generate gains from trading securities activity in future periods or have unrealized losses that are recorded in earnings, which could have an adverse effect on our financial position and our results of operations.

We monitor the financial position of the various issues of investment securities in our portfolio, including each of the state and local governments and other political subdivisions where we have exposure. To the extent we have securities in our portfolio from issuers that have experienced a deterioration of financial condition, or that may experience future deterioration of financial condition, the value of such securities may decline and could result in the need to establish an ACL recorded as a provision for credit loss, which could have an adverse effect on our financial condition, results of operations and liquidity.

We currently invest in bank owned life insurance ("BOLI") and may continue to do so in the future.

We have general, hybrid and separate account BOLI contracts, which had a book value of $808.5 million at December 31, 2023. BOLI is an illiquid long-term asset that provides tax savings because cash value growth and life insurance proceeds are not taxable. However, if we needed additional liquidity and converted the BOLI to cash, such transaction would be subject to ordinary income tax and applicable penalties. We are also exposed to the credit risk of the underlying securities in the investment portfolio and to the insurance carrier's credit risk (in a general account contract). If BOLI was exchanged to another carrier, additional fees would be incurred and a tax-free exchange could only be done for insureds that were still actively employed by us at that time. There is also interest rate risk relating to the market value of the underlying investment securities associated with the BOLI in that there is no assurance that the market value of these securities will not decline. Investing in BOLI exposes us to liquidity, credit and interest rate risk, among other risks, which could adversely affect our financial condition, results of operation and liquidity.

Our investments and/or financings in certain tax-advantaged projects may not generate returns as anticipated and may have an adverse impact on our financial results.

We invest in and/or finance certain tax-advantaged projects promoting affordable housing and renewable energy sources. Our investments in these projects are designed to generate a return primarily through the realization of federal and state income tax credits, and other tax benefits, over specified time periods. We are subject to the risk that previously recorded tax credits, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, will fail to meet certain government compliance requirements and will not be able to be fully realized. The possible inability to realize these tax credits and other tax benefits can have a negative impact on our financial results. The risk of not being able to realize the tax credits and other tax benefits depends on many factors outside of our control, including changes in the applicable provisions of the tax code and the ability of the projects to be completed and properly managed.

We and/or the holders of certain classes of our securities could be adversely affected by unfavorable ratings from rating agencies.

The ratings agencies regularly evaluate us, and their ratings of our long-term debt are based on a number of factors, including our financial strength, as well as factors not entirely within our control, including conditions affecting the financial services industry in general. There can be no assurance that we will not receive adverse changes in our ratings in the future, which could adversely affect the cost and other terms upon which we are able to obtain funding, and the way in which we are perceived in the capital markets. Actual or anticipated changes, or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade, could adversely affect the market value and liquidity of our securities, increase our borrowing costs and negatively impact our profitability. Additionally, a downgrade of the credit rating of any particular security issued by us could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

The holders of our subordinated debentures, subordinated notes and preferred stock have rights that are senior to those of our common shareholders.

At December 31, 2023, we had an aggregate principal amount of $350 million of outstanding subordinated notes and $118 million of outstanding subordinated debentures that are held by statutory trusts which issued trust preferred securities to investors. We guarantee payment of the principal and interest on the trust preferred securities, and our subordinated notes and subordinated debentures are senior to our common stock and preferred stock in right of payment of dividends and other distributions. In the event of our bankruptcy, dissolution or liquidation, the holders of our subordinated notes and subordinated debentures would receive distributions from our available assets before any distributions could be made to the holders of common stock and preferred stock. We have the right to defer distributions on our subordinated debentures and the related trust preferred securities for up to five years, during which time no dividends may be paid to holders of our common stock and preferred stock, and under the terms of our preferred stock, in the event that we do not declare and pay dividends on the preferred stock for the most recent dividend period, we may not, with certain exceptions, declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock or any of our securities that rank junior to the preferred stock. In addition, in the event of our bankruptcy, dissolution or liquidation, the holders of our preferred stock would receive a distribution from our available assets before any distribution could be made to the holders of common stock.

The price of our common stock and preferred stock is affected by a variety of factors, many of which are outside our control.

Stock price volatility may make it more difficult for investors to sell shares of our common stock and preferred stock at times and prices they find attractive. Our common stock and preferred stock prices can fluctuate significantly, over a short period of time, in response to a variety of factors, including, among other things:

- actual or anticipated variations in quarterly results of operations;
- recommendations or changes in recommendations by securities analysts regarding our securities;

- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- perceptions in the marketplace about us and/or our competitors, including failures of other financial institutions;
- new technology used, or products and services offered, by competitors;
- changes in the political climate, including any changes resulting from the upcoming U.S. elections;
- changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility and other geopolitical, regulatory or judicial events, including current or anticipated military conflict such as the wars in Ukraine and the Middle East or other geopolitical events;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by or involving us or our competitors; and
- changes in, or proposed changes to, governmental regulations.

General market fluctuations, industry factors and general economic and political conditions and events such as economic slowdowns, expected or incurred interest rate changes, credit loss trends, and various other factors and events could adversely affect the price of our common stock and preferred stock.

Our common stock and preferred stock trading volume may not provide adequate liquidity for investors.

Although shares of our common stock and preferred stock are listed on the Nasdaq Global Select Market, the average daily trading volume in the common stock or preferred stock may be less than that of larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of a sufficient number of willing buyers and sellers of our capital stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Significant sales of our capital stock in a brief period of time, or the expectation of these sales, could cause a decline in the price of our capital stock.

Future issuances of additional equity securities could result in dilution of existing shareholders' equity ownership and may adversely affect the market price of our stock.

We have issued, and may issue in the future, shares of our capital stock in connection with our acquisition of other financial institutions or to support expected growth. We may determine from time to time to issue additional equity securities to raise additional capital, support growth, or to make acquisitions. Further, we have, and may continue to, issue stock options, grant restricted stock awards or other stock grants, awards or units in order to retain, compensate and/or motivate our employees and directors. These issuances of our securities could dilute the voting and economic interests of existing shareholders. In addition, resales of substantial amounts of capital stock in the public market and the potential of such sales could adversely affect the prevailing market price of our capital stock and impair our ability to raise additional capital through the sale of equity securities.

Our capital stock is not an insured deposit.

Shares of our common stock and preferred stock are not bank deposits and, therefore, losses in value are not insured by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in shares of our capital stock is inherently risky for the reasons described in this "Risk Factors" section of this Annual Report on Form 10-K, and is subject to the same market forces and investment risks that affect the price of capital stock in any other company, including the possible loss of some or all principal invested.

STRATEGIC, REPUTATIONAL AND OTHER RISKS

Our recent results may not be indicative of our future results.

We may not be able to grow our business at the same rate of growth achieved in recent years or even grow our business at all. Additionally, in the future we may not have the benefit of several factors that have been favorable to our business in past years, such as an interest rate environment where changes in rates occur at a relatively orderly and modest pace, the ability to find suitable expansion opportunities, or otherwise to capitalize on opportunities presented by economic turbulence, or other factors and conditions. Numerous factors, such as weakening or deteriorating economic conditions, regulatory restrictions or actions, legislative considerations, and competition may impede or restrict our ability to expand our market presence and could adversely affect our future operating results.

If we do not manage our growth effectively, our business, future prospects, financial condition, results of operations and liquidity could be adversely affected.

Our reputation, expertise and banking model enable us to build and expand our banking relationships with customers in the markets we serve. We remain committed to growing our business in a disciplined manner. Our growth prospects must be considered in light of the risks, expenses and difficulties frequently encountered by banking companies pursuing such strategies. In order to successfully expand our banking relationships in our current or new markets, we must, among other things:

- attract and retain qualified bank management and staff;
- build and retain a substantial customer base;
- expand our loan portfolio while maintaining favorable asset quality;
- attract sufficient deposits and capital to fund anticipated loan growth;
- identify and expand into suitable markets;
- identify and acquire suitable sites for new banking offices;
- obtain regulatory and other approvals;
- maintain adequate common equity and regulatory capital;
- sustain employee productivity while pursuing various organizational initiatives; and
- maintain sufficient qualified staffing, infrastructure and organizational capacity to support growth and compliance with increasing regulatory requirements.

In addition to the foregoing factors, there are considerable costs involved in opening banking offices, and such new offices generally do not generate sufficient revenues to offset their costs until they have been in operation for some time. Therefore, any new banking offices we open can be expected to negatively affect our operating results until those offices reach a size at which they become profitable. We could also experience an increase in expenses if we encounter delays in opening any new banking offices. Moreover, we cannot give any assurances that any new banking offices we open will be successful, even after they have become established, or that we can hire and retain qualified bank management and staff to achieve our growth and profitability goals. If we do not manage our growth effectively, our business, future prospects, financial condition, results of operations and liquidity could be adversely affected.

We may be adversely affected by risks associated with any potential future acquisition.

We plan to continue to grow our business organically. However, we have pursued and may continue to pursue additional acquisition opportunities in the future that we believe support our business strategy and may enhance our profitability. Acquisitions involve numerous risks, including, among others:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;
- using inaccurate estimates, assumptions and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets;
- the risk that the acquired business will not perform to our expectations;
- difficulties, inefficiencies or cost overruns in integrating and assimilating the organizational cultures, operations, technologies, products and services of the acquired business with ours;
- the risk of key vendors not fulfilling our expectations or not accurately converting data or operating systems;
- entering geographic and product markets in which we have limited or no direct prior experience;
- the potential loss of key employees, vendors, customers and depositors of the acquired business;
- the potential for liabilities, claims and/or other contingencies arising out of the acquired business; and
- the risk of not receiving required regulatory approvals or such approvals being restrictively conditional.

Acquisitions of financial institutions also involve operational risks and uncertainties, and acquired companies may have unknown or contingent liabilities with no corresponding accounting reserve or allowance, exposure to unexpected asset quality problems that require write downs or write-offs (as well as restructuring and impairment or other charges), difficulty retaining key employees and customers and other issues that could negatively affect our business. We may not be able to realize the expected level of, or any, projected cost savings, synergies or other benefits associated with any such acquisition we complete. Any acquisition may involve the payment of a premium over book and/or market value and, therefore, some dilution of our tangible book value and diluted earnings per common share may occur in connection with any such future acquisition. Failure to successfully integrate any entities that we may acquire into our existing operations could significantly increase our operating costs and have a material adverse effect on our business, financial condition and results of operations.

We must generally satisfy a number of meaningful conditions prior to completing any acquisition, including, in certain cases, federal and state regulatory approval. Bank regulators consider a number of factors when determining whether to approve a proposed transaction, including the effect of the transaction on financial stability and the ratings and compliance history of all institutions involved, including the CRA examination results and BSA/AML compliance records of all institutions involved. The process for obtaining required regulatory approvals may be difficult. We may fail to pursue, evaluate or complete strategic acquisition opportunities as a result of our inability, or our perceived inability, to obtain any required regulatory approvals in a timely manner or at all.

In addition, we face significant competition from numerous other financial services institutions, some of which have greater financial resources than we do, when considering acquisition opportunities. Accordingly, attractive acquisition opportunities may not be available to us. There can be no assurance that we will be successful in identifying or completing any potential future acquisitions.

Reputational risk and social factors may impact our results.

Our ability to originate and maintain accounts is highly dependent upon consumer and other external perceptions of our business practices and/or our financial health. Adverse perceptions or developments regarding our business, practices and/or financial health, our competitors, or the banking industry as a whole, could damage our reputation and business prospects, leading to difficulties in originating and retaining loans and deposits, particularly uninsured deposits. These perceptions could stem from a variety of sources, including negative posts or communications on social media, non-mainstream news services or other parts of the Internet, or the disclosure of non-public information or negative comments regarding us or our business from employees or others on social media or other websites. This risk is magnified by the speed and pervasiveness with which information is disseminated through those channels. Adverse reputational effects on third parties with whom we have important relationships may also adversely affect our reputation. Adverse effects on our reputation, or the reputation of the industry, may also result in greater regulatory and/or legislative scrutiny, which may lead to laws or regulations that may change or constrain the manner in which we engage with our customers and the products and services we offer and can also increase litigation risk. Any of these factors could have an adverse effect on our ability to achieve our business objectives, which could have an adverse effect on our financial conditions, results of operations and liquidity.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions, or inactions, and financial stability of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to various counterparties, including brokers and dealers, commercial and correspondent banks, and others. As a result, defaults by, or rumors or questions about, one or more other financial services institutions, or the financial services industry generally, may result in market and customer perception of the risk of similar problems at other institutions, which could lead to market-wide liquidity problems and losses or defaults by such other institutions. Such occurrences could expose us to credit risk in the event of default of one or more counterparties and could have a material adverse effect on our financial position, results of operations and liquidity. Furthermore, as we and other regional banks experienced in 2023, the failure of other financial institutions may cause deposit outflows as customers spread deposits among several different banks to maximize their amount of FDIC insurance, move deposits to larger banks, or remove deposits from the banking system entirely.

If our goodwill becomes impaired, we could be required to record impairment charges.

Goodwill represents the amount by which the acquisition cost exceeds the fair value of net assets we acquire in an acquisition. We review goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate the carrying value might be impaired. At December 31, 2023 our goodwill totaled $661 million. While our previous evaluations of goodwill have not resulted in any impairment charges or write downs of our goodwill, there can be no assurance that future evaluations of goodwill will not result in findings of impairment and related write downs, which could have a material adverse effect on our financial condition and results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. CYBERSECURITY

Risk Management and Strategy

We face significant cybersecurity threats and risks due to the breadth, complexity and widespread use of our systems, products and processes, our use of third-party products and services, and the substantial level of harm that could occur to us and our customers were we to suffer a material cybersecurity incident. Our processes for assessing, identifying, and managing material cybersecurity risks are integrated into our enterprise risk management.

Our risk management program is designed to identify, assess, and mitigate risks across various aspects of our Bank, including strategic, credit, market, liquidity, operational (including cybersecurity, information technology and third-party vendor risks), reputational and compliance and regulatory (including BSA/AML) risks. Cybersecurity is a critical component of this program, given the increasing reliance on technology and potential of cyber threats. Our Chief Information Security Officer ("CISO") is primarily responsible for managing this cybersecurity component and is a key member of the risk management organization, reporting directly to our Chief Risk Officer ("CRO") and, as discussed below, periodically to our management Executive Risk Council ("ERC"), Board Risk Committee ("BRC") and the full Board. For a discussion of our overall risk management program, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Elements of this Annual Report on Form 10-K.

Our objective for managing cybersecurity risk is to avoid or minimize the impacts of external threat events or other efforts to penetrate, disrupt or misuse our systems or information. The structure of our information security program aligns with industry standards and leading practices, complies with regulatory requirements, and is designed around various frameworks of the National Institute of Standards and Technology and the Center for Internet Security. In addition, we leverage certain industry and government associations, third-party benchmarking, audits, and threat intelligence feeds to facilitate and promote program effectiveness. Our CISO and our Chief Information Officer, who reports directly to our CEO, along with key members of their teams, regularly collaborate with peer banks, industry groups, and policymakers to discuss cybersecurity trends and issues and identify best practices. The information security program is periodically reviewed by such personnel with the goal of addressing changing threats and conditions, and we closely monitor information security and cybersecurity trends and new threats, including cyber risks, in an effort to continuously improve the security and privacy of our systems and data.

We employ an in-depth, layered, defensive approach that leverages people, processes, and technology as part of our efforts to manage and maintain cybersecurity controls. We also employ a variety of preventative and detective tools designed to monitor, block, and provide alerts regarding suspicious activity and report on suspected, advanced and persistent threats. We have established processes and systems designed to mitigate cyber risk, including regular and on-going education and training for employees, preparedness simulations and tabletop exercises, phishing campaigns, and recovery and resilience tests. We engage in regular assessments of our infrastructure, software systems, and network architecture, using internal cybersecurity experts and third-party specialists. We also maintain a third-party risk management program designed to identify, assess, and manage risks, including cybersecurity risks, associated with external service providers and our supply chain. We also actively monitor our email gateways for malicious phishing email campaigns and monitor remote connections. We leverage internal and external auditors and independent external partners to periodically review our processes, systems, and controls, including with respect to our information security program, to assess their design and operating effectiveness and make recommendations to strengthen our risk management program.

We maintain a Cyber Incident Response Plan that provides a documented framework for responding to actual or potential cybersecurity incidents, including timely notification and escalation of the incident to the appropriate persons or groups. The Cyber Incident Response Plan is coordinated through the CISO and key members of management are embedded into the plan by its design. Security events and data incidents are identified, ranked by severity and prioritized for response and remediation, and evaluated to determine materiality as well as operational, business, privacy and regulatory impact. The Cyber Incident Response Plan facilitates coordination across multiple parts of our organization and is evaluated at least annually.

Notwithstanding our defensive measures and processes, the threat posed by cyber-attacks is severe. Our internal systems, processes, and controls are designed to mitigate loss from cyber-attacks and, while we have experienced cybersecurity incidents in the past, to date, risks from cybersecurity threats have not materially affected our Bank. For further discussion of risks from cybersecurity threats, see Item 1A. Risk Factors of this Annual Report on Form 10-K.

Governance

Our CISO is accountable for managing our enterprise information security department and delivering our information security program. The responsibilities of this department include cybersecurity risk assessment, defense operations, incident response, vulnerability assessment, threat intelligence, identity access governance, and third-party risk management. The foregoing responsibilities are covered on a day-to-day basis by a first line of defense function, and our second line of defense function, including the CISO, provides guidance, oversight, monitoring and challenge of the first line's activities. The second line of defense function is separated from the first line of defense function through organizational structure and ultimately reports directly to the CRO. The department, as a whole, consists of information security professionals with varying degrees of education and experience. In particular, our CISO has substantial formal training and relevant experience in the military and private sectors in the areas of information security and cybersecurity risk management, as well as multiple degrees in cybersecurity and numerous industry certifications.

Our Board has approved management groups including the Information Systems Steering Committee, which focuses on technology impact and the alignment of technology and information security, and the Information Security Advisory Council, which reports to the Information Systems Steering Committee on information security and cybersecurity matters. These groups provide governance of the technology program and the information security program and are chaired by and comprised of managers within the enterprise information security and technology departments, including the Chief Information Officer and CISO as well as their direct reports and other key departmental managers from throughout the Bank. These groups meet no less than quarterly to monitor and review the risk management strategy, standards, policies, practices, controls, and mitigation and prevention efforts employed to manage security risks. More frequent meetings occur from time to time in accordance with the Cyber Incident Response Plan in order to facilitate timely informing and monitoring efforts.

The BRC is responsible for overseeing our information security program, including management's actions to identify, assess, mitigate, and remediate or prevent material cybersecurity issues and risks. Our CISO provides quarterly reports to the ERC, the BRC and the full Board regarding the information security program, key enterprise cybersecurity initiatives, and other matters relating to cybersecurity processes. The BRC and the full Board review and approve our operational risk appetite, including cybersecurity, technology and third-party vendor management, at least annually. Additionally, the BRC and the full Board review our cybersecurity risk profile on a quarterly basis.

Item 2. PROPERTIES

Our principal executive office is located in Little Rock, Arkansas. At December 31, 2023, we conducted banking operations in 240 offices in eight states, including 228 banking offices and 12 loan production offices. Such offices include both owned and leased facilities.

The following table sets forth specific information about our facilities, by state, at December 31, 2023.

	Banking Facility		
State	**Owned**	**Leased**	**Total**
Arkansas	71 (1)	4	75
Georgia	60 (2)	10 (3)	70
Florida	33	9 (4)	42
North Carolina	24	2 (5)	26
Texas	19	3	22
California	—	3 (6)	3
New York	—	1 (7)	1
Mississippi	—	1 (8)	1
Total	207	33	240

(1) Includes our corporate headquarters in Little Rock.
(2) Includes one loan production office in Alpharetta.
(3) Includes two loan production offices in Atlanta.
(4) Includes one loan production office each in Orlando and Clearwater.
(5) Consists of one loan production office each in Raleigh and Charlotte.
(6) Consists of one loan production office each in Los Angeles, San Francisco and Irvine.
(7) Consists of a loan production office in New York City.
(8) Consists of a loan production office in Brookhaven.

Item 3. LEGAL PROCEEDINGS

In the ordinary course of business, we are or may be involved in various legal or regulatory proceedings and/or 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 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Bank's common stock is listed on the Nasdaq Global Select Market under the symbol "OZK" and at December 31, 2023, the Bank had approximately 1,219 shareholders of record. On December 29, 2023 (the last trading day of 2023), the closing price of our common stock was $49.83 per share.

Recent Sales of Unregistered Securities

During the fourth quarter of 2023, the Bank issued 17,018 shares of common stock in connection with the exercise of stock options issued to certain participants under the Bank's equity compensation plans. 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.

Repurchase of Equity Securities by Issuer

On November 14, 2022, we announced that our Board approved a stock repurchase program authorizing the repurchase of up to $300 million of our outstanding shares of common stock (the "2022 Stock Repurchase Program"). Under this program, repurchases were authorized to be made from time to time in open market transactions, through privately negotiated transactions or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Exchange Act. The actual timing and amount of repurchases was determined by management based on a variety of factors such as the Bank's capital position, expected growth, alternative uses of capital, liquidity, financial performance, stock price, current and expected macroeconomic environment, regulatory requirements and other factors.

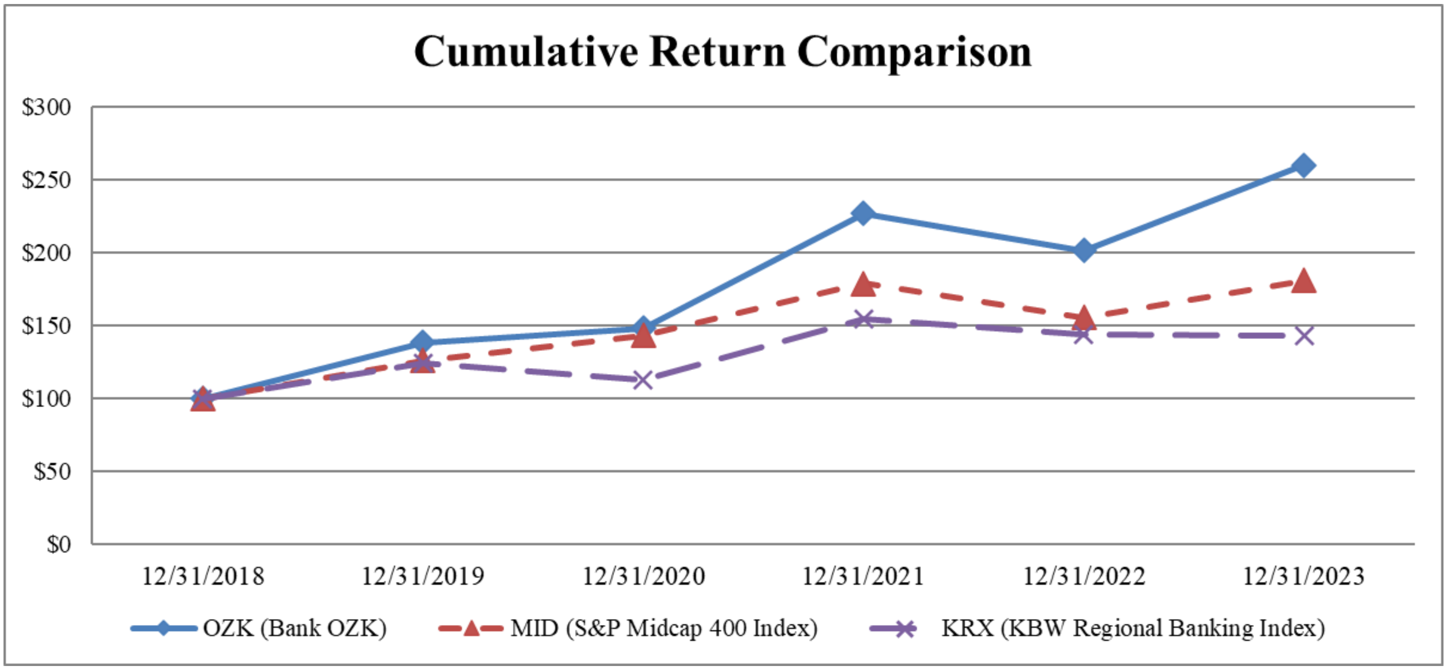
No shares of common stock were purchased during the fourth quarter of 2023, and the 2022 Stock Repurchase Program expired on November 9, 2023.

Dividends

The determination of future cash dividends on our capital stock will depend on conditions existing at that time and approval of our Board. Our Board will continue to evaluate the payment of cash dividends based on our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors our Board deems relevant. See "Common Stock Dividend Policy" and "Preferred Stock Dividend Policy" under "Item 7 – Management's Discussion and Analysis of the Financial Condition and Results of Operations – Capital Management" and Note 17 of the consolidated financial statements under "Item 8. Financial Statements and Supplementary Data" for restrictions on our present or future ability to pay dividends, particularly those restrictions arising under federal and state banking laws.

