

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2024**

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

For the transition period from _____ to _____.

FDIC Certificate No. 110

BANK OZK

(Exact name of registrant as specified in its charter)

ARKANSAS

(State or other jurisdiction of
incorporation or organization)

71-0130170

(I.R.S. Employer
Identification Number)

18000 CANTRELL ROAD, LITTLE ROCK, ARKANSAS

(Address of principal executive offices)

72223

(Zip Code)

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

N/A

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

Smaller reporting company

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

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

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

Class	Outstanding at October 31, 2024
Common Stock, \$0.01 par value per share	113,447,426

BANK OZK
FORM 10-Q
September 30, 2024

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BANK OZK
CONSOLIDATED BALANCE SHEETS
 Unaudited

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
(Dollars in thousands, except per share amounts)		
ASSETS		
Cash and cash equivalents	\$ 2,678,726	\$ 2,149,529
Investment securities – available for sale (“AFS”)	2,952,022	3,244,371
Federal Home Loan Bank of Dallas (“FHLB”) and other bankers’ bank stocks	13,808	50,400
Loans	29,218,144	26,459,075
Allowance for loan losses	(420,058)	(339,394)
Net Loans	28,798,086	26,119,681
Premises and equipment, net	712,787	676,821
Foreclosed assets	77,949	61,720
Accrued interest receivable	173,246	170,110
Bank owned life insurance (“BOLI”)	823,598	808,490
Goodwill	660,789	660,789
Other, net	550,793	295,546
Total assets	<u>\$ 37,441,804</u>	<u>\$ 34,237,457</u>
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	\$ 3,855,214	\$ 4,095,874
Savings and interest bearing transaction	9,303,466	9,074,296
Time	17,412,933	14,234,973
Total deposits	30,571,613	27,405,143
Other borrowings	151,035	805,318
Subordinated notes	348,370	347,761
Subordinated debentures	121,652	121,652
Reserve for losses on unfunded credit commitments	174,479	161,834
Accrued interest payable and other liabilities	481,100	255,773
Total liabilities	<u>31,848,249</u>	<u>29,097,481</u>
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock, \$0.01 par value; 100,000,000 shares authorized; 14,000,000 shares issued and outstanding at September 30, 2024 and December 31, 2023	338,980	338,980
Common stock, \$0.01 par value; 300,000,000 shares authorized; 113,449,886 and 113,148,672 shares issued and outstanding at of September 30, 2024 and December 31, 2023, respectively	1,135	1,131
Additional paid-in capital	1,619,832	1,612,446
Retained earnings	3,684,869	3,283,818
Accumulated other comprehensive loss	(51,957)	(97,374)
Total stockholders’ equity before noncontrolling interest	5,592,859	5,139,001
Noncontrolling interest	696	975
Total stockholders’ equity	<u>5,593,555</u>	<u>5,139,976</u>
Total liabilities and stockholders’ equity	<u>\$ 37,441,804</u>	<u>\$ 34,237,457</u>

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in thousands, except per share amounts)				
Interest income:				
Loans	\$ 629,934	\$ 529,031	\$ 1,843,167	\$ 1,428,291
Investment securities:				
Taxable	7,874	9,887	26,000	29,761
Tax-exempt	11,555	9,534	33,876	28,288
Deposits with banks	32,689	17,061	83,899	36,338
Total interest income	<u>682,052</u>	<u>565,513</u>	<u>1,986,942</u>	<u>1,522,678</u>
Interest expense:				
Deposits	286,608	178,823	811,735	408,577
Other borrowings	953	14,326	5,668	30,339
Subordinated notes	2,631	2,631	7,808	7,808
Subordinated debentures	2,462	2,472	7,405	7,017
Total interest expense	<u>292,654</u>	<u>198,252</u>	<u>832,616</u>	<u>453,741</u>
Net interest income	389,398	367,261	1,154,326	1,068,937
Provision for credit losses	46,443	44,036	138,378	121,638
Net interest income after provision for credit losses	<u>342,955</u>	<u>323,225</u>	<u>1,015,948</u>	<u>947,299</u>
Non-interest income:				
Service charges on deposit accounts:				
NSF fees	—	1,102	—	3,097
Overdraft fees	3,563	3,606	10,354	10,262
All other service charges	7,561	6,973	21,958	20,662
Trust income	2,529	2,213	6,935	6,358
BOLI income:				
Increase in cash surrender value	5,758	5,252	16,870	15,295
Death benefits	1,344	—	1,344	—
Loan service, maintenance and other fees	6,534	3,995	19,358	12,165
Gains on sales of other assets	1,303	364	2,835	5,740
Net gains (losses) on investment securities	25	(270)	560	2,066
Other	4,988	2,492	11,257	9,877
Total non-interest income	<u>33,605</u>	<u>25,727</u>	<u>91,471</u>	<u>85,522</u>
Non-interest expense:				
Salaries and employee benefits	75,324	64,107	218,297	192,576
Net occupancy and equipment	17,380	17,797	53,775	55,357
Other operating expenses	47,697	47,074	139,092	136,616
Total non-interest expense	<u>140,401</u>	<u>128,978</u>	<u>411,164</u>	<u>384,549</u>
Income before taxes	236,159	219,974	696,255	648,272
Provision for income taxes	54,953	46,144	161,958	132,564
Net income	181,206	173,830	534,297	515,708
Earnings attributable to noncontrolling interest	(12)	(37)	(22)	(50)
Preferred stock dividends	4,047	4,047	12,141	12,141
Net income available to common stockholders	<u>\$ 177,147</u>	<u>\$ 169,746</u>	<u>\$ 522,134</u>	<u>\$ 503,517</u>
Basic earnings per common share	<u>\$ 1.56</u>	<u>\$ 1.50</u>	<u>\$ 4.60</u>	<u>\$ 4.39</u>
Diluted earnings per common share	<u>\$ 1.55</u>	<u>\$ 1.49</u>	<u>\$ 4.58</u>	<u>\$ 4.37</u>

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Net income	\$ 181,206	\$ 173,830	\$ 534,297	\$ 515,708
Other comprehensive income (loss):				
Unrealized gains and (losses) on investment securities	64,196	(51,486)	59,563	(27,002)
Tax effect of unrealized gains and losses on investment securities AFS	(15,214)	11,931	(14,146)	5,665
Total other comprehensive income (loss)	48,982	(39,555)	45,417	(21,337)
Total comprehensive income	\$ 230,188	\$ 134,275	\$ 579,714	\$ 494,371

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Non- Controlling Interest</u>	<u>Total</u>
(Dollars in thousands, except per share amounts)							
Three months ended September 30, 2024							
Balances – June 30, 2024	\$ 338,980	\$ 1,135	\$1,615,101	\$3,553,523	\$ (100,939)	\$ 985	\$ 5,408,785
Net income	—	—	—	181,206	—	—	181,206
Earnings attributable to noncontrolling interest	—	—	—	(12)	—	12	—
Total other comprehensive income	—	—	—	—	48,982	—	48,982
Preferred stock dividends, \$0.28906 per share	—	—	—	(4,047)	—	—	(4,047)
Common stock dividends, \$0.40 per share	—	—	—	(45,801)	—	—	(45,801)
Return of capital paid to noncontrolling interest	—	—	—	—	—	(301)	(301)
Issuance of 3,197 shares of common stock pursuant to stock-based compensation plans	—	—	28	—	—	—	28
Repurchase and cancellation of 11,903 shares of common stock under share repurchase program	—	—	(462)	—	—	—	(462)
Stock-based compensation expense	—	—	5,165	—	—	—	5,165
Forfeitures of 6,646 shares of unvested restricted common stock	—	—	—	—	—	—	—
Balances – September 30, 2024	<u>\$ 338,980</u>	<u>\$ 1,135</u>	<u>\$1,619,832</u>	<u>\$3,684,869</u>	<u>\$ (51,957)</u>	<u>\$ 696</u>	<u>\$ 5,593,555</u>
Nine months ended September 30, 2024							
Balances – December 31, 2023	\$ 338,980	\$ 1,131	\$1,612,446	\$3,283,818	\$ (97,374)	\$ 975	\$ 5,139,976
Cumulative effect of change in accounting	—	—	—	12,690	—	—	12,690
Balances – January 1, 2024	338,980	1,131	1,612,446	3,296,508	(97,374)	975	5,152,666
Net income	—	—	—	534,297	—	—	534,297
Earnings attributable to noncontrolling interest	—	—	—	(22)	—	22	—
Total other comprehensive income	—	—	—	—	45,417	—	45,417
Preferred stock dividends, \$0.86718 per share	—	—	—	(12,141)	—	—	(12,141)
Common stock dividends, \$1.17 per share	—	—	—	(133,773)	—	—	(133,773)
Return of capital paid to noncontrolling interest	—	—	—	—	—	(301)	(301)
Issuance of 521,651 shares of common stock pursuant to stock-based compensation plans	—	6	439	—	—	—	445
Repurchase and cancellation of 11,903 shares of common stock under share repurchase program	—	—	(462)	—	—	—	(462)
Repurchase and cancellation of 184,415 shares of common stock withheld for tax pursuant to stock-based compensation plans	—	(2)	(8,008)	—	—	—	(8,010)
Stock-based compensation expense	—	—	15,417	—	—	—	15,417
Forfeitures of 24,119 shares of unvested restricted common stock	—	—	—	—	—	—	—
Balances – September 30, 2024	<u>\$ 338,980</u>	<u>\$ 1,135</u>	<u>\$1,619,832</u>	<u>\$3,684,869</u>	<u>\$ (51,957)</u>	<u>\$ 696</u>	<u>\$ 5,593,555</u>

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Non- Controlling Interest</u>	<u>Total</u>
(Dollars in thousands, except per share amounts)							
Three months ended September 30, 2023							
Balances – June 30, 2023	\$ 338,980	\$ 1,131	\$1,602,964	\$3,026,247	\$ (159,431)	\$ 1,372	\$ 4,811,263
Net income	—	—	—	173,830	—	—	173,830
Earnings attributable to noncontrolling interest	—	—	—	(37)	—	37	—
Total other comprehensive loss	—	—	—	—	(39,555)	—	(39,555)
Preferred stock dividends, \$0.28906 per share	—	—	—	(4,047)	—	—	(4,047)
Common stock dividends, \$0.36 per share	—	—	—	(41,124)	—	—	(41,124)
Issuance of 2,446 shares of common stock pursuant to stock-based compensation plans	—	—	77	—	—	—	77
Stock-based compensation expense	—	—	4,469	—	—	—	4,469
Forfeitures of 11,663 shares of unvested restricted common stock	—	—	—	—	—	—	—
Balances – September 30, 2023	<u>\$ 338,980</u>	<u>\$ 1,131</u>	<u>\$1,607,510</u>	<u>\$3,154,869</u>	<u>\$ (198,986)</u>	<u>\$ 1,409</u>	<u>\$ 4,904,913</u>
Nine months ended September 30, 2023							
Balances – December 31, 2022	\$ 338,980	\$ 1,172	\$1,753,941	\$2,773,135	\$ (177,649)	\$ 1,359	\$ 4,690,938
Net income	—	—	—	515,708	—	—	515,708
Earnings attributable to noncontrolling	—	—	—	(50)	—	50	—
Total other comprehensive loss	—	—	—	—	(21,337)	—	(21,337)
Preferred stock dividends, \$0.86718 per share	—	—	—	(12,141)	—	—	(12,141)
Common stock dividends, \$1.05 per share	—	—	—	(121,783)	—	—	(121,783)
Issuance of 505,633 shares of common stock pursuant to stock-based compensation plans	—	5	618	—	—	—	623
Repurchase and cancellation of 4,304,239 shares of common stock under share repurchase program, including excise tax	—	(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	—	—	13,044	—	—	—	13,044
Forfeitures of 26,728 shares of unvested restricted common stock	—	—	—	—	—	—	—
Balances – September 30, 2023	<u>\$ 338,980</u>	<u>\$ 1,131</u>	<u>\$1,607,510</u>	<u>\$3,154,869</u>	<u>\$ (198,986)</u>	<u>\$ 1,409</u>	<u>\$ 4,904,913</u>

See accompanying notes to the consolidated financial statements.