Stock Performance Graph

The graph below shows a comparison for the period commencing December 31, 2018 through December 31, 2023 of the cumulative total stockholder returns (assuming reinvestment of dividends) for our common stock, the S&P Midcap 400 Index, the Nasdaq Financial Index and the KBW Regional Banking Index, assuming a $100 investment on December 31, 2018. The comparisons in this graph are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.



	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
OZK (Bank OZK)	$ 100	$ 138	$ 148	$ 227	$ 201	$ 260
MID (S&P Midcap 400 Index)	$ 100	$ 126	$ 143	$ 179	$ 155	$ 181
KRX (KBW Regional Banking Index)	$ 100	$ 124	$ 113	$ 155	$ 144	$ 143

The information included under the heading “Stock Performance Graph” shall not be deemed to be “soliciting material” or to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that Section, and shall not be incorporated by reference into any of our filings under the Securities Act or the Exchange Act, whether made before or after the date of this Annual Report on Form 10-K, except to the extent that we specifically incorporate such information by reference.

Item 6. <u>[RESERVED]</u>

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following is a discussion of our financial condition at December 31, 2023 and 2022 and our results of operations for each of the years in the three-year period ended December 31, 2023. The purpose of this management’s discussion and analysis of financial condition and results of operations (“MD&A”) is to focus on the most relevant information about our financial condition and results of operations that is not otherwise apparent from the consolidated financial statements and footnotes. This discussion should be read in conjunction with the disclosure regarding “Forward-Looking Information” in Part I as well as the risks discussed under Part I, Item 1A. Risk Factors, and our consolidated financial statements and notes thereto included under Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Bank OZK (the “Bank”) is subject to regulation by the Arkansas State Bank Department (“ASBD”). Because the Bank is an insured depository institution that is not a member bank of the Board of Governors of the Federal Reserve System (“FRB”), our primary federal regulator is the FDIC. We are not subject to the FRB’s regulation and supervision (except such regulations as are made applicable to the Bank by law and regulation of the FDIC). Shares of the Bank’s common stock are listed in the Nasdaq Global Select Market under the symbol “OZK.” Shares of the Bank’s preferred stock are listed in the NASDAQ Global Select Market under the symbol “OZKAP.”

Our primary business is commercial banking conducted by the Bank and various subsidiaries of the Bank. The Bank operates in only one segment. 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 debentures and subordinated notes. We also generate non-interest income, including, among others, service charges on deposit accounts; trust income; bank owned life insurance (“BOLI”) income; loan service, maintenance and other fees; and gains (losses) from sales of investment securities and 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

Our consolidated financial statements and related notes presented in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). Our significant accounting policies and methods are discussed in Note 1 to the consolidated financial statements. Certain accounting estimates involve a significant level of estimation uncertainty and require management to make difficult, subjective or complex judgments about matters that are uncertain and have had, or are reasonably likely to have, a material impact on our financial condition or results of operations. Because of the uncertainty involved in these estimates, materially different amounts could be reported under different assumptions or estimates. Our determination of (i) the provisions to and the adequacy of the 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.

Provisions to and adequacy of the ACL. Our ACL estimate is established through a provision for credit losses charged against income. Our ACL estimate is subject to uncertainty due to various assumptions and judgments utilized in forming our ACL estimate. In estimating our ACL, we utilize various score cards which use quantitative models and qualitative factors in determining our estimated ACL. In addition, various qualitative adjustments are applied to our ACL estimate to address potential limitations.

The ACL is maintained at a level that we believe will be adequate to absorb expected credit losses in future periods associated with our loan portfolio and unfunded loan commitments. Provisions to and the adequacy of the ACL are based on evaluations of the loan portfolio utilizing objective and subjective criteria. The objective criteria primarily includes estimated losses that are modeled from the respective score cards and the outputs from our CECL platform that considers various economic forecasts and scenarios, a reasonable and supportable forecast of two years followed by a systematic reversion to our historical losses, and other factors. In addition to these objective criteria, we subjectively assess the adequacy of the ACL and the need for changes thereto, with consideration given to the nature and mix of the portfolio, national, regional and local business and economic conditions that may affect borrowers’ ability to pay, concentrations of credit, changes in the experience, ability and depth of lending management and other relevant staff, changes in the nature and volume of the portfolio and in the terms of the loans, overall portfolio quality, historical loss experience and other relevant factors. Changes in these criteria or the availability of new information could require adjustment of the ACL in future periods. In addition, for loans that do not share risk characteristics similar to those contained within their respective loan segments, we may perform an individual assessment of the ACL utilizing expected cash flows, collateral values or a combination thereof. On an ongoing basis, we evaluate the underlying collateral on certain collateral dependent loans and, if needed, due to changes in market or property conditions, the underlying collateral is reassessed, and the estimated collateral value is revised. The determination of collateral value includes any adjustments considered necessary related to estimated holding periods, estimated liquidation discounts and estimated selling costs. While an individual assessment and related ACL has been calculated for certain loans, no portion of our ACL is restricted to any individual loan or group of loans, and the entire ACL is available to absorb losses from any and all loans, including unfunded loan commitments.

Changes in the criteria used in this evaluation or the availability of new information could cause the ACL to be increased or decreased in future periods. To the extent that our reasonable and supportable forecast varies from actual economic conditions and/or our actual losses vary from our historical losses, we could experience significant fluctuation in our provision for credit losses and our ACL. In addition, our qualitative factors, including our estimate of qualitative adjustments, may change or vary considering the change in our assumptions or expectations for future loan losses. Also, bank regulatory agencies, as part of their examination process, may require adjustments to the ACL based on their judgment and estimates.

Fair value of the investment securities portfolio. We determine the appropriate classification of investment securities at the time of purchase and reevaluate such designation as of each balance sheet date. At December 31, 2023 we held investment securities classified as available for sale ("AFS") and, at December 31, 2022, we held investment securities classified as AFS and trading.

Investment securities are reported at estimated fair value, with the unrealized gains and losses determined on a specific identification basis. We utilize independent third parties as our principal pricing sources for determining fair value of investment securities which are measured on a recurring basis. For investment securities traded in an active market, fair values are based on quoted market prices if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities, broker quotes or comprehensive interest rate tables, pricing matrices or a combination thereof. For investment securities that are not traded or that are traded in a market that is not active, fair value is determined using unobservable inputs.

The fair values of our investment securities traded in both active and inactive markets can be volatile and may be influenced by a number of factors including market interest rates, prepayment speeds, discount rates, credit quality of the issuer, general market conditions including market liquidity conditions and other factors.

Changes in fair value are recorded in accumulated other comprehensive income for our investment securities AFS and in earnings for our trading securities. Factors and conditions are constantly changing, and fair values could be subject to material variations that may significantly affect our financial condition, results of operations and liquidity.

Accounting for income taxes. We are subject to federal, state and local tax laws. We utilize the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statements and their related tax basis using enacted tax rates in effect for the year or years in which the differences are expected to be recovered or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In the normal course of business, we are routinely subjected to examinations and audits from federal, state and local taxing authorities regarding tax positions taken by us and the determination of the amount of tax due. Challenges made by taxing authorities may result in adjustments to the amount of taxes due and may result in the imposition of penalties and interest. If any such challenges are not resolved in our favor, they could have a material adverse effect on our financial condition, results of operations and liquidity.

Analysis of Results of Operations

Financial Highlights

The following selected financial highlights are derived from our audited financial statements as of and for each of the years indicated and should be read in conjunction with this MD&A and Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K. The calculations of non-GAAP measures pre-tax pre-provision net revenue ("PPNR"), and the reconciliations to GAAP are included in this MD&A under "Analysis of Results of Operations" and the calculations of tangible book value per common share, returns on average common stockholders' equity and returns on average tangible common stockholders' equity and the reconciliations to GAAP are included in this MD&A under "Capital Management."

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands, except per share amounts)		
Income statement data:			
Net interest income	$ 1,439,485	$ 1,142,242	$ 989,720
Provision for credit losses	165,470	83,494	(77,938)
Non-interest income	122,549	114,503	115,538
Non-interest expense	529,561	451,721	430,275
Net income	690,839	564,090	579,033
Preferred stock dividends	16,187	16,621	—
Net income available to common stockholders	674,596	547,520	579,001
PPNR	1,032,473	805,024	674,983
Common share and per common share data:			
Diluted earnings per common share	$ 5.87	$ 4.54	$ 4.47
Book value per common share	42.42	37.13	35.85
Tangible book value per common share	36.58	31.47	30.52
Common stock dividends per share	1.42	1.26	1.1325
Weighted-average diluted shares outstanding (thousands)	114,833	120,700	129,618
End of period shares outstanding (thousands)	113,149	117,177	125,444
Balance sheet data at period end:			
Total assets	$ 34,237,457	$ 27,656,568	$ 26,530,430
Total loans	26,459,075	20,778,791	18,307,825
Non-purchased loans	26,195,030	20,400,154	17,791,610
Purchased loans	264,045	378,637	516,215
Allowance for loan losses	339,394	208,858	217,380
Foreclosed assets	61,720	6,616	5,744
Investment securities – AFS	3,244,371	3,491,613	3,916,733
Goodwill and other intangible assets, net	660,789	663,543	669,063
Deposits	27,405,143	21,500,143	20,209,134
Other borrowings	805,318	606,666	756,321
Subordinated notes	347,761	346,947	346,133
Subordinated debentures	121,652	121,591	121,033
Unfunded balance of closed loans	20,561,029	21,062,733	13,619,578
Reserve for losses on unfunded loan commitments	161,834	156,419	71,609
Preferred stock	338,980	338,980	338,980
Total common stockholders' equity	4,800,021	4,350,599	4,497,263
Loan (including purchased loans) to deposit ratio	96.55%	96.64%	90.59%
Average balance sheet data:			
Total average assets	$ 30,643,932	$ 26,328,362	$ 26,624,184
Total average common stockholders' equity	4,516,996	4,323,487	4,451,682
Performance ratios:			
Return on average assets	2.20%	2.08%	2.17%
Return on average common stockholders' equity	14.93	12.66	13.01
Return on average tangible common stockholders' equity	17.50	14.97	15.32
Net interest margin – FTE	5.16	4.82	4.09
Efficiency ratio	33.67	35.75	38.76
Asset Quality ratios:			
Net charge-offs to average non-purchased loans (1)	0.11%	0.07%	0.06%
Net charge-offs to average total loans	0.13	0.04	0.06
Nonperforming loans to total loans (2)	0.23	0.22	0.19
Nonperforming assets to total assets (2)	0.36	0.19	0.15
Allowance for loan losses to total loans (3)	1.28	1.01	1.19
Allowance for loan losses to total nonperforming loans (3)	509	399	477
Allowance for credit losses to total loans and unfunded loan commitments	1.07	0.87	0.91
Capital ratios at period end:			
Common equity tier 1	10.79%	11.54%	14.07%
Tier 1 risk based capital	11.66	12.55	15.31
Total risk based capital	14.10	14.97	17.95
Tier 1 leverage	13.91	15.90	16.17

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

Highlights from 2023 include the following:

- Total assets increased 23.8% to $34.24 billion at December 31, 2023;
- Total loans increased 27.3% to $26.46 billion at December 31, 2023;
- Investment securities AFS decreased 7.1% to $3.24 billion at December 31, 2023;
- Deposits increased 27.5% to $27.4 billion at December 31, 2023;
- Provision for credit losses of $165.5 million for 2023 compared to $83.5 million for 2022;
- Net income available to common stockholders of $674.6 million for 2023, a 23.2% increase compared to 2022;
- PPNR of $1.03 billion for 2023, a 28.3% increase compared to 2022 (the calculations of PPNR are included in this MD&A under the section "Capital Management");
- Diluted EPS of $5.87 for 2023 compared to $4.54 in 2022;
- Return on average assets of 2.20% for 2023;
- Returns on average common stockholders' equity and average tangible common stockholders' equity of 14.93% and 17.50%, respectively, for 2023 (the calculation of our return on average tangible common stockholders' equity and the reconciliation to GAAP are included in this MD&A under the section "Analysis of Results of Operations");
- Net interest margin, on a fully taxable equivalent ("FTE") basis, of 5.16% for 2023;
- An efficiency ratio (non-interest expense divided by the sum of net interest income, on an FTE basis, and non-interest income) of 33.67% for 2023;
- Net charge-off ratio for total loans of 0.13% for 2023;
- At December 31, 2023, excluding purchased loans, our ratio of nonperforming loans to total loans was 0.23%, and our ratio of nonperforming assets to total assets was 0.36%; and
- During 2023, we repurchased approximately 4.30 million shares of our common stock for $151.5 million.

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 an 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 $10.8 million in 2023, $6.9 million in 2022 and $4.7 million in 2021. 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.

2023 compared to 2022

Net interest income for 2023 increased 26.2% to $1.45 billion compared to $1.15 billion for 2022. The increase in our net interest income for 2023 compared to 2022 was primarily due to an increase in average earning assets, which increased 17.8%, and an increase in our net interest margin, which increased 34 basis points ("bps") to 5.16% for 2023 compared to 4.82% for 2022. The increase in net interest margin was primarily due to a change in the mix of interest earning assets and interest bearing liabilities as well as a 227 bps increase in the yields on our total earning assets partially offset by a 253 bps increase in the rate on our total interest bearing liabilities.

Yields on average earning assets were 7.61% for 2023 compared to 5.34% for 2022. The increase in the yields on average earning assets for 2023 compared to 2022 was primarily driven by the increases in yields on non-purchased loans, interest-earning deposits and investment securities.

The yield on our interest earning deposits increased 371 bps to 5.00% for 2023 compared to 1.29% for 2022. The yield on our aggregate investment securities portfolio for 2023 increased 77 bps to 2.65% compared to 1.88% for 2022.

The yield on our non-purchased loan portfolio increased 228 bps to 8.46% for 2023 compared to 6.18% for 2022 and the yield on our purchased loan portfolio increased 18 bps to 7.23% compared to 7.05% for 2022. At December 31, 2023, approximately 81% of our funded balance of total loans were variable interest rate loans and generally reprice with movements in the 1-month term Secured Overnight Funding Rate ("SOFR"), the Wall Street Journal Prime Rate ("WSJ Prime") and other indexes.

At December 31, 2023, approximately 98% of our variable rate total loans had floor rates, and the vast majority of such loans were above their floor rates. If the Fed begins to cut rates some time in 2024, we would expect that our loan yields will initially decline more quickly than our COIBD, which could result in further short term pressure on our net interest margin.

The overall increase in rates on average interest bearing liabilities, which increased 253 bps to 3.28% for 2023 compared to 0.75% for 2022, was primarily due to increases in rates on interest bearing deposits, which increased 256 bps to 3.18% for 2023 compared to 0.62% for 2022. The increase in rates on our interest bearing deposits, the largest component of our interest bearing liabilities, was primarily due to increases in the rates paid on time deposits and, to a lesser extent, savings and interest bearing transaction deposits. Like many banks, 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 deposits. We expect increases in our COIBD in future periods, albeit at a slowing pace of increase, likely resulting in some further decreases in our core spread and net interest margin. Additionally, changes in expected deposit levels necessary to fund future potential growth in our earning assets, changes in our level of on-balance sheet liquidity, or changes in competitive conditions, among other factors, could significantly affect our deposit composition and COIBD in future periods.

Our other borrowing sources include (i) other borrowings comprised primarily of FHLB advances, (ii) subordinated notes and (iii) subordinated debentures. The rates on other borrowings increased 325 bps to 5.18% in 2023 compared to 1.93% for 2022 primarily due to increases in the federal funds target rate that began in March 2022. Beginning July 1, 2023, the rates paid on our subordinated debentures were 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 London Interbank Offered Rate (“LIBOR”). The rates paid on our subordinated debentures increased 307 bps to 7.83% for 2023 compared to 4.76% for 2022 primarily due to increases in 90-day LIBOR and 3-month term SOFR, compared to 2022.

The increase in average earning assets for 2023 compared to 2022 was primarily due to increases in the average balance of non-purchased loans, partially offset by a decrease in the average balance of investment securities. Average non-purchased loans increased $4.51 billion, or 24.1% to $23.26 billion for 2023 compared to 2022 primarily due to growth in our various lending groups. Average investment securities decreased $0.38 billion, or 10.1% to $3.35 billion for 2023 compared to 2022.

The increase in average interest bearing liabilities for 2023 compared to 2022 was primarily due to an increase in the average balance of interest bearing deposits. Average interest bearing deposits increased $4.43 billion or 29.0% to $19.70 billion for 2023 compared to $15.27 billion for 2022 primarily due to an increase in the average balance of time deposits.

2022 compared to 2021

Net interest income for 2022 increased to $1.15 billion compared to $994.5 million for 2021. The increase in our net interest income for 2022 compared to 2021 was primarily due to an increase in our net interest margin, which increased 73 bps to 4.82% for 2022 compared to 4.09% for 2021.

The increase in net interest margin was primarily the result of a 91 bps increase in the yields on our total earning assets partially offset by a 28 bps increase in the rate on our total interest bearing liabilities. Yields on average earning assets were 5.34% for 2022 compared to 4.43% for 2021.

The yield on our interest earning deposits increased 116 bps to 1.29% for 2022 compared to 0.13% for 2021. The yield on our aggregate investment securities portfolio for 2022 increased 57 bps to 1.88% compared to 1.32% for 2021.

The yield on our non-purchased loan portfolio increased 67 bps to 6.18% for 2022 compared to 5.51% for 2021 and the yield on our purchased loan portfolio increased 8 bps to 7.05% compared to 6.97% for 2021. At December 31, 2022, approximately 78% of our funded balance of total loans were variable interest rate loans and generally repriced with movements in LIBOR, SOFR or the WSJ Prime.

The overall increase in rates on average interest bearing liabilities, which increased 28 bps for 2022 compared to 2021, was primarily due to increases in rates on interest bearing deposits, which increased 23 bps for 2022 compared to 2021. The increase in rates on our interest bearing deposits, the largest component of our interest bearing liabilities, was primarily due to increases in the rates paid on savings and interest bearing transactions and, to a lesser extent, time deposits. Also, the rates paid on our interest bearing deposits were influenced by a shift in the composition of our average deposit balances to include a larger percentage of lower cost consumer and commercial deposits and a smaller percentage of time deposits.

Our other borrowing sources include (i) other borrowings comprised primarily of FHLB advances, and, to a lesser extent, federal funds purchased, (ii) subordinated notes and (iii) subordinated debentures. The rates on other borrowings increased 140 bps in 2022 compared to 2021 primarily due to increases in the federal funds target rate in 2022. The rate on our subordinated notes decreased 141 bps in 2022 compared to 2021 as a result of our redemption of our 5.50% fixed-to-floating subordinated notes (the "5.50% Notes") and subsequent issuance of our 2.75% fixed-to-floating subordinated notes (the "2.75% Notes") that occurred during 2021. The rate on these subordinated notes includes amortization of debt issuance costs. (See the "Capital Management" section of this MD&A for a discussion of the redemption of the 5.50% Notes and the issuance of the 2.75% Notes). During 2022 and 2021, the rates paid on our subordinated debentures, were tied to spreads over the 90-day LIBOR and reset periodically. The increase in the rates paid on our subordinated debentures for 2022 compared to 2021 was due to increases in 90-day LIBOR on the applicable reset dates.

The decrease in average earning assets for 2022 compared to 2021 was primarily due to decreases in the average balance of investment securities and our interest earning deposits, partially offset by increases in the average balances of non-purchased loans. Average interest earning deposits decreased $0.93 billion, or 49.8% to $0.94 billion for 2022 compared to 2021. Average investment securities decreased $0.35 billion, or 8.5% to $3.72 billion for 2022 compared to 2021. Average non-purchased loans increased $1.06 billion, or 6.0% to $18.74 billion for 2022 compared to 2021 primarily due to growth in our various lending groups.

The decrease in average interest bearing liabilities for 2022 compared to 2021 was primarily due to the decrease in the average balance of interest bearing deposits. Average interest bearing deposits decreased 6.5% to $15.27 billion for 2022 compared to $16.32 billion for 2021 primarily due to a decrease in the average balance of interest bearing deposits needed to fund 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 years indicated.

Average Consolidated Balance Sheets and Net Interest Analysis – FTE

	Year Ended December 31,								
	2023			2022			2021		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(Dollars in thousands)								
ASSETS									
Interest earning assets:									
Interest earning deposits	$ 1,164,595	$ 58,241	5.00%	$ 940,116	$ 12,116	1.29%	$ 1,871,388	$ 2,510	0.13%
Investment securities:									
Taxable	2,299,254	39,429	1.71	2,950,929	41,526	1.41	3,207,485	36,234	1.13
Tax-exempt – FTE	1,049,642	49,313	4.70	774,038	28,675	3.70	864,432	17,378	2.01
Non-purchased loans – FTE	23,258,595	1,968,696	8.46	18,744,652	1,159,161	6.18	17,683,033	973,755	5.51
Purchased loans	321,570	23,257	7.23	445,955	31,441	7.05	662,434	46,174	6.97
Total earning assets – FTE	28,093,656	2,138,936	7.61	23,855,690	1,272,919	5.34	24,288,772	1,076,051	4.43
Non-interest earning assets	2,550,276			2,472,672			2,335,412		
Total assets	$ 30,643,932			$ 26,328,362			$ 26,624,184		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest bearing liabilities:									
Deposits:									
Savings and interest bearing transaction	$ 9,152,060	$ 211,498	2.31%	$ 9,588,372	$ 48,344	0.50%	$ 8,788,200	$ 12,481	0.14%
Time deposits	10,543,800	415,552	3.94	5,680,395	46,229	0.81	7,534,244	51,941	0.69
Total interest bearing deposits	19,695,860	627,050	3.18	15,268,767	94,573	0.62	16,322,444	64,422	0.39
Other borrowings	803,797	41,669	5.18	673,932	13,034	1.93	757,303	4,029	0.53
Subordinated notes	347,356	10,439	3.01	346,538	10,439	3.01	212,600	9,386	4.42
Subordinated debentures	121,648	9,530	7.83	121,310	5,780	4.76	120,751	3,750	3.11
Total interest bearing liabilities	20,968,661	688,688	3.28	16,410,547	123,826	0.75	17,413,098	81,587	0.47
Non-interest bearing liabilities:									
Non-interest bearing deposits	4,315,200			4,873,842			4,380,850		
Other non-interest bearing liabilities	502,732			378,471			321,583		
Total liabilities	25,786,593			21,662,860			22,115,531		
Total stockholders' equity before noncontrolling interest	4,855,976			4,662,467			4,505,544		
Noncontrolling interest	1,363			3,035			3,109		
Total liabilities and stockholders' equity	$ 30,643,932			$ 26,328,362			$ 26,624,184		
Net interest income – FTE		$1,450,248			$1,149,093			$ 994,464	
Net interest margin – FTE			5.16%			4.82%			4.09%

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 adjustments 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, if any, on construction projects and include the amortization of debt issuance costs, if any. The interest expense on the subordinated debentures assumed through an acquisition includes the amortization of any purchase accounting adjustments.

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 years 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

	2023 Over 2022			2022 over 2021		
	Volume	Yield/Rate	Net Change	Volume	Yield/Rate	Net Change
			(Dollars in thousands)			
Increase (decrease) in:						
Interest income – FTE:						
Interest earning deposits	$ 11,226	$ 34,899	$ 46,125	$ (12,002)	$ 21,608	$ 9,606
Investment securities:						
Taxable	(11,175)	9,078	(2,097)	(3,610)	8,902	5,292
Tax-exempt – FTE	12,948	7,690	20,638	(3,349)	14,646	11,297
Non-purchased loans – FTE	382,077	427,458	809,535	65,650	119,756	185,406
Purchased loans	(8,996)	812	(8,184)	(15,262)	529	(14,733)
Total interest income – FTE	386,080	479,937	866,017	31,427	165,441	196,868
Interest expense:						
Savings and interest bearing transaction	(10,084)	173,238	163,154	4,035	31,828	35,863
Time deposits	191,677	177,646	369,323	(15,087)	9,375	(5,712)
Other borrowings	6,706	21,929	28,635	(1,610)	10,615	9,005
Subordinated notes	25	(25)	—	4,035	(2,982)	1,053
Subordinated debentures	26	3,724	3,750	27	2,003	2,030
Total interest expense	188,350	376,512	564,862	(8,600)	50,839	42,239
Increase in net interest income – FTE	$ 197,730	$ 103,425	$ 301,155	$ 40,027	$ 114,602	$ 154,629

Non-Interest Income

Our non-interest income consists primarily of, among others, service charges on deposit accounts, trust income, BOLI income, loan service, maintenance and other fees and net gains on sales of investment securities and on sales of other assets.

2023 compared to 2022

Non-interest income for 2023 increased 7.0% to $122.5 million compared to $114.5 million for 2022.

Service charges on deposit accounts, which includes both non-sufficient funds ("NSF") and overdraft fees and all other service charges, is the largest component of our non-interest income and increased 0.5% to $46.1 million in 2023 compared to $45.8 million in 2022. This increase was primarily due to an increase in customer activity and transaction volumes, partially offset by the elimination of certain fees charged on deposit accounts. Included within service charges on deposit accounts are NSF fees that totaled approximately $4.2 million and $4.3 million for 2023 and 2022, respectively. Consistent with the industry trend, the Bank eliminated NSF fees effective January 1, 2024, which we expect to result in a reduction in our services charges on deposit accounts by approximately $1.0 million per quarter.

Trust income increased 6.7% to $8.5 million in 2023 compared to $8.0 million in 2022.

BOLI income from the increase in cash surrender value increased 6.0% to $20.7 million in 2023 compared to $19.5 million in 2022. BOLI income from death benefits was $3.0 million in 2023 compared to $0.8 million in 2022. BOLI income in the form of increases in cash surrender value and death benefits helps to offset a portion of employee benefit costs.

Loan service, maintenance and other fees, which includes fees that are not considered yield adjustments, increased 36.9% to $18.9 million in 2023 compared to $13.8 million in 2022. Income from these items may vary significantly from period to period.

We had net gains on investment securities of $3.2 million in 2023 compared to $2.0 million in 2022. During 2023, we sold approximately $1.28 billion of trading investment securities that resulted in a net gain of approximately $3.2 million compared to

2022, when we sold approximately $0.61 billion of trading investment securities that resulted in a net gain of approximately $2.0 million. For our investment securities AFS, we had an immaterial gain in 2023 and no gain in 2022.

Gains on sales of other assets were $9.0 million in 2023 compared to $11.5 million in 2022. Gains on sale of other assets may vary significantly from period to period.

2022 compared to 2021

Non-interest income for 2022 decreased 0.9% to $114.5 million compared to $115.5 million for 2021.

Service charges on deposit accounts, which includes both NSF and overdraft fees and all other service charges, is the largest component of our non-interest income and increased 7.5% to $45.8 million in 2022 compared to $42.6 million in 2021. This increase was primarily due to an increase in customer activity and transaction volumes, partially offset by the elimination of certain fees charged on deposit accounts.

Trust income decreased 6.1% to $8.0 million in 2022 compared to $8.5 million in 2021.

BOLI income from the increase in cash surrender value decreased 0.5% to $19.5 million in 2022 compared to $19.6 million in 2021. BOLI income from death benefits was $0.8 million in 2022 compared to $2.0 million in 2021. BOLI income in the form of increases in cash surrender value and death benefits helps to offset a portion of employee benefit costs.

Loan service, maintenance and other fees decreased 1.0% to $13.8 million in 2022 compared to $14.0 million in 2021. Loan service, maintenance and other fees include fees that are not considered yield adjustments.

We had net gains on investment securities of $2.0 million in 2022 compared to $0.5 million in 2021. During 2022, we sold approximately $605.8 million of trading investment securities that resulted in a net gain on the sale of approximately $2.0 million compared to 2021, when we sold approximately $128.9 million of trading investment securities that resulted in a net gain on sale of approximately $0.5 million. For our investment securities AFS, we had no net gains from the sale of such securities in 2022 and 2021.

Gains on sales of other assets were $11.5 million in 2022 compared to $10.0 million in 2021.

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

Non-Interest Income

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Service charges on deposit accounts:			
NSF/Overdraft fees	$ 18,059	$ 17,724	$ 14,962
All other service charges	27,995	28,102	27,656
Trust income	8,524	7,990	8,506
BOLI income:			
Increase in cash surrender value	20,696	19,532	19,640
Death benefits	2,966	807	2,028
Loan service, maintenance and other fees	18,920	13,819	13,959
Gains on sales of other assets	9,029	11,467	9,962
Net gains on investment securities	3,243	2,019	504
Other	13,117	13,043	18,321
Total non-interest income	$ 122,549	$ 114,503	$ 115,538

Non-Interest Expense

Our non-interest expense consists of salaries and employee benefits, net occupancy and equipment and other operating expenses.

2023 compared to 2022

Non-interest expense increased 17.2% to $529.6 million in 2023 compared to $451.7 million in 2022.

Salaries and employee benefits, our largest component of non-interest expense, increased 14.3% to $258.8 million in 2023 compared to $226.4 million in 2022 and represented the most significant contribution to increased non-interest expense. Our escalation in salaries and benefits expense was driven by competitive labor market conditions and our expanding staff. We expect further growth in headcount in 2024 to support our anticipated growth in deposits, loans and other aspects of our business.

Net occupancy and equipment expense increased 3.6% to $72.6 million in 2023 compared to $70.1 million in 2022.

Other operating expenses increased 27.6% to $198.1 million in 2023 compared to $155.3 million in 2022. The increase in other operating expense in 2023 compared to 2022 was primarily due to increases in our deposit insurance and assessments, which includes the FDIC special assessment of $9.9 million, increases in our advertising and public relations expenses and amortization of CRA and tax credit investments. Beginning January 1, 2024, as a result of our adoption of ASU 2023-02, we will no longer report our amortization of CRA and tax credit investments within non-interest expense but instead, it will be reported as a component of our provision for income taxes in future periods.

Our efficiency ratio (non-interest expense divided by the sum of net interest income–FTE and non-interest income) was 33.7% for 2023 compared to 35.8% for 2022.

2022 compared to 2021

Non-interest expense increased 5.0% to $451.7 million in 2022 compared to $430.3 million in 2021.

Salaries and employee benefits, our largest component of non-interest expense, increased 5.5% to $226.4 million in 2022 compared to $214.6 million in 2021 and represented the most significant contribution to increased non-interest expense. Our escalation in salaries and benefits expense was driven by competitive labor market conditions and our expanding staff from pandemic-diminished levels during 2022 compared to 2021.

Net occupancy and equipment expense increased 4.9% to $70.1 million in 2022 compared to $66.8 million in 2021.

Other operating expenses increased 4.3% to $155.3 million in 2022 compared to $148.9 million in 2021. The increase in other operating expense in 2022 compared to 2021 was primarily due to increases in our advertising and public relations expenses, amortization of CRA and tax credit investments and, to a lesser extent, increases in software and data processing, travel and meals and professional and outside services expenses, partially offset by decreases in other expenses.

Our efficiency ratio (non-interest expense divided by the sum of net interest income–FTE and non-interest income) was 35.8% for 2022 compared to 38.8% for 2021.

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

Non-Interest Expense

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Salaries and employee benefits	$ 258,846	$ 226,373	$ 214,567
Net occupancy and equipment	72,591	70,058	66,801
Other operating expenses:			
Software and data processing	39,212	35,373	32,997
Deposit insurance and assessments	30,351	9,610	11,185
Professional and outside services	21,423	21,581	19,876
Advertising and public relations	16,150	8,797	2,772
Telecommunication services	8,865	7,986	8,427
Postage and supplies	7,981	7,146	6,627
ATM expense	7,681	6,331	6,255
Travel and meals	7,582	7,661	5,694
Amortization of CRA and tax credit investments	27,768	20,293	15,078
Other	31,111	30,512	39,996
Total non-interest expense	$ 529,561	$ 451,721	$ 430,275

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 thereof. The increase in PPNR in 2023 compared to 2022 and in 2022 compared to 2021 was primarily due to the increase in net interest income previously discussed in this MD&A. 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 similar 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 years indicated.

Calculation of Pre-Tax Pre-Provision Net Revenue

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Net income available to common stockholders	$ 674,596	$ 547,520	$ 579,001
Preferred stock dividends	16,187	16,621	—
Earnings attributable to noncontrolling interest	56	(51)	32
Provision for income taxes	176,164	157,440	173,888
Provision for credit losses	165,470	83,494	(77,938)
Pre-tax pre-provision net revenue	$ 1,032,473	$ 805,024	$ 674,983

Income Taxes

Our provision for income taxes was $176.2 million in 2023 compared to $157.4 million in 2022 and $173.9 million in 2021. Our effective income tax rates were 20.3% for 2023, 21.8% for 2022 and 23.1% for 2021. The decrease in our effective income tax rate for 2023 compared to 2022 and 2022 compared to 2021 was primarily due to increases in federal income tax credits and changes in non-taxable income and non-deductible expenses. As noted above, on January 1, 2024, we adopted ASU 2023-02 and will include the amortization of CRA and tax credit investments as a component of our provision for income taxes in future periods.

Accounting for our income taxes utilizes the criteria discussed in the Critical Accounting Estimates section of this MD&A. A reconciliation between the statutory federal income tax rates and our effective income tax rates for 2023, 2022 and 2021 is included in Note 13 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

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 risk), liquidity, operational, reputational, compliance and regulatory (including BSA/AML) risk. We use an enterprise-wide risk management framework to identify, measure, monitor, manage and report risks that affect or could affect the achievement of our strategic, financial and other goals and objectives. Accordingly, risk management is an essential element in managing our operations and is a key determinant of our overall performance. Our Board of Directors (the "Board") is responsible for approving our overall risk management framework, including 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 the Chief Risk Officer ("CRO"), to assist BRC in the oversight of our enterprise risk management activities. The ERC, pursuant to its charter, has responsibility for review and approval of detailed risk management processes and procedures, monitoring each of our key performance 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 cybersecurity 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 off-balance sheet unfunded commitments comprised primarily of construction loans that have closed but have not yet funded. The Board is responsible for approving overall credit policies relating to the management of credit risk 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 our 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. The 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 list 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 December 31, 2023, our total loan portfolio was $26.46 billion, an increase of 27.3% from $20.78 billion at December 31, 2022. At December 31, 2023, our total loan portfolio consisted of 76.5% real estate loans, 4.8% commercial and industrial loans, 11.2% consumer loans and 7.5% 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

	December 31,			
	2023		2022	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	$ 961,338	3.6%	$ 981,567	4.7%
Non-farm/non-residential	5,309,239	20.1	4,665,268	22.5
Construction/land development	11,653,487	44.0	8,215,056	39.5
Agricultural	256,423	1.0	239,689	1.2
Multifamily residential	2,064,106	7.8	1,503,398	7.2
Total real estate	20,244,593	76.5	15,604,978	75.1
Commercial and industrial	1,269,610	4.8	902,321	4.3
Consumer	2,965,042	11.2	2,445,851	11.8
Other	1,979,830	7.5	1,825,641	8.8
Total loans	$ 26,459,075	100.0%	$ 20,778,791	100.0%

Included in “other” loans at December 31, 2023 and 2022 are loans with a funded balance totaling approximately $1.24 billion and $1.55 billion, respectively, that were 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
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	$ 20,244,593	$ 17,199,736	$ 37,444,329
December 31, 2022:			
New York–Newark–Jersey City, NY–NJ–PA MSA	$ 2,006,978	$ 1,822,335	$ 3,829,313
Miami–Fort Lauderdale–Pompano Beach, FL MSA	1,205,576	1,248,235	2,453,811
Los Angeles–Long Beach–Anaheim, CA MSA	1,261,411	754,475	2,015,886
Atlanta–Sandy Springs–Alpharetta, GA MSA	844,264	1,109,441	1,953,705
Dallas–Fort Worth–Arlington, TX MSA	853,412	1,013,909	1,867,321
San Diego–Chula Vista–Carlsbad, CA MSA	351,711	1,332,696	1,684,407
San Francisco–Oakland–Berkeley, CA MSA	380,881	1,176,116	1,556,997
Chicago–Naperville–Elgin, IL–IN–WI MSA	910,818	561,949	1,472,767
Washington–Arlington–Alexandria, DC–VA–MD–WV MSA	316,493	1,025,137	1,341,630
Phoenix–Mesa–Chandler, AZ MSA	493,740	677,426	1,171,166
All other geographies	6,979,694	7,436,101	14,415,795
Total real estate loans	$ 15,604,978	$ 18,157,820	$ 33,762,798

"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 December 31, 2023, we had 81 additional geographies and MSAs that contain total committed balances (both funded and unfunded) of $10 million or more, compared to 88 additional geographies and MSAs at December 31, 2022.

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

	December 31,			
	2023		2022	
	Amount	%	Amount	%
	(Dollars in thousands)			
Office, including medical offices	$ 2,215,736	41.7%	$ 1,696,572	36.4%
Hotels and motels	894,055	16.8	1,133,706	24.3
Manufacturing and industrial facilities	691,124	13.0	611,520	13.1
Retail, including shopping centers and strip centers	313,794	5.9	358,981	7.7
Mixed use properties	223,809	4.2	61,069	1.3
Churches and schools	220,907	4.2	196,752	4.2
Life science	164,326	3.1	—	—
Office warehouse, warehouse and mini-storage	124,576	2.3	119,276	2.6
Restaurants and bars	115,458	2.2	109,016	2.3
Gasoline stations and convenience stores	90,226	1.7	91,012	2.0
Golf courses, entertainment and recreational facilities	36,570	0.7	38,273	0.8
Other non-farm/non-residential	218,658	4.2	249,091	5.3
Total	$ 5,309,239	100.0%	$ 4,665,268	100.0%

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

Total Construction/Land Development Loans

	December 31,			
	2023		2022	
	Amount	%	Amount	%
	(Dollars in thousands)			
Unimproved land	$ 814,301	7.0%	$ 683,356	8.3%
Land development and lots:				
1-4 family residential and multifamily	573696	4.9	706,483	8.6
Non-residential	381906	3.3	483,294	5.9
Construction:				
1-4 family residential:				
Owner occupied	7397	0.1	6,220	0.1
Non-owner occupied	1,713,754	14.7	1,295,091	15.8
Multifamily	3,040,681	26.1	1,916,637	23.3
Industrial, commercial and other:				
Mixed use properties	1,946,036	16.6	1,564,915	19.0
Life science	1,093,159	9.3	546,251	6.6
Manufacturing, industrial and warehouse	976,884	8.4	352,911	4.3
Offices, including medical offices	852,966	7.3	499,274	6.1
Hotels and motels	128,006	1.1	36,765	0.4
Other	124,701	1.2	123,859	1.6
Total	$ 11,653,487	100.0%	$ 8,215,056	100.0%

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

Generally, capital sources other than our loans, total an amount sufficient to cover all soft costs, including construction period interest and 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 years ended December 31, 2023, 2022 and 2021 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 December 31, 2023 and 2022, we had no construction and development loans with interest reserves that were nonperforming.

During the years ended December 31, 2023, 2022 and 2021, we recognized approximately $411 million, $340 million and $284 million, respectively, of interest income on construction and development loans from the advance of interest reserves. We advanced construction period interest on construction and development loans totaling approximately $391 million, $332 million and $281 million, respectively, during the years ended December 31, 2023, 2022 and 2021.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at December 31, 2023 was approximately $25.99 billion, of which $10.66 billion was outstanding at December 31, 2023 and $15.33 billion remained to be advanced. The weighted-average loan-to-cost ("LTC") on such loans, assuming such loans are ultimately fully advanced, was approximately 52%, which means that the weighted-average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, was approximately 48%. The weighted-average LTV ratio on such loans, based on the most recent appraisals and assuming such loans are ultimately fully advanced, was approximately 43%.

Purchased Loans. Between 2010 and 2016, we made fifteen acquisitions. Purchased loans, which are the remaining loans from those fifteen acquisitions, accounted for 1.0% of our total loan portfolio at December 31, 2023 and 1.8% at December 31, 2022. This portfolio will continue to decrease 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 above. While our purchased consumer loans and certain small business loans, including both PCD and non-PCD, are not score card risk rated, we utilize output from the various consumer and commercial score cards for purposes of determining the appropriate ACL for such loans.

The amount of 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

	December 31, 2023	December 31, 2022
	(Dollars in thousands)	
Loans not deemed PCD:		
Unpaid principal balance	$ 252,834	$ 362,548
Valuation discount	(2,721)	(4,079)
Carrying value	250,113	358,469
PCD loans:		
Unpaid principal balance	16,281	23,009
Valuation discount	(2,349)	(2,841)
Carrying value	13,932	20,168
Total carrying value	$ 264,045	$ 378,637

Nonperforming Assets

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

	December 31, 2023	December 31, 2022
	(Dollars in thousands)	
Nonaccrual loans [1]	$ 60,982	$ 37,079
Accruing loans 90 days or more past due	—	—
TDRs – nonaccruing [1] [4]	—	6,332
TDRs – accruing [1] [4]	—	1,680
Total nonperforming loans, excluding purchased loans	60,982	45,091
Nonaccrual purchased loans	5,695	5,513
TDRs – nonaccruing purchased [4]	—	1,519
TDRs – accruing purchased [4]	—	239
Total nonperforming loans	66,677	52,362
Foreclosed assets	61,720	6,616
Total nonperforming assets	$ 128,397	$ 58,978
Nonperforming loans to total loans, excluding purchased loans [1]	0.23%	0.22%
Nonperforming loans to total loans	0.25	0.25
Nonaccrual loans to total loans	0.25	0.24
Nonperforming assets to total assets, excluding purchased loans [2]	0.36	0.19
Nonperforming assets to total assets	0.38	0.21
ALL to nonaccrual loans [3]	509	414
ACL to nonaccrual loans	752	724

(1) Excludes purchased loans.
(2) Excludes purchased loans, except for their inclusion in total assets.
(3) Excludes reserve for losses on unfunded loan commitments.
(4) On January 1, 2023, the Bank adopted ASU 2022-02 *"Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures"* which eliminated the TDR recognition and measurement guidance upon adoption.

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 December 31, 2023 and 2022, we had reduced the carrying value of our nonperforming loans to the estimated fair value of such loans of $51.5 million and $35.8 million, respectively. The adjustment to reduce the carrying value of nonperforming loans to estimated fair value at December 31, 2023 and 2022 consisted of $15.2 million and $14.6 million, respectively, of allowance for loan loss allocations.

At December 31, 2023 and 2022 substandard loans, not designated as nonperforming, nonaccrual or 90 days past due, totaled $178.5 million and $52.5 million, respectively. No loans were designated as doubtful or loss at December 31, 2023 and 2022. Included in substandard loans not deemed as nonperforming, nonaccrual or 90 days past due at December 31, 2023 were two credits in our Real Estate Specialty 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 $39.4 million at December 31, 2023 and $41.8 million at December 31, 2022. 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 December 31, 2023. These credits were not past due at December 31, 2023 or 2022.

The following table presents information concerning the geographic location of nonperforming assets at December 31, 2023. 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	$ 1,298	$ 59,964	$ 61,262
Arkansas	15,389	339	15,728
Florida	4,542	408	4,950
Texas	8,187	227	8,414
Georgia	9,329	282	9,611
North Carolina	3,448	20	3,468
All other	24,484	480	24,964
Total	$ 66,677	$ 61,720	$ 128,397

Allowance for Credit Losses

Our provision for credit losses for 2023 was $165.5 million, including $160.1 million related to our ALL for funded loans and $5.4 million related to our reserve for losses on unfunded loan commitments. Our total provision for credit losses for 2022 was $83.5 million, including a negative $1.3 million related to our ALL for funded loans and $84.8 million related to our reserve for losses on unfunded loan commitments. During 2023, our ALL on funded loans increased to $339.4 million, or 1.3% of total loans, and our ACL for losses on unfunded loan commitments increased to $161.8 million, or 0.8% of unfunded loan commitments, bringing our total ACL to $501.2 million at December 31, 2023. During 2022, our ALL for funded loans was $208.9 million, or 1.0% of total loans, and our ACL on unfunded loan commitments was $156.4 million, or 0.7% of unfunded loan commitments, bringing our total ACL to $365.3 million at December 31, 2022.

The calculations of our provision for credit losses for 2023 and 2022 and our total ACL at December 31, 2023 and 2022 were based on a number of key estimates, assumptions and economic forecasts. Management utilized recent economic forecasts provided by Moody's, including their updates released in December 2023.

In selecting the weightings for the various economic scenarios for purposes of determining our ACL at December 31, 2023, we remain weighted to the downside as the combined weightings assigned to the Moody's S4 (Alternative Adverse Scenario) and the Moody's S6 (Stagflation) scenarios exceeded that of the Moody's Baseline scenario. Our selection and weightings of these scenarios reflect our assessment of conditions in the U.S. economy and acknowledged the uncertainty regarding future U.S. economic conditions, including the elevated 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, and commercial and residential real estate prices, consumer price index, among others. For purposes of the forecasts used in our CECL methodology, management utilized a reasonable and supportable forecast period of two years, followed by a reversion, on a systematic basis, of estimated losses back to our historical mean. Management also utilized certain qualitative adjustments to increase our ACL estimates at December 31, 2023 and 2022 in order to capture items that management believed were 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 current situation surrounding the U.S. fiscal policy, inflation, FRB monetary policy, global trade and geopolitical matters, supply chain disruptions and other factors continues to evolve, and the ultimate depth and duration of resulting economic impacts are not yet fully known.

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

Allowance for Credit Losses

	Allowance for Loan Losses	Reserve for Losses on Unfunded Loan Commitments	Total Allowance for Credit Losses
		(Dollars in thousands)	
Year Ended December 31, 2023:			
Balances – December 31, 2022	$ 208,858	$ 156,419	$ 365,277
Net charge-offs	(29,519)	—	(29,519)
Provision for credit losses	160,055	5,415	165,470
Balances – December 31, 2023	$ 339,394	$ 161,834	$ 501,228
Year Ended December 31, 2022:			
Balances – December 31, 2021	$ 217,380	$ 71,609	$ 288,989
Net charge-offs	(7,206)	—	(7,206)
Provision for credit losses	(1,316)	84,810	83,494
Balances – December 31, 2022	$ 208,858	$ 156,419	$ 365,277
Year Ended December 31, 2021:			
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Net charge-offs	(10,378)	—	(10,378)
Provision for credit losses	(68,066)	(9,872)	(77,938)
Balances – December 31, 2021	$ 217,380	$ 71,609	$ 288,989

The amount of and provision to the ACL is based on our analysis of the adequacy of the ACL utilizing the criteria discussed in the Critical Accounting Estimates section of this MD&A.

The following table is an analysis of the ACL for the years indicated.

Analysis of the ACL

	Year Ended December 31,		
	2023	2022	2021
		(Dollars in thousands)	
Balance, beginning of period	$ 365,277	$ 288,989	$ 377,305
Loans charged off:			
Real estate:			
Residential 1-4 family	(108)	(519)	(287)
Non-farm/non-residential	(22,633)	(7,780)	(3,942)
Construction/land development	—	(3)	(176)
Agricultural	(36)	(36)	(18)
Multifamily residential	(4)	—	(377)
Total real estate	(22,781)	(8,338)	(4,800)
Commercial and industrial	(340)	(1,156)	(628)
Consumer	(9,387)	(4,797)	(6,585)
Other	(3,990)	(3,901)	(3,282)
Total loans charged off	(36,498)	(18,192)	(15,295)
Recoveries of loans previously charged off:			
Real estate:			
Residential 1-4 family	1,019	1,112	763
Non-farm/non-residential	2,317	7,328	828
Construction/land development	234	125	461
Agricultural	36	14	6
Multifamily residential	—	89	—
Total real estate	3,606	8,668	2,058
Commercial and industrial	975	426	433
Consumer	1,794	1,165	1,534
Other	604	727	892
Total recoveries	6,979	10,986	4,917
Net charge-offs – total loans	(29,519)	(7,206)	(10,378)
Provision for funded loans and unfunded loan commitments:			
Funded loans	160,055	(1,316)	(68,066)
Unfunded loan commitments	5,415	84,810	(9,872)
Total provision	165,470	83,494	(77,938)
Balance, end of period	$ 501,228	$ 365,277	$ 288,989
ALL	$ 339,394	$ 208,858	$ 217,380
Reserve for losses on unfunded loan commitments	161,834	156,419	71,609
Total ACL	$ 501,228	$ 365,277	$ 288,989

Additional information regarding net charge-offs (recoveries) for the years indicated is presented in the table below.

	Net Charge-Offs (Recoveries)	Net Charge-Off (Recovery) Ratio
	(Dollars in thousands)	
December 31, 2023:		
Real estate:		
Residential 1-4 family	$ (911)	(0.09)%
Non-farm/non-residential	20,316	0.38
Construction/land development	(234)	(0.01)
Agricultural	—	—
Multifamily residential	4	0.01
Commercial and industrial	(635)	(0.05)
Consumer	7,593	0.26
Other	3,386	0.17
Total	$ 29,519	0.13%
December 31, 2022:		
Real estate:		
Residential 1-4 family	$ (593)	(0.06)%
Non-farm/non-residential	452	0.01
Construction/land development	(122)	(0.01)
Agricultural	22	0.01
Multifamily residential	(89)	(0.01)
Commercial and industrial	730	0.08
Consumer	3,632	0.15
Other	3,174	0.17
Total	$ 7,206	0.04%
December 31, 2021:		
Real estate:		
Residential 1-4 family	$ (476)	(0.05)%
Non-farm/non-residential	3,114	0.08
Construction/land development	(285)	(0.01)
Agricultural	12	0.01
Multifamily residential	377	0.04
Commercial and industrial	195	0.03
Consumer	5,051	0.22
Other	2,390	0.15
Total	$ 10,378	0.06%

The following is a summary of our net charge-off and various ALL ratios as of and for the years indicated.