BANK OZK
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Nine Months Ended September 30,	
	2024	2023
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	\$ 534,297	\$ 515,708
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	20,366	23,137
Amortization, net of accretion	29,620	19,762
Earnings attributable to noncontrolling interest	(22)	(50)
Provision for credit losses	138,378	121,638
Provision for losses on foreclosed and other assets	1,902	1,106
Originations of mortgage loans held for sale	(10,700)	—
Proceeds from sales of mortgage loans held for sale	8,115	—
Net amortization of investment securities AFS	11,555	15,753
Net gains on investment securities	(560)	(2,066)
Amortization of operating lease right-of-use assets	4,970	5,335
Gains on sales of other assets	(2,835)	(5,740)
Deferred income tax expense	2,985	(4,133)
Increase in cash surrender value of BOLI	(16,870)	(15,295)
BOLI death benefits in excess of cash surrender value	(1,344)	—
Stock-based compensation expense	15,417	13,044
Changes in assets and liabilities:		
Trading account securities	541	10,888
Accrued interest receivable	(3,151)	(29,115)
Other assets, net	7,544	(9,238)
Accrued interest payable and other liabilities	(59,334)	18,557
Cash provided by operating activities	<u>680,874</u>	<u>679,291</u>
Cash flows from investing activities:		
Proceeds from sales of FHLB and other bankers' bank stock	64,712	—
Purchases of FHLB and other bankers' bank stock	(28,121)	(21,316)
Proceeds from maturities/calls/paydowns of investment securities AFS	431,960	437,504
Proceeds from sales of investment securities AFS	948	2,310
Purchases of investment securities AFS	(92,532)	(144,777)
Proceeds from sale of loans	16,867	31,614
Net increase in loans	(2,842,082)	(4,678,531)
Purchases of premises and equipment	(63,015)	(13,400)
Proceeds from BOLI death benefits	3,106	706
Proceeds from sales of other assets	13,060	20,517
Net cash invested in unconsolidated investments	(15,435)	(66,620)
Net cash used by investing activities	<u>(2,510,532)</u>	<u>(4,431,993)</u>
Cash flows from financing activities:		
Net increase in deposits	3,166,470	4,052,713
Net (repayments) proceeds of other borrowings	(654,283)	823,526
Proceeds from issuance of common stock pursuant to stock-based compensation plans	445	623
Return of capital to non-controlling interest	(301)	—
Cash dividends paid on common stock	(132,863)	(121,034)
Cash dividends paid on preferred stock	(12,141)	(12,141)
Repurchase and cancellation of shares of common stock – share repurchase program	(462)	(151,465)
Repurchase and cancellation of shares of common stock – withheld for taxes	(8,010)	(8,674)
Net cash provided by financing activities	<u>2,358,855</u>	<u>4,583,548</u>
Net increase in cash and cash equivalents	529,197	830,846
Cash and cash equivalents – beginning of period	2,149,529	1,033,454
Cash and cash equivalents – end of period	<u>\$ 2,678,726</u>	<u>\$ 1,864,300</u>

See accompanying notes to the consolidated financial statements.

BANK OZK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

1. Organization and Principles of Consolidation

Bank OZK (“the Bank”) is headquartered in Little Rock, Arkansas and provides a wide range of retail and commercial banking services. At September 30, 2024, the Bank conducted operations through approximately 240 offices in nine states, including offices in Arkansas, Georgia, Florida, North Carolina, Tennessee, Texas, California, New York and Mississippi. The Bank owns 100% of eight finance subsidiary business trusts - Ozark Capital Statutory Trust II (“Ozark II”), Ozark Capital Statutory Trust III (“Ozark III”), Ozark Capital Statutory Trust IV (“Ozark IV”), Ozark Capital Statutory Trust V (“Ozark V”), Intervest Statutory Trust II (“Intervest II”), Intervest Statutory Trust III (“Intervest III”), Intervest Statutory Trust IV (“Intervest IV”) and Intervest Statutory Trust V (“Intervest V”) (collectively, the “Trusts”). In addition, the Bank owns a subsidiary that holds its investment securities, a subsidiary engaged in the development of real estate, a subsidiary that holds an ownership interest in a private aircraft, a subsidiary that owns a renewable energy facility and various other entities that hold foreclosed assets or tax credits or engage in other activities.

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

2. Basis of Presentation and Significant Accounting Policy Changes

The accompanying interim consolidated financial statements have been prepared by the Bank, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) in Article 10 of Regulation S-X and in accordance with the instructions to Form 10-Q and accounting principles generally accepted in the United States (“GAAP”) for interim financial information. Certain information, accounting policies and footnote disclosures normally included in complete financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Bank’s Annual Report on Form 10-K filed with the FDIC for the year ended December 31, 2023.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates. In the opinion of management, all adjustments considered necessary, consisting of normal recurring items, have been included for a fair statement of the accompanying consolidated financial statements. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the full year or future periods. Certain reclassifications of prior year amounts have been made to conform to the 2024 financial statements presentation. These reclassifications had no impact on prior year net income, as previously reported.

3. Earnings Per Common Share (“EPS”)

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding after consideration of the dilutive effect, if any, using the treasury stock method, of the Bank’s common stock options and the non-vested performance stock units (“PSUs”) under its long-term incentive agreements. Options to purchase 287,543 shares and 576,297 shares, respectively, of the Bank’s common stock for the three months ended September 30, 2024 and 2023, respectively, and options to purchase 307,985 shares and 588,633 shares, respectively, of the Bank’s common stock for the nine months ended September 30, 2024 and 2023 were excluded from the diluted EPS calculations as inclusion of such options would have been anti-dilutive. There were no anti-dilutive PSUs for the three or nine months ended September 30, 2024 and 2023.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(In thousands, except per share amounts)				
Numerator:				
Net income available to common stockholders	\$ 177,147	\$ 169,746	\$ 522,134	\$ 503,517
Denominator:				
Denominator for basic EPS – weighted-average common shares	113,653	113,380	113,619	114,824
Effect of dilutive securities – stock options and PSUs	378	390	369	402
Denominator for diluted EPS – weighted-average common shares and assumed conversions	114,031	113,770	113,988	115,226
Basic EPS	\$ 1.56	\$ 1.50	\$ 4.60	\$ 4.39
Diluted EPS	\$ 1.55	\$ 1.49	\$ 4.58	\$ 4.37

4. Investment Securities

The Bank's investment securities AFS are stated at estimated fair value in the consolidated financial statements with unrealized gains and losses, that do not include a credit component, reported net of related income tax as a separate component of stockholders' equity and included in accumulated other comprehensive income. Unrealized losses that include a credit component are considered in determining the Bank's allowance for credit losses ("ACL"). The Bank believes that the vast majority of unrealized losses on individual investment securities at September 30, 2024 and December 31, 2023 are the result of fluctuations in interest rates.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(Dollars in thousands)				
September 30, 2024:				
U.S. Government agency mortgage-backed securities	\$ 1,007,054	\$ 5	\$ (63,056)	\$ 944,003
Obligations of state and political subdivisions	1,387,559	23,673	(21,781)	1,389,451
Other U.S. Government agency securities	594,999	—	(4,277)	590,722
Corporate obligations	30,300	11	(2,465)	27,846
Total investment securities AFS	\$ 3,019,912	\$ 23,689	\$ (91,579)	\$ 2,952,022
December 31, 2023:				
U.S. Government agency mortgage-backed securities	\$ 1,272,015	\$ 1	\$ (97,587)	\$ 1,174,429
Obligations of state and political subdivisions	1,406,617	22,727	(28,456)	1,400,888
Other U.S. Government agency securities	658,851	—	(20,579)	638,272
Corporate obligations	34,341	—	(3,559)	30,782
Total investment securities AFS	\$ 3,371,824	\$ 22,728	\$ (150,181)	\$ 3,244,371

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

	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
(Dollars in thousands)						
September 30, 2024:						
U.S. Government agency mortgage-backed securities	\$ —	\$ —	\$ 943,247	\$ 63,056	\$ 943,247	\$ 63,056
Obligations of state and political subdivisions	87,460	1,668	440,509	20,113	527,969	21,781
Other U.S. Government agency securities	—	—	590,722	4,277	590,722	4,277
Corporate obligations	—	—	24,288	2,465	24,288	2,465
Total investment securities AFS	<u>\$ 87,460</u>	<u>\$ 1,668</u>	<u>\$ 1,998,766</u>	<u>\$ 89,911</u>	<u>\$ 2,086,226</u>	<u>\$ 91,579</u>
December 31, 2023:						
U.S. Government agency mortgage-backed securities	\$ 771	\$ 8	\$ 1,173,593	\$ 97,579	\$ 1,174,364	\$ 97,587
Obligations of state and political subdivisions	218,365	2,822	455,862	25,634	674,227	28,456
Other U.S. Government agency securities	—	—	638,272	20,579	638,272	20,579
Corporate obligations	—	—	30,782	3,559	30,782	3,559
Total investment securities AFS	<u>\$ 219,136</u>	<u>\$ 2,830</u>	<u>\$ 2,298,509</u>	<u>\$ 147,351</u>	<u>\$ 2,517,645</u>	<u>\$ 150,181</u>

In evaluating the Bank's unrealized loss positions for credit losses of its investment securities portfolio, management considers the credit quality, financial condition and near term prospects of the issuer, the nature and cause of the unrealized loss and other factors. While the Bank periodically evaluates its investment strategy relative to current economic and business conditions, at the present time, the Bank does not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not sell these investment securities before fair value recovers to amortized cost. In addition, for the vast majority of investment securities AFS in an unrealized loss position, the Bank does not believe the unrealized losses are the result of issues with credit quality; thus, no ACL was established for investment securities AFS as of September 30, 2024 or December 31, 2023.

The following table shows the amortized cost and estimated fair value of investment securities AFS by maturity or estimated date of repayment as of September 30, 2024.

Maturity or Estimated Repayment	Amortized Costs	Estimated Fair Value
(Dollars in thousands)		
One year or less	\$ 998,887	\$ 976,834
After one year to five years	723,212	683,419
After five years to ten years	316,546	304,641
After ten years	981,267	987,128
Total	<u>\$ 3,019,912</u>	<u>\$ 2,952,022</u>

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

At September 30, 2024 and 2023, the Bank had no holdings of investment securities of any one issuer, other than mortgage-backed securities issued by the Federal National Mortgage Association and callable debentures issued by the Federal Home Loan Bank, in an amount greater than 10% of total stockholders' equity.

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

Allowance for Credit Losses

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

	<u>Allowance for Loan Losses</u>	<u>Reserve for Losses on Unfunded Credit Commitments</u>	<u>Total Allowance for Credit Losses</u>
	(Dollars in thousands)		
Three months ended September 30, 2024:			
Balances – June 30, 2024	\$ 407,079	\$ 167,022	\$ 574,101
Net charge-offs	(26,007)	—	(26,007)
Provision for credit losses	38,986	7,457	46,443
Balances – September 30, 2024	<u>\$ 420,058</u>	<u>\$ 174,479</u>	<u>\$ 594,537</u>
Nine months ended September 30, 2024:			
Balances – December 31, 2023	\$ 339,394	\$ 161,834	\$ 501,228
Net charge-offs	(45,069)	—	(45,069)
Provision for credit losses	125,733	12,645	138,378
Balances – September 30, 2024	<u>\$ 420,058</u>	<u>\$ 174,479</u>	<u>\$ 594,537</u>
Three months ended September 30, 2023:			
Balances – June 30, 2023	\$ 263,188	\$ 163,632	\$ 426,820
Net charge-offs	(9,370)	—	(9,370)
Provision for credit losses	49,540	(5,504)	44,036
Balances – September 30, 2023	<u>\$ 303,358</u>	<u>\$ 158,128</u>	<u>\$ 461,486</u>
Nine months ended September 30, 2023:			
Balances – December 31, 2022	\$ 208,858	\$ 156,419	\$ 365,277
Net charge-offs	(25,429)	—	(25,429)
Provision for credit losses	119,929	1,709	121,638
Balances – September 30, 2023	<u>\$ 303,358</u>	<u>\$ 158,128</u>	<u>\$ 461,486</u>

The calculations of the Bank’s provision for credit losses for the third quarter and first nine months of 2024 and its total ACL at September 30, 2024 were based on a number of key estimates, assumptions and economic forecasts. The Bank utilized recent economic forecasts provided by Moody’s, including their updates released in September 2024. In selecting the weightings for the various economic scenarios for purposes of determining its ACL at September 30, 2024, the Bank’s combined weightings assigned to Moody’s S4 (Alternative Adverse Downside) and S6 (Stagflation) scenarios exceeded that of the Moody’s Baseline scenario. The Bank’s selection and weightings of these scenarios reflected its assessment of conditions in the U.S. economy, and acknowledged the uncertainty regarding future U.S. economic conditions, including risks from: U.S. fiscal policy actions, changes in the Fed funds target rate, quantitative tightening, a possible recession, inflationary pressures, the conflict in the Middle East, the ongoing war in Ukraine, global trade and geopolitical matters, supply chain disruptions, labor disputes and strikes and various other factors. These forecasts included a number of economic variables, including gross domestic product (“GDP”), unemployment rates, commercial and residential real estate prices, among others. For purposes of the forecasts used in the calculation of the Bank’s ACL, management utilized a reasonable and supportable forecast period of two years, followed by a reversion, on a systematic basis, of estimated losses back to the Bank’s historical mean. Management also utilized certain qualitative adjustments to increase the Bank’s ACL estimates to capture items not included in the Bank’s modeled results or other assumptions.

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

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
	(Dollars in thousands)				
Three months ended September 30, 2024:					
Real estate:					
Residential 1-4 family	\$ 24,008	\$ (217)	\$ 109	\$ (264)	\$ 23,636
Non-farm/non-residential	57,934	(770)	152	36,859	94,175
Construction/land development	140,062	(21,024)	15	(15,303)	103,750
Agricultural	6,322	—	—	125	6,447
Multifamily residential	27,883	—	—	8,990	36,873
Commercial and industrial	8,413	—	5	(1,690)	6,728
Consumer	121,829	(3,768)	366	6,090	124,517
Other	20,628	(1,029)	154	4,179	23,932
Total ALL for funded loans	407,079	(26,808)	801	38,986	420,058
Reserve for losses on unfunded credit commitments	167,022	—	—	7,457	174,479
Total ACL	<u>\$ 574,101</u>	<u>\$ (26,808)</u>	<u>\$ 801</u>	<u>\$ 46,443</u>	<u>\$ 594,537</u>

Nine months ended September 30, 2024:					
Real estate:					
Residential 1-4 family	\$ 23,151	\$ (325)	\$ 399	\$ 411	\$ 23,636
Non-farm/non-residential	44,250	(15,151)	1,202	63,874	94,175
Construction/land development	127,320	(21,024)	42	(2,588)	103,750
Agricultural	4,732	—	28	1,687	6,447
Multifamily residential	15,469	—	—	21,404	36,873
Commercial and industrial	7,626	(50)	157	(1,005)	6,728
Consumer	98,974	(9,557)	1,760	33,340	124,517
Other	17,872	(3,053)	503	8,610	23,932
Total ALL for funded loans	339,394	(49,160)	4,091	125,733	420,058
Reserve for losses on unfunded credit commitments	161,834	—	—	12,645	174,479
Total ACL	<u>\$ 501,228</u>	<u>\$ (49,160)</u>	<u>\$ 4,091</u>	<u>\$ 138,378</u>	<u>\$ 594,537</u>

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

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
	(Dollars in thousands)				
Three months ended September 30, 2023:					
Real estate:					
Residential 1-4 family	\$ 21,181	\$ (16)	\$ 395	\$ (2,540)	\$ 19,020
Non-farm/non-residential	45,891	(7,451)	858	4,071	43,369
Construction/land development	74,334	—	6	19,137	93,477
Agricultural	4,719	(16)	—	(941)	3,762
Multifamily residential	10,645	—	—	3,191	13,836
Commercial and industrial	11,976	(12)	27	(4,554)	7,437
Consumer	82,068	(2,469)	308	26,487	106,394
Other	12,374	(1,152)	152	4,689	16,063
Total ALL for funded loans	263,188	(11,116)	1,746	49,540	303,358
Reserve for losses on unfunded credit commitments	163,632	—	—	(5,504)	158,128
Total ACL	<u>\$ 426,820</u>	<u>\$ (11,116)</u>	<u>\$ 1,746</u>	<u>\$ 44,036</u>	<u>\$ 461,486</u>

Nine months ended September 30, 2023:					
Real estate:					
Residential 1-4 family	\$ 19,506	\$ (73)	\$ 772	\$ (1,185)	\$ 19,020
Non-farm/non-residential	43,605	(21,458)	1,882	19,340	43,369
Construction/land development	66,467	—	219	26,791	93,477
Agricultural	3,512	(16)	36	230	3,762
Multifamily residential	5,345	(4)	—	8,495	13,836
Commercial and industrial	8,728	(86)	931	(2,136)	7,437
Consumer	50,202	(6,505)	1,381	61,316	106,394
Other	11,493	(2,971)	463	7,078	16,063
Total ALL for funded loans	208,858	(31,113)	5,684	119,929	303,358
Reserve for losses on unfunded credit commitments	156,419	—	—	1,709	158,128
Total ACL	<u>\$ 365,277</u>	<u>\$ (31,113)</u>	<u>\$ 5,684</u>	<u>\$ 121,638</u>	<u>\$ 461,486</u>

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

	Nonaccrual Loans with ALL	Nonaccrual Loans with no ALL	Total Nonaccrual Loans
	(Dollars in thousands)		
September 30, 2024:			
Real estate:			
Residential 1-4 family	\$ 24,512	\$ 1,412	\$ 25,924
Non-farm/non-residential	2,490	21,189	23,679
Construction/land development	109,058	1,805	110,863
Agricultural	1,581	—	1,581
Multifamily residential	—	3,031	3,031
Commercial and industrial	1,281	—	1,281
Consumer	9,302	4	9,306
Other	—	—	—
Total	<u>\$ 148,224</u>	<u>\$ 27,441</u>	<u>\$ 175,665</u>

December 31, 2023:			
Real estate:			
Residential 1-4 family	\$ 26,884	\$ 1,438	\$ 28,322
Non-farm/non-residential	21,498	2,335	23,833
Construction/land development	1,798	—	1,798
Agricultural	270	—	270
Multifamily residential	—	3,089	3,089
Commercial and industrial	1,551	—	1,551
Consumer	7,726	—	7,726
Other	88	—	88
Total	<u>\$ 59,815</u>	<u>\$ 6,862</u>	<u>\$ 66,677</u>

Interest income on nonperforming loans as of September 30, 2024 and December 31, 2023 is recognized on a cash basis when and if actually collected. Total interest income recognized on nonperforming loans for the three and nine months ended September 30, 2024 and 2023 was not material.

Credit Quality Indicators

The following table provides the credit quality indicators for the Bank's loans by loan segment and period of origination as of the date indicated. At September 30, 2024, the Bank had no loans with an outstanding balance that were risk rated as doubtful or loss. Loans are presented on an amortized cost basis which includes unamortized fees and costs but excludes accrued interest.

	Period of Origination							Revolving Loans Amortized Cost Basis	Total
	Nine Months Ended September 30, 2024	Year Ended December 31,				Prior to January 1, 2020			
		2023	2022	2021	2020				
(Dollars in thousands)									
September 30, 2024:									
Residential 1-4 family									
Pass	\$ 110,634	\$ 87,615	\$ 225,131	\$ 142,250	\$ 86,960	\$ 216,654	\$ 171,081	\$ 1,040,325	
Special Mention	—	533	937	860	2,554	3,372	465	8,721	
Substandard	22	315	1,571	2,098	4,953	17,741	166	26,866	
Total residential 1-4 family	110,656	88,463	227,639	145,208	94,467	237,767	171,712	1,075,912	
Non-farm/non-residential									
Pass	103,361	792,826	2,487,204	1,861,013	1,324,512	790,339	27,673	7,386,928	
Special Mention	—	—	52,706	1,653	387,840	42,971	720	485,890	
Substandard	—	341	90	23,787	24,415	3,002	—	51,635	
Total non-farm/non-residential	103,361	793,167	2,540,000	1,886,453	1,736,767	836,312	28,393	7,924,453	
Construction/land development									
Pass	679,051	2,221,694	4,249,752	1,322,320	403,721	515,714	280,833	9,673,085	
Special Mention	—	499	2,542	22	3,232	—	5,036	11,331	
Substandard	—	1,713	1,926	62	—	107,344	32,513	143,558	
Total construction/land development	679,051	2,223,906	4,254,220	1,322,404	406,953	623,058	318,382	9,827,974	
Agricultural									
Pass	17,090	28,908	58,780	56,481	30,320	80,236	1,172	272,987	
Special Mention	—	—	—	118	—	17	—	135	
Substandard	—	—	1,298	—	—	283	—	1,581	
Total agricultural	17,090	28,908	60,078	56,599	30,320	80,536	1,172	274,703	
Multifamily residential									
Pass	6,131	21,045	697,266	1,381,004	662,130	146,596	9,099	2,923,271	
Special Mention	—	—	—	117,477	—	—	—	117,477	
Substandard	—	—	—	1,517	1,748	14,043	—	17,308	
Total multifamily residential	6,131	21,045	697,266	1,499,998	663,878	160,639	9,099	3,058,056	
Commercial and industrial									
Pass	52,028	56,968	70,747	43,207	11,308	26,848	1,235,947	1,497,053	
Special Mention	—	27	1,215	515	—	1,146	1,731	4,634	
Substandard	—	17	52	153	1,273	229	—	1,724	
Total commercial and industrial	52,028	57,012	72,014	43,875	12,581	28,223	1,237,678	1,503,411	
Consumer									
Pass	1,000,465	834,446	543,732	297,349	97,171	766,627	8,145	3,547,935	
Special Mention	603	1,260	3,015	927	355	1,998	—	8,158	
Substandard	167	950	1,729	455	353	5,653	—	9,307	
Total consumer	1,001,235	836,656	548,476	298,731	97,879	774,278	8,145	3,565,400	
Other									
Pass	65,566	9,045	765,282	2,382	386	126,085	906,652	1,875,398	
Special Mention	—	—	72	—	—	115	56,735	56,922	
Substandard	—	—	55,915	—	—	—	—	55,915	
Total other	65,566	9,045	821,269	2,382	386	126,200	963,387	1,988,235	
Total	\$ 2,035,118	\$ 4,058,202	\$ 9,220,962	\$ 5,255,650	\$ 3,043,231	\$ 2,867,013	\$ 2,737,968	\$ 29,218,144	
Gross charge-offs ⁽¹⁾	\$ 281	\$ 2,147	\$ 2,317	\$ 5,571	\$ 9,681	\$ 29,163	\$ —	\$ 49,160	

⁽¹⁾ Gross charge-offs for the nine months ended September 30, 2024.

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

	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Total</u>
	(Dollars in thousands)			
September 30, 2024:				
Real estate:				
Residential 1-4 family	\$ 1,040,325	\$ 8,721	\$ 26,866	\$ 1,075,912
Non-farm/non-residential	7,386,928	485,890	51,635	7,924,453
Construction/land development	9,673,085	11,331	143,558	9,827,974
Agricultural	272,987	135	1,581	274,703
Multifamily residential	2,923,271	117,477	17,308	3,058,056
Commercial and industrial	1,497,053	4,634	1,724	1,503,411
Consumer	3,547,935	8,158	9,307	3,565,400
Other	1,875,398	56,922	55,915	1,988,235
Total	<u>\$ 28,216,982</u>	<u>\$ 693,268</u>	<u>\$ 307,894</u>	<u>\$ 29,218,144</u>
December 31, 2023:				
Real estate:				
Residential 1-4 family	\$ 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	2,951,522	5,795	7,725	2,965,042
Other	1,977,986	1,756	88	1,979,830
Total	<u>\$ 26,128,393</u>	<u>\$ 85,627</u>	<u>\$ 245,055</u>	<u>\$ 26,459,075</u>

During 2024, the Bank downgraded certain credits within its non-farm/non-residential and multifamily loan portfolios to Special Mention and Substandard. Loan downgrades within the Bank's non-farm/non-residential loan portfolio were primarily related to loans secured by office properties.