Net Charge-Off, ALL and ACL Ratios

	For the Year Ended December 31,		
	2023	2022	2021
Net charge-offs of non-purchased loans to total average non-purchased loans (1)	0.11%	0.07%	0.06%
Net charge-offs of total loans to total average loans	0.13	0.04	0.06
ALL to total loans (2)	1.28	1.01	1.19
Reserve for losses on unfunded loan commitments to total unfunded loan commitments	0.79	0.74	0.53
ACL to total loans	1.89	1.76	1.58
ACL to total loans and unfunded loan commitments	1.07	0.87	0.91
ALL to nonperforming loans (2)	509	399	477
ACL to nonperforming loans	752	698	634

(1) Excludes purchased loans and net charge-offs related to such loans.
(2) Excludes reserve for losses on unfunded loan 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

	December 31,					
	2023			2022		
	ALL	% of ALL to Loans	% of Loans to Total Loans	ALL	% of ALL to Loans	% of Loans to Total Loans
	(Dollars in thousands)					
ALL for loans:						
Real estate:						
Residential 1-4 family	$ 23,151	2.4%	3.6%	$ 19,506	2.0%	4.7%
Non-farm/non-residential	44,250	0.8	20.1	43,605	0.9	22.5
Construction/land development	127,320	1.1	44.0	66,467	0.8	39.5
Agricultural	4,732	1.8	1.0	3,512	1.5	1.2
Multifamily residential	15,469	0.7	7.8	5,345	0.4	7.2
Commercial and industrial	7,626	0.6	4.8	8,728	1.0	4.3
Consumer	98,974	3.3	11.2	50,202	2.1	11.8
Other	17,872	0.9	7.5	11,493	0.6	8.8
Total ALL	$ 339,394	1.3%	100.0%	$ 208,858	1.0 %	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 Loan Commitments	Total ACL
		(Dollars in thousands)	
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	$ 339,394	$ 161,834	$ 501,228
December 31, 2022:			
Real estate:			
Residential 1-4 family	$ 19,506	$ 1,192	$ 20,698
Non-farm/non-residential	43,605	2,665	46,270
Construction/land development	66,467	125,818	192,285
Agricultural	3,512	22	3,534
Multifamily residential	5,345	479	5,824
Commercial and industrial	8,728	8,641	17,369
Consumer	50,202	145	50,347
Other	11,493	17,457	28,950
Total	$ 208,858	$ 156,419	$ 365,277

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 our 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, brokered deposits, FHLB advances, 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. We maintain substantial and diverse sources of available primary and secondary liquidity which provides us adequate liquidity to operate at a high loan-to-deposit ratio.

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

Available Primary and Secondary Liquidity Sources

	December 31, 2023		
	Total Capacity	Outstanding	Available Liquidity
		(Dollars in thousands)	
Cash & cash equivalents	$ 2,149,529	$ —	$ 2,149,529
Unpledged investment securities	2,237,519	—	2,237,519
FHLB [(1)]	9,632,811	4,389,985	5,242,826
Unsecured lines of credit	950,000	—	950,000
Fed discount window	356,957	—	356,957
Total	$ 15,326,816	$ 4,389,985	$ 10,936,831

(1) FHLB Borrowings outstanding included $800 million of borrowings outstanding and $3.59 billion of outstanding letters of credit at December 31, 2023.

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. During 2023, our deposits increased $5.91 billion, or 27.5%, compared to December 31, 2022. Our loan to deposit ratio was 96.5% at December 31, 2023 compared to 96.6% at December 31, 2022.

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

	December 31,			
	2023		2022	
	(Dollars in thousands)			
Non-interest bearing	$ 4,095,874	14.9%	$ 4,658,451	21.7%
Interest bearing:				
Transaction (NOW)	4,486,372	16.4	4,097,532	19.1
Savings and money market	4,587,924	16.7	5,808,185	27.0
Time deposits	14,234,973	52.0	6,935,975	32.2
Total deposits	$ 27,405,143	100.0%	$ 21,500,143	100.0%

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

	December 31,			
	2023		2022	
	(Dollars in thousands)			
Non-interest bearing	$ 4,095,874	14.9%	$ 4,658,451	21.7%
Interest bearing:				
Consumer and commercial:				
Consumer – non-time	2,792,199	10.2	3,916,078	18.2
Consumer – time	10,216,217	37.3	4,936,061	23.0
Commercial – non-time	2,439,175	8.9	2,741,007	12.7
Commercial – time	767,566	2.8	516,477	2.4
Public funds	3,725,766	13.6	2,103,392	9.8
Brokered	2,655,317	9.7	2,050,294	9.5
Reciprocal	713,029	2.6	578,383	2.7
Total deposits	$ 27,405,143	100.0%	$ 21,500,143	100.0%

At December 31, 2023, we had outstanding brokered deposits of $2.66 billion, or approximately 9.7% of total deposits, compared to $2.05 billion, or 9.5% of total deposits, at December 31, 2022. We use brokered deposits, subject to certain limitations and requirements, as a source of funding to augment deposits generated from our branch network, which are our principal source of funding. Our Board has established policies and procedures with respect to the use of brokered deposits. Such policies and procedures require, among other things, that (i) we limit the amount of brokered deposits as a percentage of total deposits and (ii) ALCO monitor our use of brokered deposits on a regular basis, including interest rates and the volume of such deposits in relation to our total deposits.

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

Average Deposit Balances and Rates

	Year Ended December 31,					
	2023		2022		2021	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(Dollars in thousands)					
Interest bearing:						
Transaction (NOW)	$ 4,197,394	2.70%	$ 3,487,423	0.58%	$ 3,225,886	0.13%
Savings and money market	4,954,666	1.98	6,100,949	0.46	5,562,314	0.15
Time deposits	10,543,800	3.94	5,680,395	0.81	7,534,244	0.69
Total interest bearing deposits	19,695,860	3.18	15,268,767	0.62	16,322,444	0.39
Non-interest bearing	4,315,200	—	4,873,842	—	4,380,850	—
Total deposits	$ 24,011,060	2.61%	$ 20,142,609	0.47%	$ 20,703,294	0.31%

The calculation of the average rate paid on total interest bearing deposits of 3.18% for 2023, 0.62% for 2022 and 0.39% for 2021 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 2.61% for 2023, 0.47% for 2022 and 0.31% for 2021. We expect our COIBD will continue to increase over the next few quarters, albeit at a slowing pace of increase, likely resulting in some further decreases in our core spread and net interest margin. Additionally, changes in expected deposit levels necessary to fund future potential growth in our earning assets, changes in our level of on-balance sheet liquidity, or changes in competitive conditions, among other factors, could significantly affect our deposit composition and deposit costs in future periods.

As of December 31, 2023, approximately 82% of our deposits are either insured (66%) or, in the case of public funds and certain other deposits, collateralized (16%). The estimated amount of uninsured deposits at December 31, 2023 was $9.33 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)
December 31, 2023:	
3 months or less	$ 1,098,945
Over 3 to 6 months	1,462,764
Over 6 to 12 months	1,724,507
Over 12 months	407,059
Total	$ 4,693,275

(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

	December 31,			
	2023		2022	
Deposits Attributable to Offices In	Amount	%	Amount	%
	(Dollars in thousands)			
Arkansas	$ 10,315,992	37.6%	$ 7,195,562	33.5%
Georgia	7,739,622	28.2	6,009,361	28.0
Florida	4,471,030	16.3	3,467,406	16.1
Texas	3,020,420	11.0	3,323,357	15.5
North Carolina	1,858,079	6.9	1,504,457	6.9
Total	$ 27,405,143	100.0%	$ 21,500,143	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 December 31, 2023 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	$ 7,167,728	$ 11,613,799	$ 836,291	$ 626,775	$ 20,244,593
Commercial and industrial	678,864	551,194	39,286	266	1,269,610
Consumer	11,234	25,679	875,310	2,052,819	2,965,042
Other	1,030,269	940,633	4,086	4,842	1,979,830
Total	$ 8,888,095	$ 13,131,305	$ 1,754,973	$ 2,684,702	$ 26,459,075
Fixed rate	$ 254,291	$ 1,486,858	$ 985,600	$ 2,257,536	$ 4,984,285
Floating rate (not at a floor or ceiling rate) (1)	8,450,676	11,415,176	217,107	215,855	20,298,814
Floating rate (at floor rate) (1)	131,257	212,777	541,173	211,105	1,096,312
Floating rate (at ceiling rate)	51,871	16,494	11,093	206	79,664
Total	$ 8,888,095	$ 13,131,305	$ 1,754,973	$ 2,684,702	$ 26,459,075

(1) We have included a floor rate in 98% of our floating rate loans. At December 31, 2023, the majority of our floating rate 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 December 31, 2023, we had $20.56 billion in unfunded balances on loans already closed, the vast majority of which is attributable to 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 December 31, 2023 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)									
Obligations of state and political subdivisions	$ 86,653	1.36%	$ 121,661	4.72%	$ 221,925	4.51%	$ 970,649	5.25%	$1,400,888	4.84%
U.S. Government agency mortgage-backed securities	328,263	1.39	706,622	1.22	132,492	1.15	7,052	2.91	1,174,429	1.27
Other U.S. Government agency securities	488,272	1.01	150,000	1.28	—	—	—	—	638,272	1.07
Corporate obligations	2,832	4.07	16,371	4.52	3,664	3.71	7,915	4.69	30,782	4.44
Total	$ 906,020	1.19%	$ 994,654	1.69%	$ 358,081	3.20%	$ 985,616	5.23%	$3,244,371	2.75%
Percentage of total	27.9%		30.7%		11.1%		30.3%		100.0%	
Cumulative percentage of total	27.9%		58.6%		69.7%		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 December 31, 2023 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), 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 years indicated.

Average Balances and Rates of Other Interest Bearing Liabilities

	Year Ended December 31,					
	2023		2022		2021	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(Dollars in thousands)					
Other borrowings	$ 803,797	5.18%	$ 673,932	1.93%	$ 757,303	0.53%
Subordinated notes	347,356	3.01	346,538	3.01	212,600	4.42
Subordinated debentures	121,648	7.83	121,310	4.76	120,751	3.11
Total other interest bearing liabilities	$ 1,272,801	4.84%	$ 1,141,780	2.56%	$ 1,090,654	1.57%

We utilize FHLB advances from time to time to support our funding sources and provide additional on-balance sheet liquidity. Details of those outstanding FHLB advances, at December 31, 2023, are shown in the following table.

FHLB Advances

Borrowing Type	Balance	Interest Rate	Maturity Date
		(Dollars in thousands)	
FHLB advances	$ 800,000	5.48%	1/2/2024

At December 31, 2023, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) $5.2 billion of available blanket borrowing capacity with the FHLB, (2) $2.2 billion of investment securities available to pledge for federal funds or other borrowings, (3) $1.0 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, will be used to augment our primary funding sources.

Sources and Uses of Funds. Operating activities provided net cash of $0.88 billion in 2023, $0.76 billion in 2022 and $0.53 billion in 2021. 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 $5.53 billion in 2023 and $2.43 billion in 2022 and provided cash of $0.14 billion in 2021. The increase in net cash used by investing activities in 2023 compared to 2022 was primarily the result of an increase in our total loan portfolio which used $5.78 billion in 2023 compared to $2.48 billion in 2022. The increase in net cash used by investing activities in 2022 compared to the net cash provided by investing activities in 2021 was primarily the result of an increase in our total loan portfolio which used $2.48 billion in 2022 and provided $0.90 billion in 2021, and decreased proceeds from maturities, calls and paydowns of investment securities AFS which provided $1.09 billion in 2022 compared to $2.52 billion in 2021, offset by purchases of investment securities AFS which used $0.96 billion in 2022 compared to $3.73 billion in 2021.

Financing activities provided net cash of $5.77 billion in 2023 compared to $0.64 billion in 2022 and used net cash of $1.01 billion in 2021. The increase in the net cash provided by financing activity in 2023 compared to 2022 was primarily the result of changes in our total deposits, which provided $5.91 billion in 2023 compared $1.32 billion in 2022. The increase in the net cash provided by financing activity in 2022 compared to the net cash used by financing activities in 2021 was primarily the result of changes in our total deposits, which provided $1.32 billion during 2022 and used $1.13 billion in 2021, partially offset by repurchase and cancellation of shares of our common stock under our share repurchase program which used $0.35 billion in 2022 compared to $0.19 billion in 2021.

Material Cash Requirements, Contractual Obligations, Commitments and Off-Balance Sheet Arrangements. Our material cash requirements include commitments for contractual obligations (both short-term and long-term), commitments to extend credit, and off-balance sheet arrangements. Our material cash requirements for the next 12 months are primarily to fund loan growth. Additionally, we will utilize cash to fund deposit maturities and withdrawals that may occur in the next 12 months. Other contractual obligations, purchase commitments, lease obligations, and unfunded commitments may require cash payments by us within the next 12 months, and these, along with longer-term obligations, are discussed below.

The following table presents, as of December 31, 2023, significant fixed and determinable contractual obligations to third parties by contractual date with no consideration given to earlier call or prepayment features. Other obligations consist primarily of contractual obligations for capital expenditures, software contracts, employee benefits and various other contractual obligations.

Contractual Obligations

	1 Year Or Less	Over 1 Through 3 Years	Over 3 Through 5 Years	Over 5 Years	Total
			(Dollars in thousands)		
Time deposits [1]	$ 13,412,108	$ 1,148,161	$ 18,607	$ 328	$ 14,579,204
Deposits without a stated maturity [2]	13,172,836	—	—	—	13,172,836
Other borrowings [1]	805,938	—	—	—	805,938
Subordinated notes [1]	9,785	23,739	53,089	425,263	511,876
Subordinated debentures [1]	9,967	19,878	19,559	179,786	229,190
Lease obligations	8,191	15,510	14,841	60,951	99,493
Other obligations	84,152	11,766	3,979	13,088	112,985
Total contractual obligations	$ 27,502,977	$ 1,219,054	$ 110,075	$ 679,416	$ 29,511,522

(1) Includes unpaid interest through the contractual maturity on both fixed and variable rate obligations. The interest included on variable rate obligations is based upon interest rates in effect at December 31, 2023. The contractual amounts to be paid on variable rate obligations are affected by changes in interest rates. Future changes in interest rates could materially affect the contractual amounts to be paid.

(2) Includes interest accrued and unpaid through December 31, 2023.

In the normal course of business, various commitments and contingent liabilities arise that are not required to be recorded on the balance sheet. The most significant of these are loan commitments comprised of our balance of closed but unfunded loans totaling $20.6 billion at December 31, 2023. These loan commitments are agreements to lend to a customer as long as there is no violation of any condition established in the contract and, for unfunded construction loans, based on the achievement of certain construction milestones. We evaluate each customer's creditworthiness on a case-by-case basis and the amount of collateral obtained is based on management's credit evaluation of the customer and underlying property, among other factors. Loan commitments generally have fixed expiration dates and may or may not be drawn upon in whole or in part prior to their maturity, depending on a number of factors including economic conditions, real estate market conditions and competitive factors, among others. Management does not anticipate any material losses from these loan commitments and standby letters of credit that have not been previously considered in establishing our ACL and believes there are no material commitments to extend credit that represent risks of an unusual nature.

The following table details the amounts and expected maturities of our outstanding credit commitments as of December 31, 2023.

Outstanding Credit Commitments

	1 Year Or Less	Over 1 Through 3 Years	Over 3 Through 5 Years	Over 5 Years	Total
			(Dollars in thousands)		
Commitments to extend credit	$ 2,340,693	$ 14,888,595	$ 3,110,207	$ 221,534	$ 20,561,029

We also have investments 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 ("LIHTC") tax credits which are normally recognized over seven to 15 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. Under the terms of the various investment agreements, as of December 31, 2023, approximately $173.1 million have been funded and are included in "other assets" on our consolidated balance sheet. The portion of the tax credit investments that are unfunded totaled approximately $210.6 million at December 31, 2023 and are expected to be funded over the terms of the agreements ranging from 2024 to 2042.

The following table shows the expected payments for unfunded tax credit investments as of the date indicated.

Expected Payments for Unfunded Tax Credit Investments at December 31, 2023		
		Amount
(Dollars in thousands)		
2024	$	131,439
2025		53,314
2026		18,651
2027		812
2028		2,341
Thereafter		4,089
Total	$	210,646

We also have 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. Under the terms of the various investment agreements, as of December 31, 2023, approximately $53.5 million of commitments have been funded and are included in "other assets" on our consolidated balance sheet. The portion of SBIC's and CDC's that are unfunded totaled approximately $87.1 million at December 31, 2023 and are expected to be funded over the terms of the agreements ranging from 2024 to 2028.

In addition, we pay cash dividends on our preferred stock when, as, and if declared by our Board, which on an annual basis, is expected to result in approximately $16.2 million in cash dividends paid on our preferred stock.

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 risk. 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. Our earnings simulation model is governed through our Model Risk Management framework.

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.

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 January 1, 2024. This change in interest rates is assumed to occur ratably over that 12-month period. This change in interest rates 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	15.8%
+200	10.5
+100	5.3
-100	(5.3)
-200	(10.4)
-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.

The consolidated financial statements and related notes presented in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K have been prepared in accordance with GAAP. This requires the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. Unlike industrial companies, the vast majority of our assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

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 December 31, 2023.

EVE Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline EVE
+200	1.8%
+100	1.2
-100	(1.5)
-200	(3.1)

Variable Rate Loans and Loan Repricing. At December 31, 2023, approximately 81% of our funded balance of total loans had variable rates. Additionally, approximately 98% of our variable rate total loans had floor rates, and the vast majority of such loans were above their floor rates.

The following table reflects total loans as of December 31, 2023 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	$ 456,870	$ 441,660	$ 608,627	$ 925,370	$ 2,551,758	$ 4,984,285
Floating rate (not at a floor or ceiling rate) (1)	20,047,575	66,763	73,672	101,211	9,593	20,298,814
Floating rate (at floor rate) (1)	279,115	195,794	239,879	337,904	43,620	1,096,312
Floating rate (at ceiling rate)	79,220	67	280	97	—	79,664
Total	$20,862,780	$ 704,284	$ 922,458	$1,364,582	$2,604,971	$26,459,075
Percentage of total	78.8%	2.7%	3.5%	5.2%	9.8%	100.0%
Cumulative percentage of total	78.8%	81.5%	85.0%	90.2%	100.0%	

(1) We have included a floor rate in 98% of our floating rate loans. At December 31, 2023, the majority of our floating rate 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 December 31, 2023.

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	$ —	$ 18,106,417	$ —	$ 18,106,417
Wall Street Journal Prime	1,045,163	1,791,025	79,664	2,915,852
Other contractual interest rate indices	51,149	401,372	—	452,521
Total	$ 1,096,312	$ 20,298,814	$ 79,664	$ 21,474,790

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 rate.

LIBOR Transition. Prior to July 1, 2023, our subordinated debentures and related trust preferred securities and significant portions of our loan portfolio were tied to LIBOR benchmark interest rates. On July 1, 2023, we converted our loan portfolio tied to LIBOR benchmark interest rates, our subordinated debentures and related trust preferred securities, to corresponding SOFR-based benchmark rates.

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 December 31, 2023 and 2022, with the exception of a small balance of investment securities designated as “trading,” we classified all of our investment securities portfolio as AFS. 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. At December 31, 2023, we had $127.5 million of net unrealized losses in our investment securities AFS portfolio that was reported, net of applicable income taxes, in AOCI. 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

	December 31,			
	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
U.S. Government agency mortgage-backed securities	$ 1,272,015	$ 1,174,429	$ 1,692,828	$ 1,548,540
Obligations of state and political subdivisions	1,406,617	1,400,888	1,310,362	1,268,924
Other U.S. Government agency securities	658,851	638,272	658,818	615,920
Corporate obligations	34,341	30,782	38,304	34,176
U.S. Treasuries	—	—	24,957	24,053
Total	$ 3,371,824	$ 3,244,371	$ 3,725,269	$ 3,491,613

Our investment securities AFS are reported at estimated fair value, which included gross unrealized gains of $22.7 million and gross unrealized losses of $150.2 million at December 31, 2023 and gross unrealized gains of $4.1 million and gross unrealized losses of $237.8 million at December 31, 2022. We believe that the vast majority of the unrealized losses on individual investment securities at December 31, 2023 and 2022 are the result of fluctuations in interest rates.

If we intend to sell an investment security AFS in an unrealized loss position, or if it is more likely than not that we will be required to sell an investment security AFS in an unrealized loss position before recovery of its amortized cost basis, the investment security's amortized cost basis is written down to fair value through current period expense. If we do not intend to sell an investment security AFS in an unrealized loss position, or if it is more likely than not that we will not sell an investment security AFS 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. Factors considered during such review include the credit quality, financial condition and near term prospects of the issue, the nature and causes of the unrealized loss and various other factors. If our assessment determines a credit loss exists, the present value of cash flows expected to be collected from the investment security AFS 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 may be 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 AFS as of the dates indicated.

Unaccreted Discount and Unamortized Premium

	Amortized Cost	Unaccreted Discount	Unamortized Premium	Par Value
	(Dollars in thousands)			
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
December 31, 2022:				
U.S. Government agency mortgage-backed securities	$ 1,692,828	$ 55	$ (44,533)	$ 1,648,350
Obligations of state and political subdivisions	1,310,362	10,408	(29,178)	1,291,592
Other U.S. Government agency securities	658,818	42	—	658,860
Corporate obligations	38,304	220	(2,075)	36,449
U.S. Treasuries	24,957	43	—	25,000
Total	$ 3,725,269	$ 10,768	$ (75,786)	$ 3,660,251

We recognized premium amortization, net of discount accretion, of $20.2 million during 2023, $32.2 million during 2022 and $59.4 million during 2021. Any premium amortization or discount accretion is considered an adjustment to the yield of our investment securities.

We had net gains of $0.01 million from the sale of approximately $5.3 million of investment securities AFS in 2023, compared to no net gains or losses from the sale of approximately $0.02 million and $592 million of investment securities AFS in 2022, and 2021 respectively.

Investment securities AFS totaling $0.57 billion in 2023, $1.09 billion in 2022 and $2.52 billion in 2021 matured, were called or were otherwise paid down by the issuer. We purchased approximately $0.24 billion of investment securities AFS in 2023, compared to $0.96 billion in 2022 and $3.73 billion in 2021.

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

Our trading securities are carried at estimated fair value with unrealized and realized gains and losses recorded in earnings. During 2023, the Bank had realized net gains of $3.2 million from the sale of approximately $1.28 billion of trading securities, compared to realized net gains of $2.0 million and $0.5 million from the sale of approximately $605.8 million and $129.0 million, respectively, of trading securities during 2022 and 2021.

At December 31, 2023, 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 stockholders' equity, comprised of preferred and common stock, additional paid-in capital, retained earnings and accumulated other comprehensive income (loss) to support our operations and act as a cushion to absorb unanticipated losses. Our common stockholders' equity totaled $4.80 billion at December 31, 2023, compared to $4.35 billion at December 31, 2022. 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. On November 14, 2022, we announced that our Board approved a stock repurchase program pursuant to which we could repurchase up to $300 million of our outstanding shares of common stock. The repurchase program expired on November 9, 2023. During 2023, the Bank repurchased 4.3 million shares for $151.5 million, which equates to a weighted average cost of approximately $35.19 per share.

Our substantial growth in 2023 helped us profitably deploy capital. We expect further growth in 2024. 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 December 31, 2023, we had 14,000,000 shares of 4.625% Series A Non-Cumulative Perpetual Preferred Stock, par value $0.01 per share, with a liquidation preference of $25 per share (the "preferred stock") issued and outstanding. Our preferred stock offering generated total net proceeds of $339.0 million after deducting 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.

Subordinated Notes. At December 31, 2023, 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. At December 31, 2023, the 2.75% Notes had a carrying value of $347.8 million and remaining unamortized debt issuance costs of $2.2 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 December 31, 2023, 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	Trust Preferred Securities of the Trusts	Contractual Interest Rate [(1)]	Final Maturity Date
			(Dollars in thousands)		
Ozark II	$ 14,433	$ 14,433	$ 14,000	8.49%	September 29, 2033
Ozark III	14,434	14,434	14,000	8.61	September 25, 2033
Ozark IV	15,464	15,464	15,000	7.86	September 28, 2034
Ozark V	20,619	20,619	20,000	7.25	December 15, 2036
Intervest II	15,464	15,464	15,000	8.59	September 17, 2033
Intervest III	15,464	15,464	15,000	8.43	March 17, 2034
Intervest IV	15,464	15,464	15,000	8.03	September 20, 2034
Intervest V	10,310	10,310	10,000	7.30	December 15, 2036
Total	$ 121,652	$ 121,652	$ 118,000		

(1) On July 1, 2023, our trust preferred securities and related subordinated debentures converted from a spread over 90 day LIBOR to the existing spread over three-month term SOFR plus a spread adjustment of 0.26%. 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 us will require the prior approval of the ASBD and may be accompanied by time delays associated with obtaining such approval. If market conditions change during any time delays associated with obtaining regulatory approval, we may not be able to issue equity or debt on as favorable terms as were contemplated at the time of commencement of the process, or at all.