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

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

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

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

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

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

The Bank considers its residential 1-4 family loans (including consumer construction loans and 1-4 family properties), consumer loans, and certain small business loans to be (i) pass – if they are performing and less than 30 days past due, (ii) special mention – if they are performing and 30 to 89 days past due or (iii) substandard – if they are nonperforming or 90 days or more past due.

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

	30-59 Days Past Due ⁽¹⁾	60-89 Days Past Due ⁽²⁾	90 Days or More ⁽³⁾	Total Past Due	Current ⁽⁴⁾	Total
	(Dollars in thousands)					
September 30, 2024:						
Real estate:						
Residential 1-4 family	\$ 6,619	\$ 7,066	\$ 5,529	\$ 19,214	\$ 1,056,698	\$ 1,075,912
Non-farm/non-residential	100	631	1,738	2,469	7,921,984	7,924,453
Construction/land development	161	109	3,381	3,651	9,824,323	9,827,974
Agricultural	17	42	203	262	274,441	274,703
Multifamily residential	—	—	3,031	3,031	3,055,025	3,058,056
Commercial and industrial	279	—	1,039	1,318	1,502,093	1,503,411
Consumer	7,343	1,854	546	9,743	3,555,657	3,565,400
Other	—	—	—	—	1,988,235	1,988,235
Total	<u>\$ 14,519</u>	<u>\$ 9,702</u>	<u>\$ 15,467</u>	<u>\$ 39,688</u>	<u>\$ 29,178,456</u>	<u>\$ 29,218,144</u>

December 31, 2023:						
Real estate:						
Residential 1-4 family	\$ 9,649	\$ 7,737	\$ 4,136	\$ 21,522	\$ 939,816	\$ 961,338
Non-farm/non-residential	786	295	19,173	20,254	5,288,985	5,309,239
Construction/land development	—	167	1,588	1,755	11,651,732	11,653,487
Agricultural	—	—	205	205	256,218	256,423
Multifamily residential	—	—	3,089	3,089	2,061,017	2,064,106
Commercial and industrial	187	126	1,034	1,347	1,268,263	1,269,610
Consumer	5,584	980	38	6,602	2,958,440	2,965,042
Other	—	88	—	88	1,979,742	1,979,830
Total	<u>\$ 16,206</u>	<u>\$ 9,393</u>	<u>\$ 29,263</u>	<u>\$ 54,862</u>	<u>\$ 26,404,213</u>	<u>\$ 26,459,075</u>

⁽¹⁾ Includes \$2.6 million and \$4.8 million of loans on nonaccrual status at September 30, 2024 and December 31, 2023, respectively.

⁽²⁾ Includes \$4.8 million and \$4.9 million of loans on nonaccrual status at September 30, 2024 and December 31, 2023, respectively.

⁽³⁾ All loans greater than 90 days past due were on nonaccrual status at September 30, 2024 and December 31, 2023.

⁽⁴⁾ Includes \$152.8 million and \$27.7 million of loans on nonaccrual status at September 30, 2024 and December 31, 2023, respectively.

6. Foreclosed Assets

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

	September 30, 2024	December 31, 2023
	(Dollars in thousands)	
Real estate:		
Residential 1-4 family	\$ 278	\$ —
Non-farm/non-residential	9,118	515
Construction/land development	67,802	59,975
Agricultural	—	76
Total real estate	<u>77,198</u>	<u>60,566</u>
Consumer	751	1,154
Total	<u>\$ 77,949</u>	<u>\$ 61,720</u>

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

	Nine Months Ended September 30,	
	2024	2023
	(Dollars in thousands)	
Balance – beginning	\$ 61,720	\$ 6,616
Loans and other assets transferred into foreclosed assets	27,064	72,419
Sales of foreclosed assets	(8,933)	(9,191)
Writedowns of foreclosed assets	(1,902)	(1,106)
Balance – ending	<u>\$ 77,949</u>	<u>\$ 68,738</u>

7. Supplemental Cash Flow Information

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

	Nine Months Ended September 30,	
	2024	2023
	(Dollars in thousands)	
Cash paid during the period for:		
Interest	\$ 817,891	\$ 436,677
Income taxes	118,593	158,385
Supplemental schedule of non-cash investing and financing activities:		
Net change in unrealized gains/losses on investment securities AFS	59,563	(27,002)
Loans and other assets transferred to foreclosed assets	27,064	72,419

8. Commitments and Contingencies

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

Outstanding standby letters of credit are contingent commitments by the Bank generally to guarantee the performance of a customer in third party arrangements. The maximum amount of future payments the Bank could be required to make under these guarantees at September 30, 2024 is \$211.4 million. The Bank holds collateral to support guarantees when deemed necessary. Collateralized commitments at September 30, 2024 totaled \$210.8 million. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank has the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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

At September 30, 2024, the Bank had unfunded credit commitments totaling \$19.31 billion, consisting primarily of loans closed but not yet funded. These commitments may or may not fund in whole or part prior to maturity; however, such funding is subject to a number of factors, including, among others, economic conditions, real estate market conditions and competitive factors.

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

Contractual Maturities at September 30, 2024	
<u>Year of Maturity</u>	<u>Amount</u>
(Dollars in thousands)	
2024	\$ 1,061,051
2025	3,702,431
2026	7,065,904
2027	4,848,262
2028	1,924,556
Thereafter	705,768
Total	\$ 19,307,972

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

9. Investments in Tax Credits and SBICs

The Bank invests in certain tax credit investments and partnerships generally within the areas we serve. The majority of these investments provide funds for the construction and development of affordable housing, which provide low income housing tax credits (“LIHTC”) that are normally recognized over approximately ten years and are an important part in the anticipated yield from these investments. The Bank is a limited partner or non-managing member in each LIHTC limited partnership or limited liability company. Each of these entities is managed by an unrelated third-party general partner or managing member who exercises significant control over the operations and finances of the entity. The general partner or managing member has all the rights, powers and authority granted or permitted to be granted to a general partner of a limited partnership or managing member of a limited liability company. In addition to our LIHTC investments, we also have investments in renewable energy and other tax credits. As of September 30, 2024, the carrying value of tax credit investments and renewable energy partnerships included in “other assets” on our consolidated balance sheet was approximately \$426.9 million including unfunded commitments totaling approximately \$194.0 million. These unfunded commitments are expected to be funded over the terms of the agreements ranging from 2024 to 2041 and are included in “other liabilities” in our consolidated balance sheet.

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 September 30, 2024, the carrying value of our investments in SBICs and CDCs was approximately \$64.6 million and is included in “other assets” on our consolidated balance sheet. The portion of our investments in SBICs and CDCs that are unfunded totaled approximately \$115.5 million and are expected to be funded over the terms of the agreements ranging from 2024 to 2029.

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

Expected Payments for Unfunded Investments in Tax Credits, SBICs and CDCs at September 30, 2024	
<u>Year of Maturity</u>	<u>Amount</u>
(Dollars in thousands)	
2024	\$ 84,899
2025	90,354
2026	58,922
2027	52,257
2028	13,574
Thereafter	9,542
Total	\$ 309,548

Effective January 1, 2024, the Bank adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2023-02 *“Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization in Method,”* utilizing the modified retrospective method ASU 2023-02 permits entities to elect to account for equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. While the adoption of ASU 2023-02 did not have a material impact on the Bank’s results of operations, the amortization of the Bank’s Community Reinvestment Act (“CRA”) and tax credit investments are included in income tax expense instead of non-interest expense beginning January 1, 2024. Additionally, the Bank increased the carrying value of its tax credit investments, which are included in other assets, and increased other liabilities by \$210 million to account for uncalled capital commitments that are unconditional and legally binding.

For the three and nine months ended September 30, 2024, the Bank’s provision for income taxes included the recognition of amortization expense on tax credit investments of \$12.2 million and \$32.7 million, respectively, and tax credits and other benefits of \$14.7 million and \$40.3 million, respectively.

10. Stock-Based Compensation

The Bank maintains a stock-based compensation plan (“Omnibus Plan”) which allows the Bank to award stock options, stock appreciative rights, restricted stock, restricted stock units, or other stock-based awards to directors, executives and employees that are eligible to participate in the Omnibus Plan. The Bank has granted restricted stock and PSUs as its primary stock-based incentive awards.

Stock-based compensation expense for restricted stock awards and PSUs included in non-interest expense was \$5.2 million and \$4.5 million for the three months ended September 30, 2024 and 2023, respectively, and \$15.4 million and \$13.0 million for the nine months ended September 30, 2024 and 2023, respectively. Unrecognized compensation expense for non-vested stock awards and PSUs was \$30.9 million at September 30, 2024 and is expected to be recognized over a weighted-average period of approximately 1.9 years.

11. Fair Value Measurements

The Bank measures certain of its assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset or liability. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, fair value is used either on a periodic basis, typically at least quarterly, or on a non-recurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes. At September 30, 2024 and December 31, 2023, the Bank had no material liabilities that were accounted for at fair value.

The Bank applies the following fair value hierarchy.

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

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

Level 3 – Instruments whose inputs are unobservable.

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

	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
September 30, 2024:				
Investment securities:				
U.S. Government agency mortgage-backed securities	\$ —	\$ 944,003	\$ —	\$ 944,003
Obligations of state and political subdivisions	—	1,382,615	6,836	1,389,451
Other U.S. Government agency securities	—	590,722	—	590,722
Corporate obligations	—	27,846	—	27,846
Total investment securities	—	2,945,186	6,836	2,952,022
Nonaccrual loans	—	—	146,340	146,340
Foreclosed assets	—	—	77,949	77,949
Total	\$ —	\$ 2,945,186	\$ 231,125	\$ 3,176,311
December 31, 2023:				
Investment securities:				
U.S. Government agency mortgage-backed securities	\$ —	\$ 1,174,429	\$ —	\$ 1,174,429
Obligations of state and political subdivisions	—	1,393,568	7,320	1,400,888
Other U.S. Government agency securities	—	638,272	—	638,272
Corporate obligations	—	30,782	—	30,782
Total investment securities	—	3,237,051	7,320	3,244,371
Nonaccrual loans	—	—	51,450	51,450
Foreclosed assets	—	—	61,720	61,720
Total	\$ —	\$ 3,237,051	\$ 120,490	\$ 3,357,541

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

Description	Fair Value at September 30, 2024	Technique	Unobservable Inputs
	(Dollars in thousands)		
Nonaccrual Loans	\$ 146,340	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	\$ 77,949	Third party appraisal, ⁽¹⁾ broker price opinions and/or discounted cash flows	1. Management discount based on underlying collateral characteristics and market conditions 2. Discount rate 3. Holding period

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

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

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

in a market that is not active, fair value is determined using unobservable inputs. All fair value estimates of the Bank's investment securities are reviewed on a quarterly basis.

The Bank has determined that certain of its investment AFS securities had a limited to non-existent trading market at September 30, 2024. As a result, the Bank considers these investments as Level 3 in the fair value hierarchy. Specifically, the fair values of certain obligations of state and political subdivisions consisting primarily of certain unrated private placement bonds in the amount of \$6.8 million at September 30, 2024 were calculated using Level 3 hierarchy inputs and assumptions as the trading market for such securities was determined to be "not active."

Nonaccrual loans – Fair values are measured on a non-recurring basis and are based on the underlying collateral value of the nonaccrual loan, reduced for holding and selling costs, or the estimated discounted cash flows for such loan. At September 30, 2024, the Bank had reduced the carrying value of its nonaccrual loans, which totaled \$175.7 million, to the estimated fair value of \$146.3 million by including \$29.4 million of ACL allocations.