Common Stockholders' Equity and Reconciliation of Non-GAAP Financial Measures. We use non-GAAP financial measures, specifically, total common stockholders' equity, tangible common stockholders' equity, ratio of total 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 as of and for the years indicated.

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

	December 31,		
	2023	2022	2021
		(Dollars in thousands)	
Total stockholders' equity before noncontrolling interest	$ 5,139,001	$ 4,689,579	$ 4,836,243
Less preferred stock	(338,980)	(338,980)	(338,980)
Total common stockholders' equity	$ 4,800,021	$ 4,350,599	$ 4,497,263
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	—	(2,754)	(8,274)
Total intangibles	(660,789)	(663,543)	(669,063)
Total tangible common stockholders' equity	$ 4,139,232	$ 3,687,056	$ 3,828,200
Shares of common stock outstanding	113,149	117,117	125,444
Book value per common share	$ 42.42	$ 37.13	$ 35.85
Tangible book value per common share	$ 36.58	$ 31.47	$ 30.52

Calculation of Average Common Stockholders' Equity, Average Tangible Common Stockholders' Equity and Returns on Average Common Stockholders' Equity and Average Tangible Common Stockholders' Equity

	Year Ended December 31,		
	2023	2022	2021
		(Dollars in thousands)	
Net income available to common stockholders	$ 674,596	$ 547,520	$ 579,001
Average stockholders' equity before noncontrolling interest	$ 4,855,976	$ 4,662,467	$ 4,505,544
Less average preferred stock	(338,980)	(338,980)	(53,862)
Total average common stockholders' equity	$ 4,516,996	$ 4,323,487	$ 4,451,682
Less average intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(821)	(5,443)	(11,398)
Total average intangibles	(661,610)	(666,232)	(672,187)
Average tangible common stockholders' equity	$ 3,855,386	$ 3,657,255	$ 3,779,495
Return on average common stockholders' equity	14.93%	12.66%	13.01%
Return on average tangible common stockholders' equity	17.50%	14.97%	15.32%

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

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Total stockholders' equity before noncontrolling interest	$ 5,139,001	$ 4,689,579	$ 4,836,243
Less preferred stock	(338,980)	(338,980)	(338,980)
Total common stockholders' equity	4,800,021	4,350,599	4,497,263
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	—	(2,754)	(8,274)
Total intangibles	(660,789)	(663,543)	(669,063)
Total tangible common stockholders' equity	$ 4,139,232	$ 3,687,056	$ 3,828,200
Total assets	$34,237,457	$27,656,568	$26,530,430
Less intangible assets:			
Goodwill	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	—	(2,754)	(8,274)
Total intangibles	(660,789)	(663,543)	(669,063)
Total tangible assets	$33,576,668	$26,993,025	$25,861,367
Ratio of total common stockholders' equity to total assets	14.02%	15.73%	16.95%
Ratio of total tangible common stockholders' equity to total tangible assets	12.33%	13.66%	14.80%

Goodwill. Between 2010 and 2016, we made fifteen acquisitions, including seven FDIC-assisted transactions and eight traditional merger and acquisition ("M&A") transactions. In conjunction with several of the traditional M&A transactions, our purchase price exceeded the fair value of the net assets acquired, resulting in the recording of goodwill. At December 31, 2023 and 2022, we had goodwill totaling $661 million. We review goodwill annually, or more frequently if events or changes in circumstances indicate the carrying value might be impaired. This impairment analysis compares the estimated fair value of our operations (the reporting unit) with net book value. We performed our annual impairment test of goodwill as of September 30, 2023 which indicated no potential impairment of our goodwill.

Common Stock Dividend Policy. During 2023, we paid cash dividends of $1.42 per common share compared to cash dividends of $1.26 per common share in 2022 and $1.1325 per common share in 2021. On January 2, 2024, our Board approved a cash dividend of $0.38 per common share that was paid on January 23, 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. See Note 17 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a discussion of dividend restrictions.

Preferred Stock Dividend Policy. As previously disclosed in this Capital Management section of the MD&A, 14,000,000 shares of our 4.625% non-cumulative perpetual preferred stock are issued and outstanding. We will pay cash dividends on the preferred stock, when, as, and if declared by our Board. On January 2, 2024, our Board approved a cash dividend of $0.28906 per share that was paid on February 15, 2024 for the period covering November 15, 2023 through, but excluding, February 15, 2024. Future quarterly dividends on shares of the preferred stock, if declared, are expected to be approximately $4.0 million per quarter. The determination of future dividends on the 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 initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments and adjustments by the regulators about component 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. Our tier 1 capital at December 31, 2023 and 2022 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 in regulatory capital and instead effectively use the existing treatment under the general risk-based capital rules. We made this opt-out election to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of our investments securities portfolio.

The Basel III Rules limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” in addition to the amount necessary to meet minimum risk-based capital requirements for common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets. At December 31, 2023 and 2022, 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 December 31, 2023 and 2022, our capital levels exceed all minimum capital requirements under the Basel III Rules. Additionally, our capital levels at December 31, 2023 and 2022 exceed all capital requirements to be considered well capitalized based upon prompt corrective action regulations, as amended by 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)			
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
December 31, 2022:						
Common equity tier 1 to risk-weighted assets	$ 3,872,792	11.54%	$ 2,349,834	7.00%	$ 2,181,989	6.50%
Tier 1 capital to risk-weighted assets	4,211,772	12.55	2,853,370	8.50	2,685,524	8.00
Total capital to risk-weighted assets	5,026,214	14.97	3,524,751	10.50	3,356,906	10.00
Tier 1 leverage to average assets	4,211,772	15.90	1,059,363	4.00	1,324,204	5.00

Capital Stress Testing. We completed our annual capital stress tests during the third quarter of 2023 utilizing multiple economic scenarios, including an adverse idiosyncratic scenario unique to our Bank. The results reflected that we would maintain well-capitalized status for all capital ratios over the stress test time horizon.

Growth and Branching. In 2023, we (i) relocated a retail branch in Jacksonville, Florida; (ii) opened our third retail branch in Jacksonville, Florida; and (iii) closed one of our 25 retail branches in the Little Rock-North Little Rock-Conway, AR MSA.

We may open additional branches and loan production offices as our needs and resources permit. Additionally, 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.

Our historically strong earnings and earnings retention rate, among other factors, have contributed to our building capital ratios well above the minimum to be considered "well capitalized." We are focused on strategies to grow our business and utilize our excess 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.

Capital Expenditures. During 2023, we spent $29.3 million on capital expenditures for premises and equipment. Our capital expenditures for 2024 are expected to be in the range of $40 million to $50 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

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, cybersecurity 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 macroeconomic 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 1 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K for a discussion of certain recently issued accounting pronouncements.

Item 7A. 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 74 and is hereby incorporated by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Bank OZK

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Bank OZK and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of income, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes, (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on the Bank's Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

__Critical Audit Matters__

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses

As described in Notes 1 and 4 to the consolidated financial statements, management assesses the adequacy of the allowance for credit losses ("ACL") based on evaluations of the loan portfolio utilizing objective and subjective criteria. The Company had a total ACL of $501.2 million on a total loan balance of $26.5 billion as of December 31, 2023. The objective criteria primarily includes estimated losses that are modeled from the respective score cards and the outputs from the Company's Current Expected Credit Loss ("CECL") platform. The score cards and the Company's CECL platform incorporate varying future economic forecasts in estimating the Company's ACL. Management selects and weights several economic forecasts provided by an external vendor for purposes of determining the Company's ACL. For purposes of the forecasts used in the Company's CECL methodology, management utilizes a reasonable and supportable forecast period of two years, followed by a reversion of estimated losses on a systematic basis back to the Company's historical mean. These forecasts include a number of economic variables, including gross domestic product and unemployment rates, among others. The principal considerations for our determination that performing procedures relating to the allowance for credit losses is a critical audit matter are (i) the significant judgment by management in determining the allowance for credit losses, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the selection and weightings of economic forecast scenarios; and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's process for determining the allowance for credit losses, including controls over the selection and weightings of economic forecast scenarios. These procedures also included, among others, testing management's process for determining the allowance for credit losses by (i) evaluating the appropriateness of management's methodology; (ii) testing the data used in the estimate; and (iii) evaluating the reasonableness of the selection and weightings of the economic forecast scenarios, which also involved the use of professionals with specialized skill and knowledge to assist in performing these procedures to test management's process.

/s/ PricewaterhouseCoopers LLP
Little Rock, Arkansas
February 26, 2024

We have served as the Company’s auditor since 2016.

BANK OZK
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 2,149,529	$ 1,033,454
Investment securities – available for sale (“AFS”)	3,244,371	3,491,613
Investment securities – trading	—	8,817
Federal Home Loan Bank of Dallas (“FHLB”) and other bankers’ bank stocks	50,400	42,406
Non-purchased loans	26,195,030	20,400,154
Purchased loans	264,045	378,637
Allowance for loan losses	(339,394)	(208,858)
Net loans	26,119,681	20,569,933
Premises and equipment, net	676,821	678,405
Foreclosed assets	61,720	6,616
Accrued interest receivable	170,110	125,130
Bank owned life insurance (“BOLI”)	808,490	789,805
Goodwill and other intangible assets, net	660,789	663,543
Other, net	295,546	246,846
Total assets	$ 34,237,457	$ 27,656,568
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	$ 4,095,874	$ 4,658,451
Savings and interest bearing transaction	9,074,296	9,905,717
Time	14,234,973	6,935,975
Total deposits	27,405,143	21,500,143
Other borrowings	805,318	606,666
Subordinated notes	347,761	346,947
Subordinated debentures	121,652	121,591
Reserve for losses on unfunded loan commitments	161,834	156,419
Accrued interest payable and other liabilities	255,773	233,864
Total liabilities	29,097,481	22,965,630
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock, $0.01 par value; 100,000,000 shares authorized; 14,000,000 shares issued and outstanding at December 31, 2023 and 2022	338,980	338,980
Common stock, $0.01 par value; 300,000,000 shares authorized; 113,148,672 and 117,176,928 shares issued and outstanding, at December 31, 2023 and 2022, respectively	1,131	1,172
Additional paid-in capital	1,612,446	1,753,941
Retained earnings	3,283,818	2,773,135
Accumulated other comprehensive loss	(97,374)	(177,649)
Total stockholders’ equity before noncontrolling interest	5,139,001	4,689,579
Noncontrolling interest	975	1,359
Total stockholders’ equity	5,139,976	4,690,938
Total liabilities and stockholders’ equity	$ 34,237,457	$ 27,656,568

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands, except per share amounts)		
Interest income:			
Non-purchased loans	$ 1,968,289	$ 1,158,332	$ 972,660
Purchased loans	23,257	31,441	46,174
Investment securities:			
Taxable	39,429	41,526	36,234
Tax-exempt	38,957	22,653	13,729
Deposits with banks	58,241	12,116	2,510
Total interest income	2,128,173	1,266,068	1,071,307
Interest expense:			
Deposits	627,050	94,574	64,422
Other borrowings	41,669	13,033	4,029
Subordinated notes	10,439	10,439	9,386
Subordinated debentures	9,530	5,780	3,750
Total interest expense	688,688	123,826	81,587
Net interest income	1,439,485	1,142,242	989,720
Provision for credit losses	165,470	83,494	(77,938)
Net interest income after provision for credit losses	1,274,015	1,058,748	1,067,658
Non-interest income:			
Service charges on deposit accounts:			
NSF/Overdraft fees	18,059	17,724	14,962
All other service charges	27,995	28,102	27,656
Trust income	8,524	7,990	8,506
BOLI income:			
Increase in cash surrender value	20,696	19,532	19,640
Death benefits	2,966	807	2,028
Loan service, maintenance and other fees	18,920	13,819	13,959
Gains on sales of other assets	9,029	11,467	9,962
Net gains on investment securities	3,243	2,019	504
Other	13,117	13,043	18,321
Total non-interest income	122,549	114,503	115,538
Non-interest expense:			
Salaries and employee benefits	258,846	226,373	214,567
Net occupancy and equipment	72,591	70,058	66,801
Other operating expenses	198,124	155,290	148,907
Total non-interest expense	529,561	451,721	430,275
Income before taxes	867,003	721,530	752,921
Provision for income taxes	176,164	157,440	173,888
Net income	690,839	564,090	579,033
Earnings attributable to noncontrolling interest	(56)	51	(32)
Preferred stock dividends	16,187	16,621	—
Net income available to common stockholders	$ 674,596	$ 547,520	$ 579,001
Basic earnings per common share	$ 5.89	$ 4.55	$ 4.49
Diluted earnings per common share	$ 5.87	$ 4.54	$ 4.47

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2023	2022	2021
		(Dollars in thousands)	
Net income	$ 690,839	$ 564,090	$ 579,033
Other comprehensive income (loss):			
Unrealized gains and losses on investment securities AFS	106,203	(265,121)	(45,946)
Tax effect of unrealized gains and losses on investment securities AFS	(25,928)	63,631	11,535
Total other comprehensive income (loss)	80,275	(201,490)	(34,411)
Total comprehensive income	$ 771,114	$ 362,600	$ 544,622

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)						
Balances - December 31, 2022	$ 338,980	$ 1,172	$ 1,753,941	$2,773,135	$ (177,649)	$ 1,359	$ 4,690,938
Net income	—	—	—	690,839	—	—	690,839
Earnings attributable to noncontrolling interest	—	—	—	(56)	—	56	—
Total other comprehensive income	—	—	—	—	80,275	—	80,275
Preferred stock dividends, $1.15624 per	—	—	—	(16,187)	—	—	(16,187)
Common stock dividends, $1.42 per share	—	—	—	(163,913)	—	—	(163,913)
Return of capital to non-controlling interest	—	—	—	—	—	(440)	(440)
Issuance of 522,651 shares of common stock pursuant to stock-based compensation plans	—	5	1,166	—	—	—	1,171
Repurchase and cancellation of 4,304,239 shares of common stock under share repurchase program, including excise	—	(44)	(151,421)	—	—	—	(151,465)
Repurchase and cancellation of 215,362 shares of common stock withheld for tax pursuant to stock-based compensation plans	—	(2)	(8,672)	—	—	—	(8,674)
Stock-based compensation expense	—	—	17,432	—	—	—	17,432
Forfeitures of 31,306 shares of unvested restricted common stock	—	—	—	—	—	—	—
Balances - December 31, 2023	$ 338,980	$ 1,131	$ 1,612,446	$3,283,818	$ (97,374)	$ 975	$ 5,139,976

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)						
Balances – December 31, 2021	$ 338,980	$ 1,254	$ 2,093,702	$2,378,466	$ 23,841	$ 3,117	$ 4,839,360
Net income	—	—	—	564,090	—	—	564,090
Earnings attributable to noncontrolling interest	—	—	—	51	—	(51)	—
Total other comprehensive loss	—	—	—	—	(201,490)	—	(201,490)
Preferred stock dividends $1.187 per share	—	—	—	(16,621)	—	—	(16,621)
Common stock dividends, $1.26 per share	—	—	—	(152,851)	—	—	(152,851)
Return of capital to noncontrolling interest	—	—	—	—	—	(1,707)	(1,707)
Issuance of 305,839 shares of common stock pursuant to stock-based compensation plans	—	3	2,490	—	—	—	2,493
Repurchase and cancellation of 8,373,398 shares of common stock under share repurchase program	—	(83)	(349,886)	—	—	—	(349,969)
Repurchase and cancellation of 116,864 shares of common stock withheld for taxes pursuant to restricted stock vesting	—	(1)	(5,572)	—	—	—	(5,573)
Stock-based compensation expense	—	—	13,206	—	—	—	13,206
Forfeitures of 82,397 shares of unvested restricted common stock	—	(1)	1	—	—	—	—
Balances – December 31, 2022	$ 338,980	$ 1,172	$ 1,753,941	$2,773,135	$ (177,649)	$ 1,359	$ 4,690,938

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)						
Balances – December 31, 2020	$ —	$ 1,294	$2,265,850	$1,946,875	$ 58,252	$ 3,085	$4,275,356
Net income	—	—	—	579,033	—	—	579,033
Earnings attributable to noncontrolling interest	—	—	—	(32)	—	32	—
Total other comprehensive loss	—	—	—	—	(34,411)	—	(34,411)
Common stock dividends, $1.1325 per share	—	—	—	(147,410)	—	—	(147,410)
Issuance of 14,000,000 shares of preferred stock, net of offering costs	338,980	—	—	—	—	—	338,980
Issuance of 540,481 shares of common stock pursuant to stock-based compensation plans	—	5	7,221	—	—	—	7,226
Repurchase and cancellation of 4,275,988 shares of common stock under share repurchase program	—	(43)	(193,401)	—	—	—	(193,444)
Repurchase and cancellation of 55,893 shares of common stock withheld for taxes pursuant to restricted stock vesting	—	(1)	(1,976)	—	—	—	(1,977)
Stock-based compensation expense	—	—	16,007	—	—	—	16,007
Forfeitures of 115,300 shares of unvested restricted common stock	—	(1)	1	—	—	—	—
Balances – December 31, 2021	$ 338,980	$ 1,254	$2,093,702	$2,378,466	$ 23,841	$ 3,117	$4,839,360

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2023	2022	2021
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 690,839	$ 564,090	$ 579,033
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	30,083	30,067	28,545
Amortization of intangibles	3,629	6,892	7,380
Earnings attributable to noncontrolling interest	(56)	51	(32)
Provision for credit losses	165,470	83,494	(77,938)
Provision for losses on foreclosed and other assets	1,268	1,055	3,461
Write-off of unamortized subordinated debt issue costs	—	—	764
Net amortization of investment securities AFS	20,189	32,198	59,371
Net gains on investment securities	(3,243)	(2,019)	(504)
Amortization of operating lease right-of-use assets	7,313	7,031	7,206
Accretion of purchased loans	(4,991)	(8,766)	(14,208)
Gains on sales of other assets	(9,029)	(11,467)	(9,962)
Deferred income tax expense (benefit)	(52,933)	63,825	(61,208)
Increase in cash surrender value of BOLI	(20,696)	(19,532)	(19,640)
BOLI death benefits in excess of cash surrender value	(2,966)	(807)	(2,028)
Stock-based compensation expense	17,432	13,206	16,007
Changes in assets and liabilities:			
Trading account securities	12,060	8,152	(14,460)
Accrued interest receivable	(44,980)	(42,240)	3,952
Other assets, net	46,930	(7,169)	13,185
Accrued interest payable and other liabilities	25,232	46,885	9,278
Net cash provided by operating activities	881,551	764,946	528,202
Cash flows from investing activities:			
Proceeds from sales of FHLB and other bankers' bank stock	14,264	37,211	—
Purchases of FHLB and other bankers' bank stock	(22,257)	(38,829)	(2,301)
Proceeds from maturities/calls/paydowns of investment securities AFS	569,596	1,088,141	2,522,743
Proceeds from sales of investment securities AFS	5,310	24	591,570
Purchases of investment securities AFS	(241,650)	(960,358)	(3,731,007)
Proceeds from sale of loans	31,614	71,960	218,211
Net (increase) decrease of non-purchased loans	(5,903,924)	(2,695,016)	390,250
Net payments received on purchased loans	92,517	140,469	286,863
Purchases of premises and equipment	(29,139)	(29,852)	(33,918)
Proceeds from BOLI death benefits	4,947	5,155	4,917
Proceeds from sales of other assets	40,363	25,159	49,097
Net cash invested in unconsolidated investments	(92,190)	(52,963)	(54,153)
Net cash paid in branch divestiture transaction	—	(21,346)	(102,063)
Net cash (used) provided by investing activities	(5,530,549)	(2,430,245)	140,209
Cash flows from financing activities:			
Net increase (decrease) in deposits	5,905,000	1,318,191	(1,130,793)
Net proceeds (repayments) of other borrowings	198,652	(149,655)	(2,620)
Net proceeds from issuance of subordinated debt	—	—	345,895
Repayment of subordinated debt	—	—	(225,000)
Net proceeds from issuance of preferred stock	—	—	338,980
Proceeds from exercise of stock options	1,171	2,493	7,226
Return of capital to non-controlling interest	(440)	(1,707)	—
Cash dividends paid on common stock	(162,984)	(152,235)	(146,511)
Cash dividends paid on preferred stock	(16,187)	(16,621)	—
Repurchase and cancellation of shares of common stock – share repurchase program	(151,465)	(349,969)	(193,444)
Repurchase and cancellation of shares of common stock – withheld for taxes	(8,674)	(5,573)	(1,977)
Net cash provided by financing activities	5,765,073	644,924	(1,008,244)
Net decrease in cash and cash equivalents	1,116,075	(1,020,375)	(339,833)
Cash and cash equivalents – beginning of period	1,033,454	2,053,829	2,393,662
Cash and cash equivalents – end of period	$ 2,149,529	$ 1,033,454	$ 2,053,829

See accompanying notes to the consolidated financial statements.

1. Organization, Regulation and Summary of Significant Accounting Policies

Bank OZK (the "Bank") is headquartered in Little Rock, Arkansas and provides a wide range of retail and commercial banking services. At December 31, 2023, 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 ("ASBD"). Because the Bank is an insured depository institution that is not a member bank of the Board of Governors of the Federal Reserve System ("FRB"), its primary federal regulator is the Federal Deposit Insurance Corporation ("FDIC").

Basis of presentation, use of estimates and principles of consolidation – The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates, assumptions and judgments that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

These consolidated financial statements include the accounts of the Bank, the investment subsidiary, the real estate subsidiary, the aircraft subsidiary, the renewable energy subsidiary and various other entities in accordance with GAAP. In addition, subsidiaries in which the Bank has a majority voting interest principally defined as owning a voting or economic interest greater than 50% or where the Bank exercises control over the operating and financial policies of the subsidiary through an operating agreement or other means are consolidated. Investments in companies that are not variable interest entity ("VIEs") and which the Bank does not have a majority voting interest or the Bank does not exercise control over the operating and financial policies are generally accounted for utilizing the cost or equity methods of accounting. Significant intercompany transactions and amounts have been eliminated in consolidation.

The voting interest approach is not applicable for entities that are not controlled through voting interests or in which the equity investors do not bear the residual economic risk. In such instances, management makes a determination, based on its review of applicable GAAP, on when the assets, liabilities and activities of the VIE should be included in the Bank's consolidated financial statements. GAAP requires a VIE to be consolidated by a company if that company has a controlling financial interest with both (1) the power to direct the activities of the entity that most significantly affects the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the entity or the right to receive benefits from the entity that could potentially be significant to the entity. A company that has a controlling financial interest is considered the primary beneficiary and consolidates the VIE. The Bank has determined that the 100%-owned finance subsidiary Trusts are VIEs, but that the Bank is not the primary beneficiary of the Trusts. Accordingly, the Bank does not consolidate the activities of the Trusts into its financial statements, but instead reports its ownership interests in the Trusts as other assets and reports the subordinated debentures issued to the Trusts as a liability in its consolidated balance sheets. The distributions on the subordinated debentures are reported as interest expense in the Bank's consolidated statements of income.

Cash and cash equivalents – For cash flow purposes, cash and cash equivalents include cash on hand, amounts due from banks, interest earning deposits with banks, and amounts on deposit with the FRB.

Investment securities – Management determines the appropriate classification of investment securities at the time of purchase and reevaluates such designation as of each balance sheet date. At December 31, 2023, the Bank held investment securities classified as available for sale ("AFS") and, at December 31, 2022, the Bank held investment securities classified as AFS and trading.

Investment securities AFS are reported at estimated fair value, with the unrealized gains and losses determined on a specific identification basis. Realized gains or losses on the sale of investment securities AFS are recognized on the specific identification method at the time of sale and are included in non-interest income. 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 or comprehensive interest rate tables, pricing matrices or a combination thereof. For investment securities traded in a market that is not active, fair value is determined using unobservable inputs. All fair value estimates of the Bank's investment securities are reviewed on a quarterly basis.