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

12. Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

Off-balance sheet instruments – The fair values of letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of outstanding letters of credit were not material at September 30, 2024 or December 31, 2023.

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

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

	Fair Value Hierarchy	September 30, 2024		December 31, 2023	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(Dollars in thousands)					
Financial assets:					
Cash and cash equivalents	Level 1	\$ 2,678,726	\$ 2,678,726	\$ 2,149,529	\$ 2,149,529
Investment securities	Levels 2 and 3	2,952,022	2,952,022	3,244,371	3,244,371
Loans, net of ALL ⁽¹⁾	Level 3	28,798,086	28,763,694	26,119,681	26,085,968
Financial liabilities:					
Demand, savings and interest bearing transaction deposits	Level 1	\$ 13,158,680	\$ 13,158,680	\$ 13,170,170	\$ 13,170,170
Time deposits	Level 2	17,412,933	17,434,337	14,234,973	14,219,112
Other borrowings	Level 2	151,035	151,035	805,318	805,318
Subordinated notes	Level 2	348,370	281,728	347,761	284,740
Subordinated debentures	Level 2	121,652	104,435	121,652	112,419

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in thousands)				
Beginning balance of AOCI – unrealized gains and (losses) on investment securities AFS	\$ (100,939)	\$ (159,431)	\$ (97,374)	\$ (177,649)
Other comprehensive income (loss):				
Unrealized gains and (losses) on investment securities	64,196	(51,486)	59,563	(27,002)
Tax effect of unrealized gains and losses on investment securities AFS	(15,214)	11,931	(14,146)	5,665
Total other comprehensive loss	48,982	(39,555)	45,417	(21,337)
Ending balance of AOCI – unrealized gains and (losses) on investment securities AFS	\$ (51,957)	\$ (198,986)	\$ (51,957)	\$ (198,986)

14. Other Operating Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in thousands)				
Software and data processing	\$ 12,742	\$ 9,584	\$ 36,016	\$ 28,634
Deposit insurance and assessments	6,050	5,500	19,609	14,548
Professional and outside services	5,620	4,640	18,272	15,190
Advertising and public relations	6,089	3,779	16,874	10,998
Amortization of CRA and tax credit investments ⁽¹⁾	—	8,171	—	20,151
Other	17,196	15,400	48,321	47,095
Total other operating expenses	\$ 47,697	\$ 47,074	\$ 139,092	\$ 136,616

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

15. Stock Repurchase Program

In July 2024, the Bank's Board authorized a new stock repurchase program for up to \$200 million of the Bank's outstanding common stock, with an expiration on July 1, 2025, unless extended, shortened or suspended by the Board. During the third quarter of 2024, the Bank purchased 11,903 shares for \$0.46 million. In evaluating stock repurchases, management will consider a variety of factors including stock price, expected growth, capital position, alternative uses of capital, liquidity, financial performance, the current and expected macroeconomic environment, regulatory requirements and other factors.

16. Recent Accounting Pronouncements

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

On November 27, 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. ASU 2023-07 amends the disclosure requirements related to segment reporting primarily through enhanced disclosure about significant segment expenses and by requiring disclosure of segment information on an annual and interim basis. ASU 2023-07 is effective in annual periods beginning after December 15, 2023 and subsequent interim periods beginning after December 15, 2024 with early adoption permitted. The Bank operates in only one business segment and is currently assessing the potential impact ASU 2023-07 could have on our financial statement disclosures.

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

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

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

FORWARD-LOOKING INFORMATION

This quarterly report on Form 10-Q, including Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), other public filings made by us and other oral and written statements or reports by us and our management include certain “forward-looking statements” regarding the Bank’s plans, expectations, thoughts, beliefs, estimates, goals and outlook for the future that are intended to be covered by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management’s expectations as well as certain assumptions and estimates made by, and information available to, management at the time. Those statements are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to: potential delays or other problems in implementing the Bank’s growth, expansion and acquisition strategies, including obtaining regulatory or other approvals, delays in acquiring satisfactory sites, obtaining permits and designing, constructing and opening new offices, relocating, selling or closing existing offices, or integrating any acquisitions; the availability of and access to capital; possible downgrades in the Bank’s credit ratings or outlook which could increase the costs of or decrease the availability of funding from capital markets; the ability to attract new or retain existing deposits or to retain or grow loans, including growth from unfunded closed loans; the ability to generate future revenue growth or to control future growth in non-interest expense; interest rate fluctuations, including changes in the yield curve between short-term and long-term interest rates or changes in the relative relationships of various interest rate indices; competitive factors and pricing pressures, including their effect on the Bank’s net interest margin or core spread; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; conditions within the banking industry; recently enacted and potential new laws and regulatory requirements or changes to existing laws and regulatory requirements, including changes affecting oversight of the financial services industry, changes intended to manage or mitigate climate and related environmental risks or changes in the interpretation and enforcement of such laws and requirements, changes as a result of the U.S. presidential and congressional elections, and the costs and expenses to comply with new and/or existing legislation and regulatory requirements; uncertainty regarding changes in U.S. government monetary and fiscal policy; the impact of any U.S. federal government shutdown or budgetary crisis; FDIC special assessments or changes to regular assessments; the ability to keep pace with technological changes, including changes regarding artificial intelligence and maintaining cybersecurity; the impact of any failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business or others, including as a result of cyberattacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting the Bank, its customers or others; natural disasters; acts of war or terrorism; the potential impact of continuing inflationary pressures; the potential impact of supply chain disruptions; national or international political instability or military conflict, including the conflict in the Middle East and the ongoing war in Ukraine; competition for and costs of recruiting and retaining qualified personnel; impairment of our goodwill; adoption of new accounting standards, or changes in existing standards; and adverse results (including costs, fines, reputational harm and/or other negative effects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions or rulings as well as other factors identified in this communication or as detailed from time to time in our public filings, including those factors described in the disclosures under the headings “Forward-Looking Information” and “Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K for the year ended December 31, 2023 and our quarterly reports on Form 10-Q. Should one or more of the foregoing risks materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described in, or implied by, such forward-looking statements. The Bank disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise.

FINANCIAL HIGHLIGHTS

The selected financial highlights on the following page are derived from our unaudited consolidated financial data as of and for the three months and nine months ended September 30, 2024 and 2023. These highlights are qualified in their entirety by our consolidated financial statements and related notes presented in Part I, Item 1 – Financial Statements in this quarterly report on Form 10-Q. The calculation of our pre-tax pre-provision net revenue (“PPNR”) and the reconciliation to generally accepted accounting principles (“GAAP”) are included in this MD&A under “Analysis of Results of Operations” in this quarterly report on Form 10-Q. The calculations of our tangible book value per common share, total common stockholders’ equity, total tangible common stockholders’ equity, total tangible common stockholders’ equity to tangible assets, total average common stockholders’ equity, average common equity to average assets, and our annualized returns on average common stockholders’ equity, and average tangible common stockholders’ equity and the reconciliations to GAAP are included in this MD&A under “Capital Management” in this quarterly report on Form 10-Q.

SELECTED FINANCIAL HIGHLIGHTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Dollars in thousands, except per share amounts)				
Income statement data:				
Net interest income	\$ 389,398	\$ 367,261	\$ 1,154,326	\$ 1,068,937
Provision for credit losses	46,443	44,036	138,378	121,638
Non-interest income	33,605	25,727	91,471	85,522
Non-interest expense	140,401	128,978	411,164	384,549
Net income	181,206	173,830	534,297	515,708
Preferred stock dividends	4,047	4,047	12,141	12,141
Net income available to common stockholders	177,147	169,746	522,134	503,517
PPNR	282,602	264,010	834,633	769,910
Common share and per common share data:				
Diluted earnings per common share	\$ 1.55	\$ 1.49	\$ 4.58	\$ 4.37
Book value per common share	46.31	40.35	46.31	40.35
Tangible book value per common share	40.49	34.50	40.49	34.50
Common stock dividends per share	0.40	0.36	1.17	1.05
Weighted-average diluted shares outstanding (thousands)	114,031	113,770	113,988	115,226
End of period shares outstanding (thousands)	113,450	113,136	113,450	113,136
Balance sheet data at period end:				
Total assets	\$ 37,441,804	\$ 32,767,328	\$ 37,441,804	\$ 32,767,328
Loans	29,218,144	25,331,740	29,218,144	25,331,740
Allowance for loan losses	420,058	303,358	420,058	303,358
Foreclosed assets	77,949	68,738	77,949	68,738
Investment securities – AFS	2,952,022	3,153,817	2,952,022	3,153,817
Deposits	30,571,613	25,552,856	30,571,613	25,552,856
Other borrowings	151,035	1,430,192	151,035	1,430,192
Unfunded credit commitments	19,307,972	20,625,371	19,307,972	20,625,371
Reserve for losses on unfunded credit commitments	174,479	158,128	174,479	158,128
Preferred stock	338,980	338,980	338,980	338,980
Total common stockholders' equity	5,253,879	4,564,524	5,253,879	4,564,524
Total tangible common stockholders' equity	4,593,090	3,903,735	4,593,090	3,903,735
Loan to deposit ratio	95.57%	99.13%	95.57%	99.13%
Average balance sheet data:				
Total average assets	\$ 37,066,058	\$ 31,606,892	\$ 36,205,354	\$ 29,755,940
Total average common stockholders' equity	5,163,546	4,546,640	5,009,560	4,470,073
Average common equity to total average assets	13.93%	14.38%	13.84%	15.02%
Performance ratios:				
Return on average assets ⁽¹⁾	1.90%	2.13%	1.93%	2.26%
Return on average common stockholders' equity ⁽¹⁾	13.65	14.81	13.92	15.06
Return on average tangible common stockholders' equity ⁽¹⁾	15.65	17.33	16.04	17.68
Total tangible common stockholders' equity to total tangible assets	12.49	12.16	12.49	12.16
Net interest margin – FTE ⁽¹⁾	4.55	5.05	4.64	5.29
Efficiency ratio	32.95	32.60	32.76	33.09
Common stock dividend payout ratio	25.85	24.23	25.62	24.19
Asset quality ratios:				
Net charge-offs to average total loans ⁽¹⁾	0.36	0.15	0.21	0.15
Nonperforming loans to total loans	0.60	0.27	0.60	0.27
Nonperforming assets to total assets	0.68	0.42	0.68	0.42
Allowance for loan losses to total loans ⁽²⁾	1.44	1.20	1.44	1.20
Allowance for loan losses to total nonperforming loans ⁽²⁾	239	445	239	445
Allowance for credit losses to total loans and unfunded credit commitments	1.23	1.00	1.23	1.00
Capital ratios at period end:				
Common equity tier 1	11.15%	10.77%	11.15%	10.77%
Tier 1 risk based capital	11.96	11.66	11.96	11.66
Total risk based capital	14.34	14.10	14.34	14.10
Tier 1 leverage	13.64	14.24	13.64	14.24

⁽¹⁾ Ratios annualized based on actual days.

⁽²⁾ Excludes reserve for losses on unfunded credit commitments.

GENERAL

The following discussion explains our financial condition and results of operations as of and for the three and nine months ended September 30, 2024. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from the consolidated financial statements and related notes. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes presented in Part 1, Item 1 – Financial Statements in this quarterly report on Form 10-Q and in our annual report on Form 10-K for the year ended December 31, 2023. Annualized results for these interim periods may not be indicative of results for the full year or future periods.

We provide a wide range of retail and commercial banking services through approximately 240 offices in Arkansas, Georgia, Florida, North Carolina, Tennessee, Texas, California, New York and Mississippi. Our results of operations depend primarily on net interest income, which is the difference between the interest income from earning assets, such as loans and investments, and the interest expense incurred on interest bearing liabilities, such as deposits, borrowings, subordinated notes and subordinated debentures. We also generate non-interest income, including, among others, service charges on deposit accounts, trust income, BOLI income, loan service, maintenance and other fees and gains (losses) on investment securities and from sales of other assets. Our non-interest expense consists primarily of employee compensation and benefits, net occupancy and equipment and other operating expenses. Our results of operations are significantly affected by our provision for credit losses and our provision for income taxes.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements. Our determination of (i) the provision for and the adequacy of our allowance for credit losses (“ACL”), (ii) the fair value of our investment securities portfolio, and (iii) accounting for our income taxes all involve a higher degree of judgment and complexity than our other significant accounting policies. Accordingly, we consider each of these to be critical accounting estimates. A detailed discussion of our critical accounting estimates is included in our annual report on Form 10-K for the year ended December 31, 2023. There has been no change in our critical accounting estimates and no material change in the application of critical accounting estimates as presented in our annual report on Form 10-K for the year ended December 31, 2023.