Investment securities AFS with unrealized gains are reported as a separate component of stockholders' equity, included in accumulated other comprehensive income (loss), are adjusted for changes in unrealized gains, net of related income tax, and are included in accumulated other comprehensive income (loss), on a specific identification basis. Investment securities AFS with unrealized losses require the Bank to evaluate its intent or likelihood of disposing of such investment securities. If the Bank intends to sell an investment security AFS in an unrealized loss position, or if it is more likely than not that it will be required to sell an investment security AFS in an unrealized loss position before recovery of its amortized cost basis, the investment security's amortized cost basis is written down to fair value through current period expense. If the Bank does not intend to sell an investment security AFS in an unrealized loss position, or if it is more likely than not that the Bank will not sell an investment security AFS that is in an unrealized loss position, the Bank is required to assess whether the decline in fair value has resulted from credit losses or non-credit factors. Factors considered during such review include the credit quality, finance condition and near term prospects of the issuer, the nature and cause of the unrealized loss and various other factors. If the Bank's assessment determines a material credit loss exists, the present value of cash flows expected to be collected from the investment security AFS is compared to the amortized cost basis of the investment security and if the present value of cash flows expected to be collected is less than amortized cost, an allowance for credit losses and a provision for credit loss expense may be recorded. If the Bank's assessment determines that a credit loss does not exist, the Bank records the decline in fair value through other comprehensive income (loss), net of related income tax effects with such decline included in accumulated other comprehensive income (loss).

Trading investment securities are carried at fair value with gains and losses reported in the Bank's consolidated statements of income.

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

At December 31, 2023 and 2022, the Bank owned shares in the Federal Home Loan Bank of Dallas ("FHLB"), First National Banker's Bankshares, Inc. and certain other bankers' bank stock, which do not have readily determinable fair values and are carried at cost.

Interest and dividends on investment securities, including the amortization of premiums and accretion of discounts are included in interest income. Any discount or premium on investment securities is accreted or amortized through maturity, or in the case of mortgage-backed securities over the estimated life of the security, except for premiums on callable securities are amortized to the earliest call date. Purchases and sales of investment securities are recorded on a trade-date basis.

Non-purchased loans – Non-purchased loans include all loans except loans acquired in previous acquisitions. Non-purchased loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balance adjusted for any charge-offs and accretion or amortization of deferred fees or costs. Interest on non-purchased loans is recognized on an accrual basis and is calculated using the simple interest method on daily balances of the principal amount outstanding. Loan origination fees and costs are generally deferred and recognized over the life of the loan as an adjustment to yield on the related loan. Minimum interest, yield maintenance income and prepayment penalties are recorded as adjustments to yield on the related loan when such items are earned. Loan service, maintenance and various other fees that are not considered yield adjustments are recorded as non-interest income when such items are earned and collection appears likely.

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the financial statements when they are funded. Related fees are generally recognized when collected.

Purchased loans – Purchased loans consist of all loans acquired in previous acquisitions. Purchased loans are classified as either loans acquired with deteriorated credit quality ("PCD") or loans acquired without deteriorated credit quality ("Non-PCD"). With the exception of PCD loans for which the Bank has suspended the recognition of interest income, a PCD loan's non-credit discount is accreted into interest income utilizing the interest method over the remaining life of the loan. All non-PCD loans are recorded at their initial fair value, adjusted for amortized costs which includes any remaining fair value adjustments recorded at acquisition. With the exception of non-PCD loans for which the Bank has suspended the recognition of interest income, any remaining fair value adjustment recorded at acquisition on non-PCD loans is accreted into income utilizing the interest method over the remaining life of the loan.

Allowance for credit losses ("ACL") – The Bank utilizes the current expected credit loss ("CECL") methodology to determine its ACL, whereby a provision for credit losses is charged against income. The portion of loans that are deemed to be uncollectible are charged against the ACL when the Bank believes that collectability of all, or some portion of the outstanding amortized cost is unlikely. Subsequent recoveries, if any, of loans previously charged off are credited to the ACL. For credit risk related to a contractual obligation to extend credit, the Bank estimates expected credit losses over the contractual period considering the likelihood that funding will occur. The portion of the ACL related to the outstanding balance of the Bank's loan portfolio is reported as Allowance for Loan Losses ("ALL") on its consolidated balance sheets and the reserve for losses on unfunded loan commitments is reported as a liability on its consolidated balance sheets.

The Bank utilizes a dual risk rating system that incorporates credit score cards, which utilize quantitative models and qualitative factors, in determining the risk rating for its commercial loans. This dual risk rating methodology incorporates an obligor risk rating ("ORR") and a facility risk rating ("FRR") which are combined to create a two-dimensional risk rating for commercial loans. The ORR is influenced by a loan's probability of default ("PD") as determined from the score cards, with such PDs affected by various financial metrics, such as projected cash flow, loan-to-value ("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. LGDs are affected by the estimated loss when a borrower cannot or will not repay the loan. Estimated losses take into consideration the Bank's 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 estimates, a regulatory risk rating is assigned. Additionally, the Bank may apply risk rating "overrides" whereby management may further adjust a loan's risk rating to the extent it believes there is additional information about a loan or a borrower that is not fully reflected in the ORR and/or FRR. The Bank utilizes risk ratings from the scorecards in assigning and evaluating the credit quality of its commercial loans. The Bank's consumer loans and business loans to individuals with credit exposure less than or equal to $250,000 are not risk rated in the same manner as its commercial loans. Instead, these loans are risk rated based on performance and 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 risk rating commensurate with each loan's perceived risk.

Outputs from the scorecards, including PD and LGD outputs, are utilized in determining the necessary ACL for all loans that contain similar risk characteristics. In determining the ACL, the Bank separates loans into similar risk characteristics and utilizes score card estimates of credit loss that categorize loans based on loan type. The loan types segregated by score card are as follows:

- Construction Real Estate – In assessing estimated credit losses on construction real estate loans, the Bank utilizes various project and borrower metrics, including, but not limited to, projected cash flow, LTV, property and/or market characteristics, and borrower financial strength.
- Commercial and Industrial – In assessing estimated credit losses on commercial and industrial loans, the Bank utilizes various borrower and loan metrics, including, but not limited to, borrower's financial position and results from operations, LTV, and borrower and/or guarantor financial strength.
- Consumer Mortgages – In assessing estimated credit losses on consumer mortgage loans, the Bank utilizes borrower information such as borrower's cash flow, credit score and LTV, among others.
- Consumer Recreational Vehicle ("RV") and Marine – In assessing estimated credit losses on RV and marine loans, the Bank utilizes various borrower information such as payment-to-income, credit score and LTV, among others.
- Other Consumer – In assessing estimated credit losses on other consumer loans, the Bank utilizes various borrower origination information such as vintage, credit score and product, among others.

The score cards utilized in determining the ACL use quantitative data related to the Bank's loans and unfunded loan commitments. In determining the estimated loss, the quantitative data utilized by the score card models includes, but is not limited to, estimated debt service coverage ratios, LTV ratios, total assets, total revenue and margin, and for consumer loans, individual credit scores. In addition, the score cards and the Bank's CECL platform incorporate varying future economic forecasts in estimating the Bank's ACL. While the Bank's score cards and CECL platform produce an estimated lifetime loss for all loans not individually evaluated, the score cards and CECL platform may have certain limitations. To address potential limitations, the Bank's methodology considers additional qualitative adjustments that are applied to its CECL calculations. In determining the ACL, the Bank utilizes a reasonable and supportable forecast period of two years followed by a reversion of estimated losses on a systematic basis back to its historical mean. Expected credit losses are estimated over the contractual term of the loan, adjusted for anticipated or expected prepayments. The contractual term of the loan excludes expected extensions or modifications.

The ACL is maintained at a level that the Bank believes will be adequate to absorb expected credit losses in future periods associated with its loan portfolio and unfunded loan commitments. Provisions to and the adequacy of the ACL are based on evaluations of the loan portfolio utilizing objective and subjective criteria. The objective criteria primarily includes estimated losses that are modeled from the respective score cards and the outputs from the Bank's CECL platform. In addition to these objective criteria, the Bank subjectively assesses the adequacy of the ACL and the need for changes thereto, with consideration given to the nature and mix of the portfolio, national, regional and local business and economic conditions that may affect borrowers' ability to pay, concentrations of credit, changes in the experience, ability and depth of lending management and other relevant staff, changes in the nature and volume of the portfolio and in the terms of the loans, overall portfolio quality, historical loss experience and other relevant factors. Changes in these criteria or the availability of new information could require adjustment of the ACL in future periods. In addition, for loans that do not share risk characteristics similar to those contained within their respective loan segments, the Bank may perform an individual assessment of the ACL utilizing expected cash flows, collateral values or a combination thereof. On an ongoing basis, the Bank evaluates the underlying collateral on certain collateral dependent loans and, if needed, due to changes in market or property conditions, the underlying collateral is reassessed and the estimated collateral value is revised. The determination of collateral value includes any adjustments considered necessary related to estimated holding periods, estimated liquidation discounts and estimated selling costs. While an individual assessment and related ACL has been calculated for certain loans, no portion of the Bank's ACL is restricted to any individual loan or group of loans, and the entire ACL is available to absorb losses from any and all loans, including unfunded loan commitments.

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

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. The Bank generally places a loan on nonaccrual status when such loan is (i) nonperforming or (ii) 90 days or more past due, or earlier when doubt exists as to the ultimate collection of payments. The Bank 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. Income on nonaccrual loans is recognized on a cash basis when and if actually collected.

Foreclosed assets – Repossessed personal properties and real estate acquired through or in lieu of foreclosure are recorded at fair value less estimated cost to sell at the date of repossession or foreclosure.

Valuations of all foreclosed assets are periodically reviewed by management with the carrying value of such assets adjusted through non-interest expense to the then estimated fair value, generally based on third-party appraisals, broker price opinions or other valuations of the property, net of estimated selling costs. Gains and losses from the sale of such repossessions and real estate acquired through or in lieu of foreclosure are recorded in non-interest income and expenses to maintain the properties are included in non-interest expense.

Premises and equipment – Premises and equipment are reported at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets. Depreciable lives for the major classes of assets are generally 20 to 45 years for buildings and 3 to 25 years for furniture, fixtures, equipment and certain building improvements. Leasehold improvements are amortized over the shorter of the asset's estimated useful life or the term of the lease. Accelerated depreciation methods are used for income tax purposes. Maintenance and repair charges are expensed as incurred.

Income taxes – The Bank utilizes the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statements and their related tax basis using enacted tax rates in effect for the year or years in which the differences are expected to be recovered or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

As a result of recording, at fair value, acquired assets and assumed liabilities pursuant to business combinations, differences in amounts reported for financial statement purposes and their related basis for federal and state income tax purposes are created. Such differences are recorded as deferred tax assets and liabilities using enacted tax rates in effect for the year or years in which the differences are expected to be recovered or settled. To the extent that information becomes available that results in a change in management's estimates and assumptions, an increase or decrease of the deferred tax asset or liability is recorded as an adjustment to deferred income tax expense (benefit).

The Bank recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Bank files consolidated tax returns. The Bank and the other consolidated entities provide for income taxes on a separate return basis and remit to the Bank amounts determined to be currently payable. The Bank recognizes interest related to income tax matters as interest income or expense, and penalties related to income tax matters are recognized as non-interest expense. The Bank is no longer subject to income tax examinations by U.S. federal, state and local tax authorities for years prior to 2019.

Service charges on deposit accounts – Service charges on deposit accounts typically represent fees for monthly account maintenance and transaction activity, including non-sufficient funds ("NSF") and overdraft fees. This revenue is generally recognized when the performance obligation has been achieved, the transaction is completed and/or the fee is incurred and payment is generally received when the performance obligation has been satisfied or the fee has been incurred.

Bank owned life insurance ("BOLI") – BOLI consists of life insurance purchased by the Bank on (i) a qualifying group of officers with the Bank designated as owner and beneficiary of the policies and (ii) one of the Bank's executive officers with the Bank designated as owner and both the Bank and the executive officer designated as beneficiaries of the policies. The increases in the cash surrender values on BOLI policies help to offset a portion of employee benefit costs or to offset a portion of the costs of a supplemental executive retirement plan for one of the Bank's executive officers. BOLI is carried at the policies' realizable cash surrender values with changes in cash surrender values and death benefits received in excess of cash surrender values reported in non-interest income.

Goodwill and Intangible assets – Goodwill and intangible assets consist primarily of goodwill. Goodwill represents the excess purchase price over the fair value of net assets acquired in business acquisitions. The Bank had goodwill of $660.8 million at both December 31, 2023 and 2022. The Bank reviews goodwill annually, or more frequently if events or changes in circumstances indicate the carrying value might be impaired. The Bank performed its annual impairment test of goodwill as of September 30, 2023, which included comparing the estimated fair value of the Bank's operations (the reporting unit) with net book value. The September 30, 2023 impairment test did not indicate an impairment of goodwill.

Stock-based compensation – The Bank has an equity incentive plan for officers and employees and non-employee directors, which plan is described more fully in Note 15. The Bank measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and, in the case of certain long-term incentive agreements, based on the expected performance achievement levels over the term of the agreements. Such cost is recognized over the vesting period of the award.

Earnings per common share – Earnings per common share ("EPS") are computed using the two-class method. Basic EPS are computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS are computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding after consideration of the dilutive effect, if any, of the Bank's common stock options using the treasury stock method and the Bank's non-vested performance stock units under its long-term incentive agreements. The Bank has determined that its outstanding non-vested restricted stock awards that were granted to its employees and non-employee directors are participating securities. The calculations of basic and diluted EPS are included in Note 22.

Segment disclosures – The Bank operates in only one segment. Accordingly, there is no requirement to report segment information in the Bank's consolidated financial statements. No single external customer comprises more than 10% of the Bank's revenues.

Recent accounting pronouncements – In May 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU 2020-04), *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* Generally, ASU 2020-04 allows entities to consider contract modifications due to reference rate reform to be a continuation of an existing contract; thus, the Bank would not have to determine if the modification is considered insignificant. The Bank adopted ASU 2020-04 on January 1, 2023 and the adoption did not have a material effect on the Bank's financial position or results of operations.

On March 31, 2022, the FASB issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings but provides additional disclosures for restructurings for borrowers that are experiencing financial difficulty. In addition, ASU 2022-02 requires disclosure of current period gross write-offs by year of origination for loans and net investments in leases. ASU 2022-02 was effective for years beginning after December 15, 2022. The Bank adopted ASU 2022-02 on January 1, 2023 and the adoption did not have a material impact on the Bank's financial position, results of operations or financial statement disclosures.

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 requires entities to disclose information about all investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method. 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 and, at adoption, the Bank increased the carrying value of its CRA and tax credit investments, which is included in other assets, and increased other liabilities both by $210 million to account for uncalled capital commitments that are unconditional and legally binding. The adoption of ASU 2023-02 did not have a material impact on the Bank's results of operations. However, the amortization of the Bank's CRA and tax credit investments in future periods will be included in income tax expense instead of non-interest expense.

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.

Reclassifications – Certain reclassifications of prior years' amounts have been made to conform with the 2023 financial statements presentation. These reclassifications had no impact on prior years' net income, as previously reported.

2. Investment Securities

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)			
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
December 31, 2022:				
U.S. Government agency mortgage-backed securities	$ 1,692,828	$ —	$ (144,288)	$ 1,548,540
Obligations of state and political subdivisions	1,310,362	4,125	(45,563)	1,268,924
Other U.S. Government agency securities	658,818	—	(42,898)	615,920
Corporate obligations	38,304	—	(4,128)	34,176
U.S. Treasuries	24,957	—	(904)	24,053
Total investment securities AFS	$ 3,725,269	$ 4,125	$ (237,781)	$ 3,491,613

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)					
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	$ 219,136	$ 2,830	$ 2,298,509	$ 147,351	$ 2,517,645	$ 150,181
December 31, 2022:						
U.S. Government agency mortgage-backed securities	$ 854,548	$ 64,084	$ 693,992	$ 80,204	$ 1,548,540	$ 144,288
Obligations of state and political subdivisions	955,014	40,968	59,258	4,595	1,014,272	45,563
Other U.S. Government agency securities	275,535	19,461	340,385	23,437	615,920	42,898
Corporate obligations	34,176	4,128	—	—	34,176	4,128
U.S. Treasuries	24,053	904	—	—	24,053	904
Total investment securities AFS	$ 2,143,326	$ 129,545	$ 1,093,635	$ 108,236	$ 3,236,961	$ 237,781

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 terms 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 December 31, 2023.

Maturity or Estimated Repayment	Amortized Costs	Estimated Fair Value
	(Dollars in thousands)	
One year or less	$ 947,165	$ 906,020
After one year to five years	1,062,638	994,654
After five years to ten years	377,550	358,081
After ten years	984,471	985,616
Total	$ 3,371,824	$ 3,244,371

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.

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

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Sales proceeds	$ 5,310	$ 24	$ 591,570
Gross realized gains	$ 11	$ —	$ —
Gross realized losses	—	—	—
Net gains on investment securities AFS	$ 11	$ —	$ —

At December 31, 2023 the Bank held no trading securities compared to $8.8 million of trading securities held at December 31, 2022. During 2023, the Bank had net gains of $3.2 million from the sale of approximately $1.28 billion of trading securities compared to net gains of $2.0 million from the sale of approximately $0.61 billion of trading securities in 2022.

Investment securities with carrying values of $0.92 billion and $0.93 billion at December 31, 2023 and 2022, respectively, were pledged to secure public funds and trust deposits and for other purposes required or permitted by law.

At December 31, 2023 and 2022, 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.

3. Total Loans

The following table is a summary of the total loan portfolio by principal category as of the dates indicated.

	December 31,			
	2023		2022	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	$ 961,338	3.6%	$ 981,567	4.7%
Non-farm/non-residential	5,309,239	20.1	4,665,268	22.5
Construction/land development	11,653,487	44.0	8,215,056	39.5
Agricultural	256,423	1.0	239,689	1.2
Multifamily residential	2,064,106	7.8	1,503,398	7.2
Total real estate	20,244,593	76.5	15,604,978	75.1
Commercial and industrial	1,269,610	4.8	902,321	4.3
Consumer	2,965,042	11.2	2,445,851	11.8
Other	1,979,830	7.5	1,825,641	8.8
Total loans	$ 26,459,075	100.0%	$ 20,778,791	100.0%

At December 31, 2023, the Bank's total loan portfolio consisted of 76.5% real estate loans, 4.8% commercial and industrial loans, 11.2% consumer loans and 7.5% 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.

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

Allowance for Credit Losses

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

	Allowance for Loan Losses	Reserve for Losses on Unfunded Loan Commitments	Total Allowance for Credit Losses
		(Dollars in thousands)	
Year ended December 31, 2023			
Balances – December 31, 2022	$ 208,858	$ 156,419	$ 365,277
Net charge-offs	(29,519)	—	(29,519)
Provision for credit losses	160,055	5,415	165,470
Balances – December 31, 2023	$ 339,394	$ 161,834	$ 501,228
Year ended December 31, 2022			
Balances – December 31, 2021	$ 217,380	$ 71,609	$ 288,989
Net charge-offs	(7,206)	—	(7,206)
Provision for credit losses	(1,316)	84,810	83,494
Balances – December 31, 2022	$ 208,858	$ 156,419	$ 365,277
Year ended December 31, 2021			
Balances – December 31, 2020	$ 295,824	$ 81,481	$ 377,305
Net charge-offs	(10,378)	—	(10,378)
Provision for credit losses	(68,066)	(9,872)	(77,938)
Balances – December 31, 2021	$ 217,380	$ 71,609	$ 288,989

The calculations of the Bank's provision for credit losses and its total ACL were based on a number of key estimates, assumptions and economic forecasts. Management utilized recent economic forecasts provided by Moody's, including their updates released in December 2023. In selecting the weightings for the various economic scenarios for purposes of determining its ACL at December 31, 2023, the Bank's combined weightings assigned to the Moody's S4 (Alternative Adverse Scenario) and S6 (Stagflation) scenarios exceeded that of the Moody's Baseline scenario. The Bank's selection and weightings of these scenarios reflect its assessment of conditions in the U.S. economy, and acknowledged the uncertainty regarding future U.S. economic conditions, including the elevated risk from: possible 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, and commercial and residential real estate prices, among others. For purposes of the forecasts used in the Bank's CECL methodology, management utilized a reasonable and supportable forecast period of two years, followed by a reversion, on a systematic basis, of estimated losses back to the Bank's historical mean. Management also utilized certain qualitative adjustments to capture items 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)				
Year ended December 31, 2023					
Real estate:					
Residential 1-4 family	$ 19,506	$ (108)	$ 1,019	$ 2,734	$ 23,151
Non-farm/non-residential	43,605	(22,633)	2,317	20,961	44,250
Construction/land development	66,467	—	234	60,619	127,320
Agricultural	3,512	(36)	36	1,220	4,732
Multifamily residential	5,345	(4)	—	10,128	15,469
Commercial and industrial	8,728	(340)	975	(1,737)	7,626
Consumer	50,202	(9,387)	1,794	56,365	98,974
Other	11,493	(3,990)	604	9,765	17,872
Total ALL for funded loans	208,858	(36,498)	6,979	160,055	339,394
Reserve for losses on unfunded loan commitments	156,419	—	—	5,415	161,834
Total ACL	$ 365,277	$ (36,498)	$ 6,979	$ 165,470	$ 501,228
Year ended December 31, 2022					
Real estate:					
Residential 1-4 family	$ 18,675	$ (519)	$ 1,112	$ 238	$ 19,506
Non-farm/non-residential	79,524	(7,780)	7,328	(35,467)	43,605
Construction/land development	54,036	(3)	125	12,309	66,467
Agricultural	3,070	(36)	14	464	3,512
Multifamily residential	6,424	—	89	(1,168)	5,345
Commercial and industrial	8,017	(1,156)	426	1,441	8,728
Consumer	37,430	(4,797)	1,165	16,404	50,202
Other	10,204	(3,901)	727	4,463	11,493
Total ALL for funded loans	217,380	(18,192)	10,986	(1,316)	208,858
Reserve for losses on unfunded loan commitments	71,609	—	—	84,810	156,419
Total ACL	$ 288,989	$ (18,192)	$ 10,986	$ 83,494	$ 365,277
Year ended December 31, 2021					
Real estate:					
Residential 1-4 family	$ 26,655	$ (287)	$ 763	$ (8,456)	$ 18,675
Non-farm/non-residential	93,436	(3,942)	828	(10,798)	79,524
Construction/land development	72,237	(176)	461	(18,486)	54,036
Agricultural	3,064	(18)	6	18	3,070
Multifamily residential	12,352	(377)	—	(5,551)	6,424
Commercial and industrial	13,758	(628)	433	(5,546)	8,017
Consumer	45,657	(6,585)	1,534	(3,176)	37,430
Other	28,665	(3,282)	892	(16,071)	10,204
Total ALL for funded loans	295,824	(15,295)	4,917	(68,066)	217,380
Reserve for losses on unfunded loan commitments	81,481	—	—	(9,872)	71,609
Total ACL	$ 377,305	$ (15,295)	$ 4,917	$ (77,938)	$ 288,989

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)	
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	$ 59,815	$ 6,862	$ 66,677
December 31, 2022:			
Real estate:			
Residential 1-4 family	$ 22,319	$ 561	$ 22,880
Non-farm/non-residential	16,851	4,721	21,572
Construction/land development	402	735	1,137
Agricultural	860	—	860
Multifamily residential	—	—	—
Commercial and industrial	1,321	—	1,321
Consumer	2,673	—	2,673
Other	—	—	—
Total	$ 44,426	$ 6,017	$ 50,443

Interest income on nonperforming loans as of December 31, 2023, 2022 and 2021 is recognized on a cash basis when and if actually collected. Total interest income recognized on nonperforming loans during 2023, 2022 and 2021 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 December 31, 2023, the Bank had no loans risk rated as doubtful or loss. Loans are presented on an amortized cost basis which includes unamortized fees and costs but excludes accrued interest.