RECENT INDUSTRY DEVELOPMENTS

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

ANALYSIS OF RESULTS OF OPERATIONS

General

Net income available to our common stockholders was \$177.1 million for the third quarter and \$522.1 million for the first nine months of 2024, compared to \$169.7 million for the third quarter and \$503.5 million for the first nine months of 2023. Diluted earnings per common share were \$1.55 for the third quarter and \$4.58 for the first nine months of 2024, compared to \$1.49 for the third quarter and \$4.37 for the first nine months of 2023.

During the three months and nine months ended September 30, 2024, we recorded provision for credit losses of \$46.4 million and \$138.4 million, respectively, compared to provision for credit losses of \$44.0 million and \$121.6 million, respectively, during the three months and nine months ended September 30, 2023. Our growth in funded loan balances and our cautious outlook on macroeconomic conditions, including the migration of risk ratings within our portfolio as a result of Fed interest rate increases, increases in capitalization rate, decreases in appraised values, and higher-for-longer interest rates, among other factors, contributed to the higher provision for credit losses. Our ACL and provision for credit losses are tied, in part, to our reasonable and supportable forecast which is related to future economic estimates and perceived economic outlook. Generally, if our reasonable and supportable forecast in future periods suggests economic conditions are expected to deteriorate, we may experience increases in our ACL and provision for credit losses and, generally, if our reasonable and supportable forecast suggests economic conditions are expected to improve, we may experience decreases in our ACL and provision for credit losses. There may be periods when our reasonable and supportable forecast captures more or less risk related to the uncertainty of future U.S. economic conditions based upon how well we

believe such uncertainty is reflected in the various Moody's macroeconomic scenarios. Thus, our weightings and selection of Moody's macroeconomic scenarios may vary significantly from period to period.

Our annualized return on average assets was 1.90% for the third quarter and 1.93% for the first nine months of 2024 compared to 2.13% for the third quarter and 2.26% for the first nine months of 2023. Our annualized return on average common stockholders' equity was 13.65% for the third quarter and 13.92% for the first nine months of 2024 compared to 14.81% for the third quarter and 15.06% for the first nine months of 2023. Our annualized return on average tangible common stockholders' equity was 15.65% for the third quarter and 16.04% for the first nine months of 2024 compared to 17.33% for the third quarter and 17.68% for the first nine months of 2023. The calculations of our average common stockholders' equity, average tangible common stockholders' equity and our annualized return on average common stockholders' equity and average tangible common stockholders' equity and the reconciliations to GAAP are included under the heading "Capital Management" in this MD&A.

Total assets were \$37.44 billion at September 30, 2024 compared to \$34.24 billion at December 31, 2023. Total loans were \$29.22 billion at September 30, 2024 compared to \$26.46 billion at December 31, 2023. Deposits were \$30.57 billion at September 30, 2024 compared to \$27.41 billion at December 31, 2023.

Common stockholders' equity was \$5.25 billion at September 30, 2024 compared to \$4.80 billion at December 31, 2023. Tangible common stockholders' equity was \$4.59 billion at September 30, 2024 compared to \$4.14 billion at December 31, 2023. Total common stockholders' equity to total assets was 14.03% at September 30, 2024, compared to 14.02% at December 31, 2023. Total tangible common stockholders' equity to total tangible assets was 12.49% at September 30, 2024, compared to 12.33% at December 31, 2023. Book value per common share was \$46.31 at September 30, 2024, a \$3.89 increase from \$42.42 at December 31, 2023. Tangible book value per common share was \$40.49 at September 30, 2024, a \$3.91 increase from \$36.58 at December 31, 2023. The calculations of our common stockholders' equity, tangible common stockholders' equity, ratio of total common stockholders' equity to total assets, ratio of total tangible common stockholders' equity to total tangible assets and tangible book value per common share and the reconciliations to GAAP are included under the heading "Capital Management" in this MD&A.

Net Interest Income

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

Net interest income and net interest margin are analyzed in this discussion on a fully taxable equivalent ("FTE") basis. The adjustment to convert net interest income to an FTE basis consists of dividing tax-exempt interest income by one minus the statutory federal income tax rate of 21%. The FTE adjustments to net interest income were \$3.1 million and \$2.6 million for the three months ended September 30, 2024 and 2023, respectively, and \$9.2 million and \$7.8 million for the nine months ended September 30, 2024 and 2023, respectively. No adjustments have been made in this analysis for income exempt from state income taxes or for interest expense deductions disallowed under the provisions of the Internal Revenue Code as a result of investments in certain tax-exempt securities.

Net interest income - FTE for the third quarter of 2024 increased 6.13% to \$392.5 million compared to \$369.9 million for the third quarter of 2023. Net interest income - FTE for the first nine months of 2024 increased 8.06% to \$1.16 billion compared to \$1.08 billion for the first nine months of 2023. The increase in net interest income - FTE for the third quarter and first nine months of 2024 was primarily due to growth in our average earning assets more than offsetting the impact of the decrease in our net interest margin compared to the same periods in 2023.

Our net interest margin was 4.55% for the third quarter of 2024 compared to 5.05% for the third quarter of 2023 and 4.64% for the first nine months of 2024 compared to 5.29% for the first nine months of 2023. The decrease in our net interest margin for the third quarter and first nine months of 2024 was primarily due to the increase in the rates paid on our average interest bearing liabilities, partially offset by the increase in yield on average earning assets. In the third quarter and first nine months of 2024, our cost of interest bearing deposits increased more than the increase in yield on our loan portfolio, as deposit rates were catching up with earlier increases in loan yields. With the Federal Reserve reducing the federal funds rate, our loan yields may initially decline quicker than our COIBD, which could result in a further decline in our net interest margin. However, the impact of declining rates on our net interest margin should be somewhat mitigated by a combination of (i) floor rates in our variable rate loans, (ii) repayments of lower yielding investments securities, and (iii) the relatively short duration of our time deposits. The changes in our net interest margin will depend upon the timing and magnitude of Fed interest rate changes, among other factors.

The yield on our total earning assets was 7.94% for the third quarter and 7.97% for the first nine months of 2024 compared to 7.76% for the third quarter and 7.52% for the first nine months of 2023. The increase in the yield on earning assets for the third quarter and first nine months of 2024 was primarily attributable to the increases in the yield on our loans, and, to a lesser extent, interest earning deposits and investment securities, compared to the same periods in 2023.

The yield on our interest earning deposits increased 23 basis points (“bps”) to 5.39% for the third quarter and 52 bps to 5.35% for the first nine months of 2024 compared to 5.16% for the third quarter and 4.83% for the first nine months of 2023.

The yield on our aggregate investment securities portfolio increased 34 bps to 3.00% for the third quarter and 40 bps to 2.99% for the first nine months of 2024 compared to 2.66% for the third quarter and 2.59% for the first nine months of 2023. At September 30, 2024, all of our investment securities portfolio was classified as available-for-sale and we had no investment securities classified as held-to-maturity.

The yield on our loan portfolio increased eight bps to 8.66% for the third quarter and 33 bps to 8.70% for the first nine months of 2024 compared to 8.58% for the third quarter and 8.37% for the first nine months of 2023. At September 30, 2024, approximately 81% of the funded balance of our total loans had variable rates, of which 85% were tied to 1-month term Secured Overnight Financing Rate (“SOFR”), 12% to Wall Street Journal Prime Rate (“WSJ Prime”) and 3% to other indexes. At September 30, 2024, approximately 98% of our total commitment of variable rate loans had floor rates.

The rates paid on our total interest bearing liabilities increased 72 bps to 4.31% for the third quarter and 122 bps to 4.24% for the first nine months of 2024 compared to 3.48% for the third quarter and 2.90% for the first nine months of 2023. The increase in rates on interest bearing liabilities for the third quarter and first nine months of 2024 compared to the same periods in 2023 was primarily due to an increase in rates paid on our interest bearing deposits.

Our COIBD increased 83 bps to 4.31% for the third quarter and 134 bps to 4.24% for the first nine months of 2024 compared to 3.48% for the third quarter and 2.90% for the first nine months of 2023. Like many banks within our industry, we have seen a shift in the mix of deposits away from non-interest bearing and lower cost deposits to more time deposits as many customers have been taking advantage of time deposit rates. As a result, the increase in our COIBD was primarily due to an increase in rates paid on our time deposits during the third quarter and first nine months of 2024 compared to the same periods in 2023. Additionally, increased deposit levels necessary to fund future potential growth in earning assets, changes in the federal funds rate and other rates, the level of on-balance sheet liquidity, or competitive conditions, among other factors, could significantly affect our COIBD in future periods.

Our other borrowing sources include (i) other borrowings, comprised primarily of FHLB advances and fed funds purchased, (ii) subordinated notes and (iii) subordinated debentures. The decrease in the rates paid on other borrowings for the third quarter and first nine months of 2024 was due to capitalized interest which totaled \$0.7 million and \$1.5 million for the third quarter and first nine months of 2024, respectively, which reduced the interest expense and the rates paid on our other borrowings. Capitalized interest was not material for the third quarter and first nine months of 2023.

The increase in average earning assets for the third quarter and first nine months of 2024 compared to the same period in 2023 was primarily due to an increase in loans, and interest earning deposits partially, offset by decreases in the average balance of investment securities. The increase in the average balance of interest bearing liabilities for the third quarter and first nine months of 2024 compared to the same period in 2023 was primarily due to an increase in the average balance of interest bearing deposits, primarily time deposits, partially offset by a decrease in other borrowings. We increased the average balance of interest bearing liabilities during the third quarter and first nine months of 2024 to fund the increase in our average earning assets.

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

Average Consolidated Balance Sheets and Net Interest Analysis – FTE

	Three Months Ended September 30,						Nine Months Ended September 30,					
	2024			2023			2024			2023		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
(Dollars in thousands)												
ASSETS												
Interest earning assets:												
Interest earning deposits	\$ 2,411,007	\$ 32,689	5.39%	\$ 1,312,533	\$ 17,061	5.16%	\$ 2,096,483	\$ 83,899	5.35%	\$ 1,005,263	\$ 36,338	4.83%
Investment securities:												
Taxable	1,779,675	7,874	1.76	2,243,378	9,887	1.75	1,902,826	26,000	1.83	2,351,707	29,761	1.69
Tax-exempt – FTE	1,204,528	14,627	4.83	1,031,685	12,068	4.64	1,173,413	42,882	4.88	1,033,430	35,807	4.63
Loans - FTE	28,957,386	630,013	8.66	24,461,488	529,129	8.58	28,294,238	1,843,379	8.70	22,811,326	1,428,609	8.37
Total earning assets – FTE	34,352,596	685,203	7.94	29,049,084	568,145	7.76	33,466,960	1,996,160	7.97	27,201,726	1,530,515	7.52
Non-interest earning assets	2,713,462			2,557,808			2,738,394			2,554,214		
Total assets	<u>\$37,066,058</u>			<u>\$31,606,892</u>			<u>\$36,205,354</u>			<u>\$29,755,940</u>		
LIABILITIES AND STOCKHOLDERS' EQUITY												
Interest bearing liabilities:												
Deposits:												
Savings and interest bearing transaction	\$ 9,156,941	\$ 68,903	2.99%	\$ 8,806,690	\$ 56,169	2.53%	\$ 9,205,428	\$ 204,398	2.97%	\$ 9,201,712	\$ 147,334	2.14%
Time deposits	17,286,964	217,705	5.01	11,606,189	122,654	4.19	16,386,188	607,337	4.95	9,621,410	261,243	3.63
Total interest bearing deposits	26,443,905	286,608	4.31	20,412,879	178,823	3.48	25,591,616	811,735	4.24	18,823,122	408,577	2.90
Other borrowings ⁽¹⁾	120,203	953	3.15	1,048,566	14,326	5.42	175,386	5,668	4.32	783,566	30,339	5.20
Subordinated notes	348,270	2,631	3.01	347,456	2,631	3.00	348,067	7,808	3.00	347,254	7,808	3.01
Subordinated debentures	121,652	2,462	8.05	121,652	2,472	8.06	121,652	7,405	8.13	121,647	7,017	7.71
Total interest bearing liabilities	27,034,030	292,654	4.31	21,930,553	198,252	3.59	26,236,721	832,616	4.24	20,075,589	453,741	3.02
Non-interest bearing liabilities:												
Non-interest bearing deposits	3,866,808			4,294,191			3,953,241			4,370,763		
Other non-interest bearing liabilities	661,754			495,147			665,882			499,163		
Total liabilities	31,562,592			26,719,891			30,855,844			24,945,515		
Total stockholders' equity before noncontrolling interest	5,502,526			4,885,620			5,348,540			4,809,053		
Noncontrolling interest	940			1,381			970			1,372		
Total liabilities and stockholders' equity	<u>\$37,066,058</u>			<u>\$31,606,892</u>			<u>\$36,205,354</u>			<u>\$29,755,940</u>		
Net interest income – FTE	<u>\$392,549</u>			<u>\$369,893</u>			<u>\$1,163,544</u>			<u>\$1,076,774</u>		
Net interest margin – FTE	<u>4.55%</u>			<u>5.05%</u>			<u>4.64%</u>			<u>5.29%</u>		