	Period of Origination						Revolving Loans Amortized Cost Basis	Total
	Year Ended December 31,					Prior to January 1, 2019		
	2023	2022	2021	2020	2019			
	(Dollars in thousands)							
December 31, 2023:								
Residential 1-4 family [(1)]								
Pass	$ 83,492	$ 223,699	$ 150,738	$ 93,475	$ 60,507	$ 186,566	$ 121,479	$ 919,956
Special Mention	330	562	1,758	3,738	1,773	3,265	1,412	12,838
Substandard	130	1,269	2,188	4,507	7,567	12,712	171	28,544
Total residential 1-4 family	83,952	225,530	154,684	101,720	69,847	202,543	123,062	961,338
Non-farm/non-residential								
Pass	168,677	783,527	1,129,354	1,770,061	284,751	1,070,740	30,466	5,237,576
Special Mention	—	2,962	6,505	19,131	752	7,465	838	37,653
Substandard	—	—	3,090	1,522	404	28,994	—	34,010
Total non-farm/non-residential	168,677	786,489	1,138,949	1,790,714	285,907	1,107,199	31,304	5,309,239
Construction/land development								
Pass	1,778,725	4,830,339	2,748,774	830,766	837,565	130,433	304,667	11,461,269
Special Mention	1,223	12,553	1,671	364	7,047	37	—	22,895
Substandard	—	46	1,331	385	128,031	165	39,365	169,323
Total construction/land development	1,779,948	4,842,938	2,751,776	831,515	972,643	130,635	344,032	11,653,487
Agricultural								
Pass	24,756	45,664	61,977	35,311	40,818	45,975	1,384	255,885
Special Mention	—	—	125	—	—	—	143	268
Substandard	—	—	—	—	—	270	—	270
Total agricultural	24,756	45,664	62,102	35,311	40,818	46,245	1,527	256,423
Multifamily residential								
Pass	23,005	75,547	696,635	424,645	593,786	242,332	5,051	2,061,001
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	1,315	1,773	—	17	—	3,105
Total multifamily residential	23,005	75,547	697,950	426,418	593,786	242,349	5,051	2,064,106
Commercial and industrial[(1)]								
Pass	86,700	108,303	49,276	24,116	12,551	24,354	957,898	1,263,198
Special Mention	—	383	1,057	19	257	312	2,394	4,422
Substandard	4	—	188	1,312	371	90	25	1,990
Total commercial and industrial	86,704	108,686	50,521	25,447	13,179	24,756	960,317	1,269,610
Consumer [(1)]								
Pass	971,459	626,603	339,345	114,279	339,174	553,645	7,017	2,951,522
Special Mention	1,028	1,761	1,073	402	474	1,057	—	5,795
Substandard	1,199	1,229	387	359	1,552	2,999	—	7,725
Total consumer	973,686	629,593	340,805	115,040	341,200	557,701	7,017	2,965,042
Other [(1)]								
Pass	93,194	796,157	113,857	192,318	109,971	10,679	661,810	1,977,986
Special Mention	871	—	885	—	—	—	—	1,756
Substandard	—	88	—	—	—	—	—	88
Total other	94,065	796,245	114,742	192,318	109,971	10,679	661,810	1,979,830
Total	$3,234,793	$7,510,692	$5,311,529	$3,518,483	$2,427,351	$2,322,107	$2,134,120	$26,459,075
Gross charge-offs [(2)]	$ 4,822	$ 1,866	$ 770	$ 1,848	$ 1,775	$ 25,417	$ —	$ 36,498

(1) The Bank does not risk rate its residential 1-4 family loans (including consumer construction loans and 1-4 family properties), consumer loans, and certain "other" loans and certain of its commercial and industrial small business 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 year ended December 31, 2023.

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

	Pass	Special Mention	Substandard	Total
	(Dollars in thousands)			
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	$ 26,128,393	$ 85,627	$ 245,055	$ 26,459,075
December 31, 2022:				
Real estate:				
Residential 1-4 family [(1)]	$ 950,890	$ 6,883	$ 23,794	$ 981,567
Non-farm/non-residential	4,558,280	75,979	31,009	4,665,268
Construction/land development	8,102,353	69,583	43,120	8,215,056
Agricultural	238,801	28	860	239,689
Multifamily residential	1,503,345	—	53	1,503,398
Commercial and industrial	893,244	7,667	1,410	902,321
Consumer [(1)]	2,441,050	2,127	2,674	2,445,851
Other [(1)]	1,825,620	21	—	1,825,641
Total	$ 20,513,583	$ 162,288	$ 102,920	$ 20,778,791

(1) The Bank does not risk rate its residential 1-4 family loans (including consumer construction loans and 1-4 family properties), consumer loans, and certain "other" loans and certain of its commercial and industrial small business 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 salvaged 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.

	30-59 Days Past Due [(1)]	60-89 Days Past Due [(2)]	90 Days or More [(3)]	Total Past Due	Current [(4)]	Total
	(Dollars in thousands)					
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	$ 16,206	$ 9,393	$ 29,263	$ 54,862	$ 26,404,213	$ 26,459,075
December 31, 2022:						
Real estate:						
Residential 1-4 family	$ 8,476	$ 3,925	$ 4,269	$ 16,670	$ 964,897	$ 981,567
Non-farm/non-residential	1,368	904	3,463	5,735	4,659,533	4,665,268
Construction/land development	91	—	778	869	8,214,187	8,215,056
Agricultural	—	—	455	455	239,234	239,689
Multifamily residential	—	—	—	—	1,503,398	1,503,398
Commercial and industrial	268	1,282	941	2,491	899,830	902,321
Consumer	1,877	429	220	2,526	2,443,325	2,445,851
Other	21	—	—	21	1,825,620	1,825,641
Total	$ 12,101	$ 6,540	$ 10,126	$ 28,767	$ 20,750,024	$ 20,778,791

(1) Includes $4.8 million and $3.8 million of loans on nonaccrual status at December 31, 2023 and 2022, respectively.
(2) Includes $4.9 million and $3.8 million of loans on nonaccrual status at December 31, 2023 and 2022, respectively.
(3) All loans greater than 90 days past due were on nonaccrual status at December 31, 2023 and 2022, respectively.
(4) Includes $27.7 million and $32.7 million of loans on nonaccrual status at December 31, 2023 and 2022, respectively.

5. Foreclosed Assets

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

	December 31, 2023	December 31, 2022
	(Dollars in thousands)	
Real estate:		
Non-farm/non-residential	$ 515	$ 6,133
Construction/land development	59,975	11
Agricultural	76	—
Total real estate	60,566	6,144
Consumer	1,154	472
Total foreclosed assets	$ 61,720	$ 6,616

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

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Balance – beginning of period	$ 6,616	$ 5,744	$ 11,085
Loans and other assets transferred into foreclosed assets	75,299	13,151	15,435
Sales of foreclosed assets	(18,927)	(11,224)	(17,315)
Writedowns of foreclosed assets	(1,268)	(1,055)	(3,461)
Balance – end of period	$ 61,720	$ 6,616	$ 5,744

6. Premises and Equipment

The following table is a summary of premises and equipment as of the dates indicated.

	December 31,	
	2023	2022
	(Dollars in thousands)	
Land	$ 147,992	$ 145,519
Buildings and improvements	474,465	474,658
Leasehold improvements	19,123	21,627
Equipment	168,019	162,549
Lease right-of-use assets	102,633	83,015
Gross premises and equipment	912,232	887,368
Accumulated depreciation	(235,411)	(208,963)
Premises and equipment, net	$ 676,821	$ 678,405

Interest capitalized by the Bank on construction projects totaled $0.5 million during 2023 and $0.1 million during 2022 and 2021.

7. Leases

The Bank's right-of-use asset (net of accumulated depreciation), which totaled $66.0 million and $53.7 million at December 31, 2023 and 2022, respectively, is included in premises and equipment, and the Bank's lease liability, which totaled $69.9 million and $56.5 million at December 31, 2023 and 2022, respectively, is included in accrued interest payable and other liabilities on the Bank's consolidated balance sheet. At both December 31, 2023 and 2022, the Bank's leases were comprised primarily of building and ground leases associated with certain branch locations or loan production offices. A portion of the Bank's leases are tied to the consumer price index and rent escalations associated with these leases are measured on a periodic basis. The majority of the Bank's lease agreements do not contain residual value guarantees or restricted covenants. In addition, many of the Bank's ground leases contain renewal options. If the Bank is reasonably certain that such options will be exercised, the Bank has included the effects of extending these ground leases in the determination of the lease term.

The Bank incurred $10.6 million, $10.1 million and $10.4 million during 2023, 2022 and 2021, respectively, in operating cost that is included in net occupancy and equipment expense in the Bank's consolidated statements of income. The Bank's variable lease costs were not material for the year ended December 31, 2023, 2022 or 2021. The Bank's weighted average remaining life for its right-of-use lease assets were 16.4 years, 17.3 years and 16.1 years at December 31, 2023, 2022 and 2021, respectively. The Bank's weighted average interest rate for its lease liability was 3.6%, 3.1% and 3.0% at December 31, 2023, 2022 and 2021, respectively.

The following table is a summary, as of the date indicated, of future amounts due under these non-cancelable leases.

	December 31, 2023
	(Dollars in thousands)
2024	$ 8,191
2025	7,972
2026	7,538
2027	7,441
2028	7,400
Thereafter	60,951
Total minimum lease payments	99,493
Less imputed interest	(29,623)
Total operating lease liabilities	$ 69,870

8. Deposits

The following table is a summary of the scheduled maturities of time deposits as of the dates indicated.

	December 31,	
	2023	2022
	(Dollars in thousands)	
Up to one year	$ 13,090,697	$ 4,781,584
Over one to two years	1,095,652	2,040,071
Over two to three years	30,472	68,730
Over three to four years	8,729	34,667
Over four to five years	9,242	10,793
Thereafter	181	130
Total time deposits	$ 14,234,973	$ 6,935,975

The aggregate amount of time deposits that are in excess of the FDIC insurance limit was $3.97 billion and $1.54 billion at December 31, 2023 and 2022, respectively.

9. Borrowings

Borrowings with original maturities less than one year include FHLB advances, federal funds purchased and to a lesser extent, repurchase agreements with customers. The following table is a summary of information relating to our FHLB borrowings as of the dates indicated. The following table excludes repurchase agreements.

	December 31,	
	2023	2022
	(Dollars in thousands)	
Average annual balance	$ 798,727	$ 297,864
December 31 balance	800,000	600,000
Maximum month-end balance during year	1,425,000	1,125,000
Interest rate:		
Weighted-average – year	5.26%	3.44%
Weighted-average – December 31	5.48%	4.43%

At December 31, 2023, the Bank had FHLB advances with original maturities less than one year, as shown in the following table.

Borrowing Type	Balance	Interest Rate	Maturity Date
		(Dollars in thousands)	
FHLB advances	$ 800,000	5.48%	1/2/2024

The Bank's FHLB rate advances are collateralized by a blanket lien on a substantial portion of the Bank's real estate loans and are subject to prepayment penalties if repaid prior to maturity date. At December 31, 2023, the Bank had $5.24 billion of unused FHLB borrowing availability.

10. Subordinated Notes

On September 16, 2021, the Bank completed its public offering of $350 million in aggregate principal amount of its 2.75% Fixed-to-Floating rate Subordinated Notes (the "2.75% Notes") due 2031, which bear interest at a fixed rate of 2.75% per annum until September 30, 2026. On October 1, 2026, the 2.75% Notes will bear interest at a floating rate equal to a benchmark (which is expected to be three-month term SOFR) plus 209 basis points. The 2.75% Notes are unsecured, subordinated debt obligations and mature on October 1, 2031. The underwriting discounts and offering expenses for these notes totaled $4.1 million and are being amortized over the estimated holding period of five years as an increase to interest expense on the 2.75% Notes. As of December 31, 2023, the 2.75% Notes had a carrying value of $347.8 million and remaining unamortized debt issuance cost of $2.2 million.

The Bank may, beginning with the interest payment date of 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. The Bank may also redeem the 2.75% Notes at any time, including prior to October 1, 2026, at its option, in whole but not in part, if: (i) a change or prospective change in law occurs that could prevent it 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) the Bank is 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.

11. Subordinated Debentures

At December 31, 2023, the Bank had the following issues of trust preferred securities outstanding and subordinated debentures owed to the Trusts.

	Subordinated Debentures Owed to Trusts	Carrying Value of Subordinated Debentures	Trust Preferred Securities of the Trusts	Contractual Interest Rate [(1)]	Final Maturity Date
		(Dollars in thousands)			
Ozark II	$ 14,433	$ 14,433	$ 14,000	8.49%	September 29, 2033
Ozark III	14,434	14,434	14,000	8.61	September 25, 2033
Ozark IV	15,464	15,464	15,000	7.86	September 28, 2034
Ozark V	20,619	20,619	20,000	7.25	December 15, 2036
Intervest II	15,464	15,464	15,000	8.59	September 17, 2033
Intervest III	15,464	15,464	15,000	8.43	March 17, 2034
Intervest IV	15,464	15,464	15,000	8.03	September 20, 2034
Intervest V	10,310	10,310	10,000	7.30	December 15, 2036
	$ 121,652	$ 121,652	$ 118,000		

(1) On July 1, 2023, our trust preferred securities and related subordinated debentures converted from a spread over 90 day LIBOR to the existing spread over three-month term SOFR plus a spread adjustment of 0.26%. 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.

On September 25, 2003, Ozark III sold to investors in a private placement offering $14 million of adjustable rate trust preferred securities, and on September 29, 2003, Ozark II sold to investors in a private placement offering $14 million of adjustable rate trust preferred securities (collectively, "2003 Securities"). The 2003 Securities bear interest, adjustable quarterly, at, a three-month term SOFR plus 3.21% for Ozark III and three-month term SOFR plus 3.16% for Ozark II. The aggregate proceeds of $28 million from the 2003 Securities were used to purchase an equal principal amount of adjustable rate subordinated debentures of the Bank that bear interest, adjustable quarterly, at three-month term SOFR plus 3.21% for Ozark III and three-month term SOFR plus 3.16% for Ozark II (collectively, "2003 Debentures").

On September 28, 2004, Ozark IV sold to investors in a private placement offering $15 million of adjustable rate trust preferred securities ("2004 Securities"). The 2004 Securities bear interest, adjustable quarterly, at three-month term SOFR plus 2.48%. The $15 million proceeds from the 2004 Securities were used to purchase an equal principal amount of adjustable rate subordinated debentures of the Bank that bear interest, adjustable quarterly, at three-month term SOFR plus 2.48% ("2004 Debentures").

On September 29, 2006, Ozark V sold to investors in a private placement offering $20 million of adjustable rate trust preferred securities ("2006 Securities"). The 2006 Securities bear interest, adjustable quarterly, at three-month term SOFR plus 1.86%. The $20 million proceeds from the 2006 Securities were used to purchase an equal principal amount of adjustable rate subordinated debentures of the Bank that bear interest, adjustable quarterly, at three-month term SOFR plus 1.86% ("2006 Debentures").

In addition to the issuance of these adjustable rate securities, Ozark II and Ozark III collectively sold $0.9 million, Ozark IV sold $0.4 million and Ozark V sold $0.6 million of trust common equity to the Bank. The proceeds from the sales of the trust common equity were used, respectively, to purchase $0.9 million of 2003 Debentures, $0.4 million of 2004 Debentures and $0.6 million of 2006 Debentures issued by the Bank.

On February 10, 2015, in conjunction with the acquisition of Intervest Bancshares Corporation ("Intervest"), the Bank acquired Intervest II, Intervest III, Intervest IV and Intervest V with outstanding subordinated debentures totaling $56.7 million and related trust preferred securities totaling $55.0 million. On the date of such acquisition, the Bank recorded the assumed subordinated debentures at estimated fair value of $52.2 million, based on an independent third-party valuation, to reflect a current market interest rate for comparable obligations. The fair value adjustment of $4.5 million was amortized over the estimated holding period of approximately eight years as an increase in interest expense of the subordinated debentures. In addition to subordinated debentures, the Bank also acquired $1.7 million of trust common equity.

The trust preferred securities issued by Intervest II and the related subordinated debentures bear interest, adjustable quarterly, at three-month term SOFR plus 3.21%. The trust preferred securities issued by Intervest III and the related subordinated debentures bear interest, adjustable quarterly, at three-month term SOFR plus 3.05%. The trust preferred securities issued by Intervest IV and the related subordinated debentures bear interest, adjustable quarterly, at three-month term SOFR plus 2.66%. The trust preferred securities issued by Intervest V and the related subordinated debentures bear interest, adjustable quarterly, at three-month term SOFR plus 1.91%.

At December 31, 2023, the Bank had an aggregate of $121.7 million of subordinated debentures outstanding (with an aggregate carrying value of $121.7 million) and had an asset of $3.7 million representing its investment in the common equity issued by the Trusts. The sole assets of the Trusts are the adjustable rate debentures and the liabilities of the Trusts are the trust preferred securities.

At both December 31, 2023 and 2022, the Trusts had aggregate common equity of $3.7 million and did not have any restricted net assets. The Bank has, through various contractual arrangements or by operation of law, fully and unconditionally guaranteed all obligations of the Trusts with respect to the trust preferred securities. Additionally, there are no restrictions on the ability of the Trusts to transfer funds to the Bank in the form of cash dividends, loans or advances. The Bank has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. These trust preferred securities generally mature at or near the 30th anniversary date of each issuance. However, the trust preferred securities and related subordinated debentures may be prepaid at par value, subject to regulatory approval.

12. Preferred Stock

On November 4, 2021 the Bank completed its public offering of 14,000,000 shares of 4.625% Series A Non-Cumulative Perpetual Preferred Stock (the "Preferred Stock"), par value $0.01 per share, with a liquidation preference of $25 per share, which represents $350 million in aggregate liquidation preference. The preferred stock offering generated net proceeds, after deducting the initial purchaser discount and offering expenses, of $339.0 million. The Bank will pay cash dividends on the preferred Stock, when, as, and if declared by the Bank's Board of Directors. Subject to declaration by the Bank's Board of Directors, dividends will accrue and be payable from the original date of issuance at a rate of 4.625% per annum, payable quarterly, in arrears, on February 15, May 15, August 15, and November 15 of each year, beginning on February 15, 2022. Dividends on the preferred stock will not be cumulative or mandatory. During 2023, the Bank paid dividends totaling $16.2 million on the preferred stock.

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

With respect to payment of dividends and rights upon the Bank's liquidation, dissolution or winding up, the preferred stock ranks (i) senior to the Bank's common stock and any other class or series of preferred stock that, by its terms, ranks junior to the preferred stock, (ii) equally with any future class or series of preferred stock that does not by its terms rank junior or senior to the preferred stock, and (iii) junior to existing and future indebtedness and other liabilities and any class or series of preferred stock that expressly provides in the articles of amendment creating such class or series of preferred stock that it ranks senior to the preferred stock (subject to any requisite consents or approvals prior to issuance). The preferred stock will not have voting rights, except in certain limited circumstances and as otherwise required by applicable law. The preferred stock is included in tier 1 capital. The preferred stock shares are listed on the NASDAQ Global Select Market under the symbol "OZKAP."

13. Income Taxes

The following table is a summary of the components of the provision (benefit) for income taxes for the years indicated.

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Current:			
Federal	$ 177,334	$ 67,568	$ 179,930
State	51,763	26,048	55,166
Total current	229,097	93,616	235,096
Deferred:			
Federal	(40,071)	49,024	(48,034)
State	(12,862)	14,800	(13,174)
Total deferred	(52,933)	63,824	(61,208)
Provision for income taxes	$ 176,164	$ 157,440	$ 173,888

The following table is a summary of the reconciliation between the statutory federal income tax rate and effective income tax rate for the years indicated.

	Year Ended December 31,		
	2023	2022	2021
Statutory federal income tax rate	21.0%	21.0%	21.0%
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal benefit	3.7	4.4	4.3
Effect of tax-exempt interest income	(0.9)	(0.7)	(0.5)
Effect of BOLI and other tax-exempt income	(0.6)	(0.6)	(0.6)
Federal income tax credits	(3.3)	(2.6)	(1.5)
Other, net	0.4	0.3	0.4
Effective income tax rate	20.3%	21.8%	23.1%

In accordance with ASU 2016-09, income tax benefit from the exercise of stock options and vesting of common stock under the Bank's restricted stock and incentive plan in the amount of $1.9 million, was recorded in 2023 and income tax expense of $0.2 million and $0.8 million were recorded in 2022 and 2021, respectively.

At December 31, 2023, and 2022 current income taxes payable of $42.5 million and $32.2 million, respectively, was included in other liabilities.

The following table is a summary, as of the dates indicated, of the types of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts that give rise to deferred income tax assets and liabilities and their approximate tax effects.

	December 31, 2023	December 31, 2022
	(Dollars in thousands)	
Deferred tax assets:		
Investment securities AFS	$ 29,716	$ 55,536
Differences in amounts reflected in the financial statements and income tax basis for loans	33,596	—
Operating lease liability	17,643	14,543
Stock-based compensation	11,109	10,831
Deferred compensation	2,727	2,510
Foreclosed assets	184	318
Net operating loss and tax credit carryforwards	6,899	7,970
Total gross deferred tax assets	101,874	91,708
Less valuation allowance	(536)	(536)
Deferred tax asset, net of valuation allowance	101,338	91,172
Deferred tax liabilities:		
Differences in amounts reflected in the financial statements and income tax basis for loans	—	23,650
Accelerated depreciation on premises and equipment	28,885	31,260
Deferred loan costs	44,652	40,285
Operating lease right-of-use asset	16,656	13,819
Other, net	8,760	6,778
Total gross deferred tax liabilities	98,953	115,792
Net deferred tax assets (liabilities)	$ 2,385	$ (24,620)

Federal net operating loss carryforwards were acquired in certain of the Bank's acquisitions. Such federal net operating loss carryforwards acquired totaled $80.9 million, of which $30.1 million remained to be utilized as of December 31, 2023, and will expire at various dates beginning in 2029 to 2034.

State net operating loss carryforwards were acquired in previous acquisitions. Such state net operating loss carryforwards acquired totaled $116.2 million, of which $25.5 million remained to be utilized as of December 31, 2023 and will expire at various dates beginning in 2025 to 2031.

At both December 31, 2023 and 2022, the Bank had a deferred tax valuation allowance of $0.5 million to reflect its assessment that the realization of the benefits from the recovery of certain acquired net operating loss carryforwards are expected to be subject to the limitations pursuant to Section 382 of the Internal Revenue Code ("IRC"), or the equivalent state statute.

14. Employee Benefit Plans

The Bank maintains a qualified retirement plan (the "401(k) Plan") with a salary deferral feature designed to qualify under Section 401 of the IRC. The 401(k) Plan permits employees of the Bank to defer a portion of their compensation in accordance with the provisions of Section 401(k) of the IRC. The Bank's 401(k) Plan qualifies as a Safe-Harbor Cost or Deferred Arrangement ("Safe-Harbor CODA"). As a result, (i) certain key employees are eligible to make salary deferrals into the 401(k) Plan, (ii) the 401(k) Plan is not subject to any provisions of the average deferral percentage test described in IRC Section 401(k)(3) or the average contribution percentage test described in IRC Section 401(m)(2), (iii) the basic matching contribution is (a) 100% of the amount of the employee's deferrals that do not exceed 3% of the employee's compensation for the year plus (b) 50% of the amount of the employee's elective deferrals that exceed 3% but do not exceed 5% of the employee's compensation for the year, and (iv) all employer matching contributions made under the provisions of the Safe-Harbor CODA are non-forfeitable. Certain other statutory limitations with respect to the Bank's contribution under the 401(k) Plan also apply.

Contributions to the 401(k) Plan are invested in accordance with participant elections among certain investment options. Distributions from participant accounts are not permitted before age 65, except in the event of death, permanent disability, or termination of employment. The Bank made matching cash contributions to the 401(k) Plan during 2023, 2022 and 2021 of $6.9 million, $6.3 million and $5.9 million, respectively. The 401(k) Plan also provides for participant loans, subject to certain provision and limitations.

The Bank also maintains the Bank OZK Deferred Compensation Plan (the "Plan"), which is an unfunded deferred compensation arrangement for the group of employees designated as key employees, including certain of the Bank's executive officers and is considered a general obligation of the Bank. Under the terms of the Plan, eligible participants may elect to defer a portion of their compensation. Such deferred compensation is distributable in lump sum or specified installments upon separation from service with the Bank or upon other specified events as defined in the Plan. The Bank does not make any contribution to the Plan for the benefit of each participant or otherwise. Amounts deferred under the Plan are invested in certain approved investments (excluding securities of the Bank or its affiliates). At December 31, 2023 and 2022, respectively, the Bank had Plan assets, along with an equal amount of liabilities, totaling $6.9 million and $6.3 million, recorded on the accompanying consolidated balance sheet.

The Bank has a Supplemental Executive Retirement Plan ("SERP") and certain other benefit arrangements for its Chairman and Chief Executive Officer. Pursuant to the SERP, this officer is entitled to receive 180 equal monthly payments of $32,197, or $386,360 annually, commencing at the later of obtaining age 70 or separation from service. If employment continues past age 70, such benefit will commence at an increased amount upon separation from service, and if separation from service occurs prior to age 70, such benefit will be at a reduced amount. The costs of such benefits, assuming a retirement date at age 70, will be fully accrued by the Bank at such retirement date. The Bank accrued $0.5 million during the year ended December 31, 2023, and $0.4 million during the years ended 2022 and 2021 for the future benefits payable under the SERP. The SERP is an unfunded plan and is considered a general contractual obligation of the Bank.

15. 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 December 31, 2023 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 year ended December 31, 2023.

The following table summarizes stock option activity for the year indicated.

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding – January 1, 2023	740,779	$ 47.68		
Granted	—	—		
Exercised	(39,558)	29.32		
Forfeited/Expired	(43,010)	48.79		
Outstanding – December 31, 2023	658,211	48.71	1	$ 1,707 (1)
Fully vested and exercisable – December 31, 2023	658,211	$ 48.71	1	$ 1,707 (1)

(1) Based on closing price of $49.83 per share on December 29, 2023 (the last trading day of 2023).

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 2023 and 2022 was $0.7 million and $1.2 million, respectively.