⁽¹⁾ The interest expense and rates paid related to "other borrowings" include capitalized interest which totaled \$0.7 million and \$1.5 million for the third quarter and first nine months of 2024. Capitalized interest was not material for the third quarter and first nine months of 2023. Excluding capitalized interest from the "other borrowings" expense calculation would result in a rate of 5.42% and 5.46% for the third quarter and first nine months of 2024.

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 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 indirect loans) and, accretion or amortization of any purchase accounting yield adjustment and accretion of non-credit discounts on purchased credit deteriorated loans. Interest expense on our other borrowing sources are presented net of interest capitalized on construction projects. Our subordinated debentures and our subordinated notes include the amortization of debt issuance costs, if any.

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

Analysis of Changes in Net Interest Income – FTE

	Three Months Ended September 30, 2024 Over Three Months Ended September 30, 2023			Nine Months Ended September 30, 2024 Over Nine Months Ended September 30, 2023		
	Volume	Yield/Rate	Net Change	Volume	Yield/Rate	Net Change
	(Dollars in thousands)					
Increase (decrease) in:						
Interest income – FTE:						
Interest earning deposits	\$ 14,894	\$ 734	\$ 15,628	\$ 43,670	\$ 3,891	\$ 47,561
Investment securities:						
Taxable	(2,052)	39	(2,013)	(6,133)	2,372	(3,761)
Tax-exempt – FTE	2,099	460	2,559	5,116	1,959	7,075
Loans – FTE	97,698	3,186	100,884	357,214	57,556	414,770
Total interest income – FTE	112,639	4,419	117,058	399,867	65,778	465,645
Interest expense:						
Savings and interest bearing transaction	2,636	10,098	12,734	84	56,980	57,064
Time deposits	71,541	23,510	95,051	250,730	95,364	346,094
Other borrowings	(7,356)	(6,017)	(13,373)	(19,651)	(5,020)	(24,671)
Subordinated notes	6	(6)	—	18	(18)	—
Subordinated debentures	—	(10)	(10)	—	388	388
Total interest expense	66,827	27,575	94,402	231,181	147,694	378,875
Increase in net interest income – FTE	\$ 45,812	\$ (23,156)	\$ 22,656	\$ 168,686	\$ (81,916)	\$ 86,770

Non-Interest Income

Our non-interest income consists primarily of service charges on deposit accounts, trust income, BOLI income, loan service, maintenance and other fees and net gains and losses on investment securities and sales of other assets. Non-interest income for the third quarter and the first nine months of 2024 was \$33.6 million and \$91.5 million compared to \$25.7 million and \$85.5 million for the third quarter and the first nine months of 2023.

Service charges on deposit accounts, our largest component of non-interest income, decreased 4.8% to \$11.1 million for the third quarter and decreased 5.0% to \$32.3 million for the first nine months of 2024 compared to \$11.7 million for the third quarter and \$34.0 million for the first nine months of 2023. Consistent with the industry trend, we eliminated non-sufficient funds (“NSF”) fees effective January 1, 2024. During the third quarter and first nine months of 2023, service charges on deposit accounts included NSF fees that totaled \$1.1 million and \$3.1 million, respectively.

Trust income increased 14.3% to \$2.5 million for the third quarter and increased 9.1% to \$6.9 million for the first nine months of 2024 compared to \$2.2 million for the third quarter and \$6.4 million for the first nine months of 2023.

BOLI income increased 35.2% to \$7.1 million for the third quarter and increased 19.1% to \$18.2 million for the first nine months of 2024 compared to \$5.3 million for the third quarter and \$15.3 million for the first nine months of 2023. The increase in BOLI income for the third quarter and first nine months of 2024 was primarily due to the increase in BOLI death benefit claims compared to the same periods in 2023.

Loan service, maintenance, and other fees, which includes fees that are not considered yield adjustments, increased 63.6% to \$6.5 million for the third quarter and increased 59.1% to \$19.4 million during the first nine months of 2024 compared to \$4.0 million for the third quarter and \$12.2 million during the first nine months of 2023. The increase in loan service, maintenance and other fees for the third quarter and first nine months of 2024 was due to an increase in loan servicing income primarily due to the increase in our loan portfolio compared to the same periods in 2023. Income from these items may vary significantly from period to period.

Gains on sales of other assets were \$1.3 million for the third quarter and \$2.8 million for the first nine months of 2024 compared to \$0.4 million for the third quarter and \$5.7 million for the first nine months of 2023. Gains on sales of other assets may vary significantly from period to period.

We had \$0.03 million in net gains of investment securities for the third quarter and \$0.6 million during the first nine months of 2024 compared to net losses of \$0.3 million during the third quarter and net gains of \$2.1 million during the first nine months of 2023. Gains or losses on sales of investment securities may vary significantly from period to period.

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

Non-Interest Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Service charges on deposit accounts:				
NSF fees	\$ —	\$ 1,102	\$ —	\$ 3,097
Overdraft fees	3,563	3,606	10,354	10,262
All other service charges	7,561	6,973	21,958	20,662
Trust income	2,529	2,213	6,935	6,358
BOLI income:				
Increase in cash surrender value	5,758	5,252	16,870	15,295
Death benefits	1,344	—	1,344	—
Loan service, maintenance and other fees	6,534	3,995	19,358	12,165
Gains on sales of other assets	1,303	364	2,835	5,740
Net gains (losses) on investment securities	25	(270)	560	2,066
Other	4,988	2,492	11,257	9,877
Total non-interest income	\$ 33,605	\$ 25,727	\$ 91,471	\$ 85,522

Non-Interest Expense

Our non-interest expense consists of salaries and employee benefits, net occupancy and equipment and other operating expenses. Non-interest expense increased 8.9% to \$140.4 million for the third quarter and increased 6.9% to \$411.2 million for the first nine months of 2024 compared to \$129.0 million for the third quarter and \$384.5 million for the first nine months of 2023. We expect continued increases in our total non-interest expenses in the fourth quarter of 2024 and for the full year 2025 due to a combination of adding high quality team members and growth in our retail branch locations.

Salaries and employee benefits, our largest component of non-interest expense, increased 17.5% to \$75.3 million in the third quarter and increased 13.4% to \$218.3 million in the first nine months of 2024 compared to \$64.1 million in the third quarter and \$192.6 million in the first nine months of 2023. During the third quarter and first nine months of 2024, the increase in salaries and employee benefits was driven by competitive labor market conditions and our expanding staff. As of September 30, 2024, our employee headcount was 2,962 employees, on a full-time equivalent basis, an increase of 251 employees compared to September 30, 2023. We expect further growth in headcount to support our anticipated growth in deposits, loans and other aspects of our business, including plans to add new branches which we expect to result in further increases in salaries and employee benefits in future quarters.

Net occupancy and equipment expenses decreased 2.3% to \$17.4 million for the third quarter and decreased 2.9% to \$53.8 million for the first nine months of 2024 compared to \$17.8 million for the third quarter and \$55.4 million for the first nine months of 2023. Net occupancy and equipment expenses are expected to increase in future quarters as we expect to expand our retail branch network by adding new branches.

Our aggregate other operating expenses increased 1.3% to \$47.7 million for the third quarter and increased 1.8% to \$139.1 million for the first nine months of 2024 compared to \$47.1 million for the third quarter and \$136.6 million for the first nine months of 2023. The increase in our aggregate other operating expenses for the third quarter and first nine months of 2024 was primarily due to increases in software and data processing, advertising and public relations expenses, and deposit insurance and assessments, offset by the impact of the change in accounting method described in the paragraph below, related to the amortization of tax credit investments. In the first quarter of 2024, the FDIC approved a second special assessment applicable to banks generally. As a result, we accrued and expensed \$2.5 million in the first quarter of 2024 for this second special assessment.

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

Our efficiency ratio (non-interest expense divided by the sum of net interest income – FTE and non-interest income) was 32.95% for the third quarter and 32.76% for the first nine months of 2024 compared to 32.60% for the third quarter and 33.09% for the first nine months of 2023.

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

Non-Interest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Salaries and employee benefits	\$ 75,324	\$ 64,107	\$ 218,297	\$ 192,576
Net occupancy and equipment	17,380	17,797	53,775	55,357
Other operating expenses:				
Software and data processing	12,742	9,584	36,016	28,634
Deposit insurance and assessments	6,050	5,500	19,609	14,548
Professional and outside services	5,620	4,640	18,272	15,190
Advertising and public relations	6,089	3,779	16,874	10,998
Amortization of CRA and tax credit investments ⁽¹⁾	—	8,171	—	20,151
Other	17,196	15,400	48,321	47,095
Total non-interest expense	<u>\$ 140,401</u>	<u>\$ 128,978</u>	<u>\$ 411,164</u>	<u>\$ 384,549</u>

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

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

PPNR is a measure of earnings before provision for credit losses and income tax expense. We use PPNR, which is a non-GAAP financial measure, to measure our core earnings and trends. PPNR increased 7.0% to \$282.6 million for the third quarter and increased 8.4% to \$834.6 million for the first nine months of 2024 compared to \$264.0 million for the third quarter and \$769.9 million for the first nine months of 2023. The increase in PPNR was primarily the result of increased net interest income, which is analyzed in the MD&A under the caption "Net Interest Income." This non-GAAP financial measure should not be viewed as a substitute for financial measures determined in accordance with GAAP, nor is it necessarily comparable to non-GAAP financial measures that may be presented by other companies.

The reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure is included in the following table for the periods indicated.

Calculation of Pre-Tax Pre-Provision Net Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Net income available to common stockholders	\$ 177,147	\$ 169,746	\$ 522,134	\$ 503,517
Preferred stock dividends	4,047	4,047	12,141	12,141
Earnings attributable to noncontrolling interest	12	37	22	50
Provision for income taxes	54,953	46,144	161,958	132,564
Provision for credit losses	46,443	44,036	138,378	121,638
Pre-tax pre-provision net revenue	<u>\$ 282,602</u>	<u>\$ 264,010</u>	<u>\$ 834,633</u>	<u>\$ 769,910</u>

Income Taxes

The provision for income taxes was \$55.0 million for the third quarter and \$162.0 million for the first nine months of 2024 compared to \$46.1 million for the third quarter and \$132.6 million for the first nine months of 2023. The effective income tax rate was 23.3% for the third quarter and first nine months of 2024 compared to 21.0% for the third quarter and 20.4% for the first nine months of 2023. The increase in the effective tax rate for the third quarter and first nine months of 2024 compared to the same period in 2023 was primarily due to the adoption of ASU 2023-02 effective January 1, 2024 as previously disclosed in the MD&A under the caption "Non-Interest Expense." Accounting for our income taxes is deemed a critical accounting estimate and is discussed in the Critical Accounting Estimates section of our annual report on Form 10-K for the year ended December 31, 2023.