No options to purchase shares were granted in 2023, 2022 or 2021. The fair value for each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The Bank used the U.S. Treasury yield curve in effect at the time of the grant to determine the risk-free interest rate. The expected dividend yield was estimated using the current annual dividend level and recent stock price of the Bank's common stock at the date of grant. Expected stock volatility was based on historical volatilities of the Bank's common stock. The expected life of the options is calculated based on the "simplified" method as provided for under Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 110.

There were no stock options that vested during 2023. The total fair value of options to purchase shares of the Bank's common stock that vested during 2022 and 2021 was $1.4 million and $5.1 million, respectively. There was no stock-based compensation expense for stock options included in non-interest expense for 2023 and stock-based compensation expense for stock options included in non-interest expense was not material for 2022 and 2021. There was no unrecognized compensation cost related to non-vested stock option grants at December 31, 2023.

During 2023, the Bank issued 231,741 shares of restricted common stock to employees under the Omnibus Plan. These grants of restricted stock cliff vest 100% three years after issuance, assuming continuous employment by the participant during this period. During 2023, the Bank also issued 29,436, or approximately $80,000 worth of shares per recipient of restricted common stock to directors under the Omnibus Plan, which cliff vest 100% one year after issuance.

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

	Omnibus Plan
Outstanding – January 1, 2023	759,933
Granted	261,177
Forfeited	(31,306)
Vested	(336,490)
Outstanding – December 31, 2023	653,314
Weighted-average grant date fair value	$ 43.67

Restricted stock awards totaling 261,177 shares with a weighted-average grant date fair value of $44.60 were granted pursuant to the Omnibus Plan during 2023. The fair value of the restricted stock awards is amortized to compensation expense over the vesting period and is based on the market price of the Bank's common stock at the date of grant multiplied by the number of shares granted. Stock-based compensation expense for restricted stock included in non-interest expense was $9.3 million, $9.0 million and $9.6 million for 2023, 2022 and 2021, respectively. Unrecognized compensation expense for non-vested restricted stock awards was $11.1 million at December 31, 2023 and is expected to be recognized over a weighted-average period of 1.7 years.

In January 2021, 2022 and 2023, pursuant to the Omnibus Plan, the Compensation Committee awarded to its executive officers an aggregate of 133,041 PSUs, 135,625 PSUs, and 175,480 PSUs respectively. All PSU grants are based on target performance, with each PSU representing the right to receive one share of common stock at a future date. The PSUs granted contain both performance and market conditions. The PSUs will be earned and vest depending on the Bank's relative performance with respect to total shareholder return ("TSR"), return on average common equity ("ROAE") and return on average assets ("ROAA"), over a three-year period, compared to the companies that comprise the KBW Regional Banking Index ("KRX") at January 1 of the respective award year (for the TSR component) and compared to the Bank's executive compensation peer group in the fiscal year prior to the award (for the ROAE and ROAA component) over a three-year period. Measurement is determined on a percentile basis relative to the KRX or the Bank's peer group. For each metric, if the Bank's performance over the performance period is: (i) at or below the 25th percentile compared to the applicable peer group, no PSUs for that metric would be earned; (ii) at threshold performance (26th percentile), 4% of the target would be earned; (iii) at target performance (50th percentile), 100% of the target would be earned; (iv) at the 75th percentile, 150% of the target would be earned; and (v) at maximum performance (95th percentile), 200% of the target would be earned. Achievement of results between levels previously described will result in award payouts determined based on a linear interpolation between payout levels. In the event the Bank's TSR over the performance period is negative, no more than 100% of the target PSUs for the relative TSR component will be earned, and the value of a PSU earned at the end of the performance period for the relative TSR component cannot exceed six times (6x) the grant date stock price. The PSUs contain a three-year vesting period followed by a one-year post-vest hold period and are eligible to accrue dividend equivalents that are subject to the same vesting criteria as the underlying PSUs.

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

	Year Ended December 31,		
	2023	2022	2021
Risk-free interest rate	4.63%	0.70%	0.09%
Expected dividend yield	3.04%	2.52%	2.86%
Expected stock volatility	33.69%	29.85%	67.45%
Post-vest hold period	1 year	1 year	1 year

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

	PSUs
Outstanding – January 1, 2023	359,934
Granted	175,840
Forfeited	—
Vested	(136,991)
Outstanding – December 31, 2023	398,783

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.

	Year Ended December 31,		
	2023	2022	2021
TSR	$ 43.65	$ 41.78	$ 38.41
ROAE	39.77	42.14	33.20
ROAA	39.77	42.14	33.20
Valuation stock price index – TSR	100%	99%	116%
Valuation stock price index – ROAE & ROAA	100%	100%	100%
Estimated discount for illiquidity (1)	11.0%	11.5%	14.5%

(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 $8.1 million for 2023, $4.2 million for 2022 and $6.0 million for 2021. Unrecognized compensation expense for non-vested PSU awards was $10.3 million at December 31, 2023 and is expected to be recognized over a weighted-average period of 1.8 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 2023 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 $12.0 million and is expected to be recognized over the three year vesting period.

On February 22, 2024, the Compensation Committee approved the issuance of restricted stock awards for 238,938 shares of restricted stock that vest on February 22, 2027. Total compensation expense for the restricted stock awards is expected to be approximately $10.1 million and is expected to be recognized ratably over the three year vesting period.

16. 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 issued by the Bank generally to guarantee the performance of a customer in third-party borrowing arrangements. The maximum amount of future payments the Bank could be required to make under these guarantees at December 31, 2023 and 2022 is $24.3 million and $16.0 million, respectively. The Bank holds collateral to support guarantees when deemed necessary. Collateralized commitments at December 31, 2023 and 2022 totaled $23.7 million and $15.3 million, respectively.

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 December 31, 2023, the Bank had outstanding commitments totaling $20.56 billion to extend credit, consisting primarily of loans closed but not yet funded. These commitments may or may not fund in whole or part prior to maturity; however, such funding is subject to a number of factors, including, among others, economic conditions, real estate market conditions and competitive factors.

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

Contractual Maturities at December 31, 2023

Maturity	Amount
(Dollars in thousands)	
2024	$ 2,340,693
2025	5,039,183
2026	9,849,412
2027	2,502,064
2028	608,143
Thereafter	221,534
Total	$ 20,561,029

The Bank has investments 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 ("LIHTC") tax credits that are normally recognized over seven to 15 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 December 31, 2023, the carrying value of tax credit investments and renewable energy partnerships was approximately $173.1 million and is included in "other assets" on our consolidated balance sheet. The portion of the tax credit investments that are unfunded totaled approximately $210.6 million at December 31, 2023 and are expected to be funded over the terms of the agreements ranging from 2024 to 2042.

The following table shows the expected payments for unfunded tax credit investments as of the date indicated.

Expected Payments for Unfunded Tax Credit Investments at December 31, 2023	Amount
(Dollars in thousands)	
2024	$ 131,439
2025	53,314
2026	18,651
2027	812
2028	2,341
Thereafter	4,089
Total	$ 210,646

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 December 31, 2023, the carrying value of our investments in SBIC's and CDC's was approximately $53.5 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 $87.1 million at December 31, 2023 and are expected to be funded over the terms of the agreements ranging from 2024 to 2028.

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

17. Regulatory Capital and Other Matters

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

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

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

Tier 1 capital includes common equity tier 1 capital and certain additional tier 1 items as provided under the Basel III Rules. At December 31, 2023 and 2022, the Bank's preferred stock was counted as tier 1 capital, but not as common equity tier 1 capital.

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

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

The Basel III Rules limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" in addition to the amount necessary to meet minimum risk-based capital requirements for common equity tier 1 capital, tier 1 capital and total capital to risk-weighted assets. At December 31, 2023 and December 31, 2022, the Basel III Rules required the Bank 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, the Bank 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 December 31, 2023 and 2022, the Bank's capital levels exceeded all minimum capital requirements under the Basel III Rules.

	Actual		Minimum Capital Required - Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
			(Dollars in thousands)			
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
December 31, 2022:						
Common equity tier 1 to risk-weighted assets	$ 3,872,792	11.54%	$ 2,349,834	7.00%	$ 2,181,989	6.50%
Tier 1 capital to risk-weighted assets	4,211,772	12.55	2,853,370	8.50	2,685,524	8.00
Total capital to risk-weighted assets	5,026,214	14.97	3,524,751	10.50	3,356,906	10.00
Tier 1 leverage to average assets	4,211,772	15.90	1,059,363	4.00	1,324,204	5.00

As of December 31, 2023 and 2022, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Regulations of the ASBD and the FDIC limit the Bank's ability to pay dividends without the prior approval of such agencies. The ASBD currently limits the amount of dividends the Bank can pay shareholders to 75% of net profits after taxes for the current year plus 75% of retained net profits after taxes for the immediately preceding year. FDIC regulations prevent insured state banks from paying any dividends from capital and allow the payment of dividends only from net profits then on hand after deduction for losses and bad debts. The FDIC also has the authority to prohibit the Bank from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the Bank's financial condition, could include the payment of dividends. Additionally, the Bank's ability to pay dividends may be restricted by certain covenants in the indentures governing its trust preferred securities, its subordinated debentures and its subordinated notes, and the relative powers, preferences and other rights of the holders of our preferred stock.

Under federal banking regulation, the Bank is also limited as to the amount it may loan to its affiliates, and such loans must be collateralized by specific types of collateral. The maximum amount available for loans from the Bank to its affiliates is limited to 10% of the Bank's capital and surplus or approximately $524 million and $487 million at December 31, 2023 and 2022, respectively.

18. 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 December 31, 2023 and 2022, 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)		
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)	—	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
December 31, 2022:				
Investment securities:				
U.S. Government agency mortgage-backed securities	$ —	$ 1,548,540	$ —	$ 1,548,540
Obligations of state and political subdivisions (1)	—	1,269,666	8,075	1,277,741
Other U.S. Government agency securities	—	615,920	—	615,920
Corporate obligations	—	34,176	—	34,176
U.S. Treasuries	—	24,053	—	24,053
Total investment securities	—	3,492,355	8,075	3,500,430
Nonaccrual loans	—	—	35,832	35,832
Foreclosed assets	—	—	6,616	6,616
Total	$ —	$ 3,492,355	$ 50,523	$ 3,542,878

(1) Obligations of state and political subdivisions include both AFS and trading securities. The Bank had no obligations of state and political subdivisions classified as trading securities as of December 31, 2023 and approximately $8.8 million of obligations of state and political subdivisions classified as trading securities as of December 31, 2022.

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

Description	Fair Value at December 31, 2023	Technique	Unobservable Inputs
	(Dollars in thousands)		
Nonaccrual Loans	$ 51,450	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	$ 61,720	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 securities AFS had a limited to non-existent trading market at December 31, 2023 and 2022. 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 $7.3 million and $8.1 million at December 31, 2023 and 2022, respectively, 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 December 31, 2023, the Bank had reduced the carrying value of its nonaccrual loans to the estimated fair value of $51.5 million. The adjustment to reduce the carrying value of such nonaccrual loans to the estimated fair value included $15.2 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.

19. 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 outstanding commitments and letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of outstanding commitments and letters of credit were not material at December 31, 2023 or 2022.

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.

		December 31,			
		2023		2022	
	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(Dollars in thousands)			
Financial assets:					
Cash and cash equivalents	Level 1	$ 2,149,529	$ 2,149,529	$ 1,033,454	$ 1,033,454
Investment securities (1)	Levels 2 and 3	3,244,371	3,244,371	3,500,430	3,500,430
Loans, net of ALL (2)	Level 3	26,119,681	26,085,968	20,569,933	20,316,198
Financial liabilities:					
Demand, savings and interest bearing transaction deposits	Level 1	$ 13,170,170	$ 13,170,170	$ 14,564,168	$ 14,564,168
Time deposits	Level 2	14,234,973	14,219,112	6,935,975	6,801,438
Other borrowings	Level 2	805,318	805,318	606,666	606,581
Subordinated notes (3)	Level 2	347,761	284,740	346,947	298,057
Subordinated debentures	Level 2	121,652	112,419	121,591	115,907

(1) Includes both AFS and trading securities.
(2) Excludes reserve for losses on unfunded loan commitments.
(3) During 2023, the Bank adjusted the December 31, 2022 estimated fair value of its subordinated notes.

20. Supplemental Cash Flow Information

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

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Cash paid during the period for:			
Interest	$ 665,209	$ 113,573	$ 87,924
Income taxes	213,783	69,989	224,290
Supplemental schedule of non-cash investing and financing activities:			
Net change in unrealized losses on investment securities AFS	106,203	(265,121)	(45,946)
Loans and other assets transferred to foreclosed assets	75,299	13,151	15,435
Lease liabilities (cancelled) recorded for right of use assets	(19,949)	(910)	2,779

21. Other Operating Expenses

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

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Software and data processing	$ 39,212	$ 35,373	$ 32,997
Deposit insurance and assessments	30,351	9,610	11,185
Professional and outside services	21,423	21,581	19,876
Advertising and public relations	16,150	8,797	2,772
Telecommunication services	8,865	7,986	8,427
Postage and supplies	7,981	7,146	6,627
ATM expense	7,681	6,331	6,255
Travel and meals	7,582	7,661	5,694
Amortization of CRA and tax credit investments	27,768	20,293	15,078
Other	31,111	30,512	39,996
Total other operating expenses	$ 198,124	$ 155,290	$ 148,907

22. Earnings Per Common Share (“EPS”) and Share Repurchase Program

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

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands, except per share amounts)		
Numerator:			
Net income available to common stockholders	$ 674,596	$ 547,520	$ 579,001
Denominator:			
Denominator for basic EPS – weighted-average common shares	114,460	120,275	129,060
Effect of dilutive securities – stock options and PSUs	373	425	558
Denominator for diluted EPS – weighted-average common shares and assumed conversions	114,833	120,700	129,618
Basic EPS	$ 5.89	$ 4.55	$ 4.49
Diluted EPS	$ 5.87	$ 4.54	$ 4.47

Options to purchase 583,152 shares, 904,442 shares and 1,086,626 shares, respectively, of the Bank’s common stock at a weighted-average exercise price of $51.52 per share, $51.94 per share and $51.98 per share, respectively, were outstanding during 2023, 2022 and 2021, but were excluded from the diluted EPS calculations as inclusion of such options would have been anti-dilutive. There were no anti-dilutive PSUs for any of the periods presented in the previous table.

During 2023, 2022 and 2021, the Bank repurchased 4,304,239, 8,373,398 and 4,275,988 shares of its common stock at a weighted average cost of $35.19, $41.80 and $45.21 for a total of $151.5 million, $350.0 million and $193.4 million, respectively, under its stock repurchase plans. The Bank's repurchase program expired on November 9, 2023. In evaluating whether or not the Bank will pursue future stock repurchases, management will consider a variety of factors including the Bank's expected growth, stock price, capital position, regulatory requirements and other factors.

23. Changes In and Reclassification From Accumulated Other Comprehensive Income (Loss) ("AOCI")

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

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Beginning balance of AOCI – unrealized gains and (losses) on investment securities AFS	$ (177,649)	$ 23,841	$ 58,252
Other comprehensive income (loss):			
Unrealized gains and losses on investment securities AFS	106,203	(265,121)	(45,946)
Tax effect of unrealized gains and losses on investment securities AFS	(25,928)	63,631	11,535
Total other comprehensive loss	80,275	(201,490)	(34,411)
Ending balance of AOCI – unrealized gains and (losses) on investment securities AFS	$ (97,374)	$ (177,649)	$ 23,841

Item 9. <u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>

Not applicable.

Item 9A. <u>CONTROLS AND PROCEDURES</u>

(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.

The Bank's management, including the Bank's Chairman and Chief Executive Officer and its Chief Financial Officer, have evaluated any changes in the Bank's internal control over financial reporting that occurred during the Bank's fourth quarter ended December 31, 2023 and have concluded that there was no change during the Bank's fourth quarter ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

(c) Report of Management on the Bank's Internal Control Over Financial Reporting

February 26, 2024

Management of Bank OZK is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed 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. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management of Bank OZK, including the Chief Executive Officer and the Chief Financial Officer, has assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2023, based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that the Bank's internal control over financial reporting was effective as of December 31, 2023, based on the specified criteria.

PricewaterhouseCoopers, LLP, the independent registered public accounting firm that audited the Bank's consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of the Bank's internal control over financial reporting as of December 31, 2023. Their report is included in Item 8 under the heading Report of Independent Registered Public Accounting Firm.

/s/ George Gleason	/s/ Tim Hicks
George Gleason	Tim Hicks
Chairman and Chief Executive Officer	*Chief Financial Officer*
(Principal Executive Officer)	*(Principal Financial Officer)*

Item 9B. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the quarter ended December 31, 2023, 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 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Item 10. <u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>

The information required by Item 401 of Regulation S-K regarding directors is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

The information required by Item 405, Item 407(c)(3), Item 407(d)(4) and Item 407(d)(5) of Regulation S-K is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

In accordance with Item 406 of Regulation S-K, the Bank has adopted a code of ethics that applies to certain Bank executives, including the principal executive officer, principal financial officer and principal accounting officer. The code of ethics is posted on the Bank's Investor Relations website at http://ir.ozk.com under "Corporate – Governance Documents." For more information about the Bank's code of ethics, see "Available Information under Part I, Item 1."

Item 11. <u>EXECUTIVE COMPENSATION</u>

The information required by Item 402, Item 407(e)(4) and Item 407(e)(5) of Regulation S-K is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

Item 12. <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDERS MATTERS</u>

The information required by Item 201(d) and Item 403 of Regulation S-K is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

Item 13. <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>

The information required by Item 404 and Item 407(a) of Regulation S-K is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

Item 14. <u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>

The information required by Item 9(e) of Schedule 14A regarding audit fees, audit committee pre-approval policies, and related information is incorporated herein by this reference to the Bank's Proxy Statement to be filed with the FDIC within 120 days of the Bank's fiscal year-end.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) List the following documents filed as a part of this report:

(1) The Consolidated Financial Statements of the Registrant.

Reference is made to Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules.

Financial Statement schedules are omitted either because they are not required or are not applicable, or because the required information is shown in the Financial Statements or notes thereto.

(3) Exhibits.

The exhibits to this Annual Report on Form 10-K are listed in the Exhibit Index which immediately follows Item 16 below.

(b) Exhibits. The exhibits to this Annual Report on Form 10-K are listed in the Exhibit Index which immediately follows Item 16 below.

(c) Financial Statement Schedules. See Item 15(a)(2) above.

Item 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

The following exhibits are filed with this report or are incorporated by reference to previously filed material.

Exhibit No.	
3.1	Amended and Restated Articles of Incorporation of Bank of the Ozarks, effective as of April 10, 2017 (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, effective August 10, 2018 (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	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)
4.2	Form of Certificate Representing Series A Preferred Stock (previously filed as Exhibit 4.1 to the Bank's Registration Statement on Form 8-A filed with the FDIC on November 4, 2021, and incorporated herein by reference)
4.3	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
4.4	Description of Bank OZK's common stock registered under Section 12 of the Securities Exchange Act of 1934 (previously filed as Exhibit 4.3 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 28, 2020, and incorporated herein by reference)
4.5	Description of Bank OZK's Series A Preferred Stock registered under Section 12 of the Securities Exchange Act of 1934 (previously filed as Exhibit 4.4 to the Bank's Quarterly Report on Form 10-Q filed with the FDIC on November 9, 2021, and incorporated herein by reference)
10.1*	Form of Indemnification Agreement for directors and executive officers (previously filed as Exhibit 10.1 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.2*	Amended and Restated Deferred Compensation Plan, as amended effective June 26, 2017 (previously filed as Exhibit 10.2 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.3*	Split Dollar Insurance Agreement with Bank OZK (previously Bank of the Ozarks) as Trustee of the Linda and George Gleason Insurance Trust, effective as of May 4, 2010 (previously filed as Exhibit 10.3 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.4*	Split Dollar Insurance Agreement with George G. Gleason, II, effective as of May 4, 2010 (previously filed as Exhibit 10.4 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.5*	Split Dollar Designation by Bank OZK (previously Bank of the Ozarks), dated as of May 4, 2010 in respect of George G. Gleason, II as the insured (previously filed as Exhibit 10.5 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.6*	Supplemental Executive Retirement Plan ("SERP") for George G. Gleason, II, effective May 4, 2010 (previously filed as Exhibit 10.6 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.7*	Amendment to SERP effective November 2, 2020, (previously filed as Exhibit 10.7 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference)
10.8*	Bank OZK Non-Qualified Deferred Compensation Plan, as amended and restated effective January 1, 2021 (previously filed as Exhibit 10.8 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference)
10.9*	Third Amended and Restated Non-Employee Director Stock Option Plan as of April 15, 2013 (previously filed as Exhibit 10.9 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.10*	Form of Stock Option Agreement for Non-Employee Directors (previously filed as Exhibit 10.10 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.11*	Bank of the Ozarks, Inc. Amended and Restated Stock Option Plan, effective May 18, 2015 (previously filed as Exhibit 10.11 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)

10.12*	Form of Stock Option Grant Agreement for employees under the Amended and Restated Stock Option Plan, effective May 18, 2015 (previously filed as Exhibit 10.12 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2018, and incorporated herein by reference)
10.13*	Form of Restricted Stock Award Agreement for non-employee directors under the Third Amended and Restated Non-Employee Director Stock Plan dated May 7, 2018 (previously filed as Exhibit 10.2 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2018, and incorporated herein by reference)
10.14*	Bank OZK 2019 Omnibus Equity Incentive Plan dated May 6, 2019 (previously filed as Exhibit 10.1 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference)
10.15*	Form of Restricted Stock Award Agreement for Employees under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.15 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 26, 2024, and incorporated herein by reference)
10.16*	Form of Restricted Stock Award Agreement for Non-Employee Directors under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.3 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference)
10.17*	Form of Stock Option Award Agreement for Employees under the 2019 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.4 to the Bank's Current Report on Form 8-K filed with the FDIC on May 7, 2019, and incorporated herein by reference)
10.18*	Form of 2020 Performance Based Restricted Stock Unit Award Agreement for Executive Officers ("2020 LTIP Award") (previously filed as Exhibit 10.25 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 28, 2020, and incorporated herein by reference)
10.19*	Form of 2021 Performance Based Restricted Stock Unit Award Agreement for Executive Officers ("2021 LTIP Award") (previously filed as Exhibit 10.27 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference)
10.20*	Bank OZK 2021 Executive Management Cash-Based Performance Plan (previously filed as Exhibit 10.28 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 25, 2021, and incorporated herein by reference)
10.21*	Form of 2022 Performance Based Restricted Stock Unit Award Agreement for Executive Officers ("2022 LTIP Award") (previously filed as Exhibit 10.28 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 28, 2022, and incorporated herein by reference)
10.22*	Bank OZK 2022 Executive Management Cash-Based Incentive Plan (previously filed as Exhibit 10.29 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 28, 2022, and incorporated herein by reference)
10.23*	Form of 2023 Performance Based Restricted Stock Unit Award Agreement for Executive Officers ("2023 LTIP Award") (previously filed as Exhibit 10.27 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2023, and incorporated herein by reference)
10.24*	Bank OZK 2023 Executive Management Cash Incentive Plan (previously filed as Exhibit 10.28 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 27, 2023, and incorporated herein by reference)
10.25*	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)
10.26*	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)
21.1	List of Subsidiaries of the Registrant (previously filed as Exhibit 21.1 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, filed herewith
31.2	Certification of Chief Financial Officer, 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
97	Bank OZK Executive Officer Incentive Compensation Clawback Policy (previously filed as Exhibit 97 to the Bank's Annual Report on Form 10-K filed with the FDIC on February 26, 2024, and incorporated herein by reference)

*Management contract or a compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ Tim Hicks

Chief Financial Officer

(Principal Financial Officer and Authorized Officer)

DATE: March 1, 2024

Exhibit 31.1

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

I, George Gleason, certify that:

1. I have reviewed this annual report on Form 10-K/A 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: March 1, 2024

/s/ George Gleason

George Gleason
Chairman and Chief Executive Officer

Exhibit 31.2

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

I, Tim Hicks, certify that:

1. I have reviewed this annual report on Form 10-K/A 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: March 1, 2024

/s/ Tim Hicks

Tim Hicks
Chief Financial Officer

Exhibit 32.1

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

In connection with the accompanying Annual Report of Bank OZK (the Bank) on Form 10-K/A for the period ended December 31, 2023, 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: March 1, 2024

/s/ George Gleason

George Gleason
Chairman and Chief Executive Officer

In accordance with SEC Release No. 34-47986, this Exhibit 32.1 is furnished to the FDIC as an accompanying document and is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.

Exhibit 32.2

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

In connection with the accompanying Annual Report of Bank OZK (the Bank) on Form 10-K/A for the period ended December 31, 2023, 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: March 1, 2024

/s/ Tim Hicks

Tim Hicks
Chief Financial Officer

In accordance with SEC Release No. 34-47986, this Exhibit 32.2 is furnished to the FDIC as an accompanying document and is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.