ANALYSIS OF FINANCIAL CONDITION

RISK ELEMENTS

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

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

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

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

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

Credit Risk Management

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

Our Loan Committee ("LC") has primary responsibility for monitoring our credit approval process. The LC consists of our Chairman & Chief Executive Officer ("CEO"), President, Chief Credit Officer ("CCO") and Chief Lending Officer ("CLO"). Loans and aggregate loan relationships exceeding \$20 million up to the limits established by our Board must be approved by the LC. Our Portfolio Oversight Committee ("POC") oversees the performance and overall quality of our loan portfolio. The POC is comprised of

three directors and is chaired by our CEO. At least quarterly, our Board and/or POC review various reports regarding our credit management activities including, but not limited to, summary reports of past due loans, internally classified and criticized loans, lending concentration reports, and various other loan and credit management reports.

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

We have detailed, comprehensive standards for evaluating credit risk, both at the point of origination and thereafter. We utilize a dual risk rating system that incorporates score cards, which assess quantitative models and qualitative factors, in determining the risk rating for our commercial loans. This dual risk rating methodology incorporates an Obligor Risk Rating ("ORR") and a Facility Risk Rating ("FRR") which are combined to create a two-dimensional risk rating for our commercial loans. The ORR is influenced by a loan's probability of default ("PD") as determined from the score cards, with such score card PDs affected by various financial metrics such as projected cash flow, LTV, property and/or market characteristics, borrower financial strength and other financial and loan characteristics. Thus, the higher a loan's PD, the more adverse the loan's ORR. The FRR is influenced by a loan's loss given default ("LGD") as determined from the score cards. Score card LGDs are affected by the estimated loss when a borrower cannot or will not repay the loan. Estimated losses take into consideration our underwriting standards and protections, including collateral and collateral margin requirements, lien position, compliance with any loan covenants, support required from guarantors, insurance and other factors. The higher a loan's LGD, the more adverse the loan's FRR. The combined dual risk rating provides an annualized expected loss estimate for each commercial loan and, based on such loss estimate, a regulatory risk rating is assigned. Additionally, we may apply risk rating "overrides" whereby management may further adjust a loan's risk rating to the extent we believe there is additional information about a loan or a borrower that is not fully reflected in the ORR and/or the FRR. Our consumer loans and certain small business loans are not risk rated in the same manner as our other commercial loans. Instead, such consumer and small business loans are risk rated based on past due status with all such loans that are less than 30 days past due typically assigned a "pass rating" and all loans that are 30 days or more past due assigned a more adverse rating commensurate with each loan's perceived risk. While our consumer loans and certain small business loans are not risk rated using a dual risk rating scale that incorporates both an ORR and an FRR, we do utilize output from the score cards on such consumer and small business loans for purposes of determining the necessary ACL for those consumer and small business loans.

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

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

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

Loan Portfolio. At September 30, 2024, the funded balance of our total loan portfolio was \$29.22 billion, an increase of 10.4% from \$26.46 billion at December 31, 2023. At September 30, 2024, our total loan portfolio consisted of 75.8% real estate loans, 5.2% commercial and industrial loans, 12.2% consumer loans and 6.8% 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

	September 30, 2024		December 31, 2023	
	(Dollars in thousands)			
Real estate:				
Residential 1-4 family	\$ 1,075,912	3.7%	\$ 961,338	3.6%
Non-farm/non-residential	7,924,453	27.1	5,309,239	20.1
Construction/land development	9,827,974	33.6	11,653,487	44.0
Agricultural	274,703	0.9	256,423	1.0
Multifamily residential	3,058,056	10.5	2,064,106	7.8
Total real estate	22,161,098	75.8	20,244,593	76.5
Commercial and industrial	1,503,411	5.2	1,269,610	4.8
Consumer	3,565,400	12.2	2,965,042	11.2
Other	1,988,235	6.8	1,979,830	7.5
Total loans	<u>\$ 29,218,144</u>	<u>100.0%</u>	<u>\$ 26,459,075</u>	<u>100.0%</u>

Included in “other” loans at September 30, 2024 and December 31, 2023 are loans originated by our Real Estate Specialties Group (“RESG”) with outstanding balances totaling approximately \$0.98 billion and approximately \$1.24 billion, respectively, made to non-depository financial institutions and typically collateralized by an assignment of a promissory note and all related note documents including mortgages, deeds of trust, or other documents (“debt-on-debt” loans). While such loans are considered “other” loans in accordance with FDIC instructions for the Federal Financial Institutions Examination Council 041 Consolidated Reports of Condition and Income (“Call Report”), we underwrite these lending transactions based on the fundamentals of the underlying collateral, repayment sources and guarantors, among other factors, consistent with other similar lending transactions.

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

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

Top Ten Geographies and MSAs for Real Estate Loans

Geography or MSA	Funded Balance	Unfunded Balance	Total Commitment
		(Dollars in thousands)	
September 30, 2024:			
Miami–Fort Lauderdale–Pompano Beach, FL MSA	\$ 1,695,709	\$ 2,691,308	\$ 4,387,017
New York–Newark–Jersey City, NY–NJ–PA MSA	1,964,328	1,057,706	3,022,034
Atlanta–Sandy Springs–Alpharetta, GA MSA	1,580,276	499,231	2,079,507
San Diego–Chula Vista–Carlsbad, CA MSA	1,003,558	934,404	1,937,962
Dallas–Fort Worth–Arlington, TX MSA	1,180,415	545,554	1,725,969
Los Angeles–Long Beach–Anaheim, CA MSA	1,363,385	230,423	1,593,808
San Francisco–Oakland–Fremont, CA MSA	838,426	603,273	1,441,699
Boston–Cambridge–Newton, MA–NH MSA	750,454	609,524	1,359,978
Tampa–St. Petersburg–Clearwater, FL MSA	715,161	593,482	1,308,643
Phoenix–Mesa–Chandler, AZ MSA	450,721	775,247	1,225,968
All other geographies	10,618,665	6,820,750	17,439,415
Total real estate loans	\$ 22,161,098	\$ 15,360,902	\$ 37,522,000
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

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 September 30, 2024 and December 31, 2023, we had 90 and 81 additional geographies and MSAs that contain total committed balances (both funded and unfunded) of \$10 million or more.

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

Total Non-Farm/Non-Residential Loans

	September 30, 2024		December 31, 2023	
	Amount	%	Amount	%
(Dollars in thousands)				
Office, including medical offices	\$ 3,323,758	41.9%	\$ 2,215,736	41.7%
Manufacturing and industrial facilities	1,715,049	21.6	691,124	13.0
Life Science	950,442	12.0	164,326	3.1
Hotels and motels	651,559	8.2	894,055	16.8
Retail, including shopping centers and strip centers	280,550	3.5	313,794	5.9
Churches and schools	220,710	2.8	220,907	4.2
Mixed use properties	213,946	2.7	223,809	4.2
Office warehouse, warehouse and mini-storage	118,404	1.5	124,576	2.3
Restaurants and bars	106,913	1.4	115,458	2.2
Gasoline stations and convenience stores	98,067	1.2	90,226	1.7
Other non-farm/non-residential	245,055	3.2	255,228	4.9
Total	<u>\$ 7,924,453</u>	<u>100.0%</u>	<u>\$ 5,309,239</u>	<u>100.0%</u>

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

Total Construction/Land Development Loans

	September 30, 2024		December 31, 2023	
	Amount	%	Amount	%
(Dollars in thousands)				
Unimproved land	\$ 682,332	6.9%	\$ 814,301	7.0%
Land development and lots:				
1-4 family residential and multifamily	581,159	5.9	573,696	4.9
Non-residential	329,991	3.4	381,906	3.3
Construction:				
1-4 family residential:				
Owner occupied	4,954	0.1	7,397	0.1
Non-owner occupied	1,350,862	13.7	1,713,754	14.7
Multifamily	3,204,587	32.6	3,040,681	26.1
Mixed use properties	1,414,664	14.4	1,946,036	16.6
Manufacturing, industrial and warehouse	759,683	7.7	976,884	8.4
Life science	756,414	7.7	1,093,159	9.3
Offices, including medical offices	529,413	5.4	852,966	7.3
Hotels and motels	51,252	0.5	128,006	1.1
Other	162,663	1.7	124,701	1.2
Total	<u>\$ 9,827,974</u>	<u>100.0%</u>	<u>\$ 11,653,487</u>	<u>100.0%</u>

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

Generally, capital sources other than our loans, total an amount sufficient to cover all soft costs, including construction period interest and a portion of the hard costs. While we advance interest reserves as part of the funding process, this has been considered in determining the borrower's initial equity contribution. During the three and nine months ended September 30, 2024 and 2023, there were no situations where interest reserves were advanced outside of the terms of the contractual loan agreement to avoid such loan from becoming nonperforming.

During the third quarter and first nine months of 2024, we recognized approximately \$116 million and \$387 million, respectively, of interest income on construction and development loans from the advance of interest reserves, compared to approximately \$109 million and \$286 million during the comparable period in 2023. We advanced construction period interest on construction and development loans totaling approximately \$126 million and \$404 million respectively, in the third quarter and first nine months of 2024 compared to approximately \$101.7 million and \$273.7 million, respectively, in the third quarter and first nine months of 2023.

The maximum committed balance of all construction and development loans which provide for the use of interest reserves at September 30, 2024 was approximately \$21 billion, of which approximately \$9 billion was outstanding at September 30, 2024 and approximately \$12 billion remained to be advanced. The weighted-average loan-to-cost ("LTC") on such loans, assuming such loans are ultimately fully advanced, was approximately 50%, which means that the weighted-average cash equity contributed on such loans, assuming such loans are ultimately fully advanced, was approximately 50%. The weighted-average loan-to-value ("LTV") on such loans, based on the most recent appraisals and assuming such loans are ultimately fully advanced, was approximately 43%.

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
	(Dollars in thousands)	
Nonaccrual loans	\$ 175,665	\$ 66,677
Accruing loans 90 days or more past due	—	—
Total nonperforming loans	175,665	66,677
Foreclosed assets	77,949	61,720
Total nonperforming assets	\$ 253,614	\$ 128,397
Nonaccrual loans to total loans	0.60%	0.25%
Nonperforming assets to total assets	0.68	0.38
ALL to nonaccrual loans ⁽¹⁾	239	509
ACL to nonaccrual loans	338	752

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

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

At September 30, 2024, we had certain substandard loans that were current and on accrual status and therefore were not designated as nonperforming, nonaccrual or 90 days past due, totaling \$132.2 million. These credits included three credits originated by RESG consisting of two credits with combined outstanding balances of \$72.9 million collateralized by office properties, and a credit with an outstanding balance of \$32.5 million collateralized by a lot development and townhouse construction project.

The following table presents information concerning the geographic location of nonperforming assets at September 30, 2024. Nonperforming loans are reported in the physical location of the principal collateral. Foreclosed assets are reported in the physical location of the asset. Repossessions are reported at the physical location where the borrower resided or had its principal place of business at the time of repossession.

Geographic Distribution of Nonperforming Assets

	<u>Total Nonperforming Loans</u>	<u>Foreclosed Assets and Repossessions</u>	<u>Total Nonperforming Assets</u>
	(Dollars in thousands)		
Illinois	\$ 107,521	\$ —	\$ 107,521
California	21,603	60,076	81,679
Arkansas	13,465	—	13,465
Georgia	10,559	—	10,559
Texas	4,419	8,147	12,566
Florida	5,197	76	5,273
North Carolina	6,261	135	6,396
All other	6,640	9,515	16,155
Total	\$ 175,665	\$ 77,949	\$ 253,614

Allowance for Credit Losses. Our ACL at September 30, 2024 was \$594.5 million, an increase of \$133.0 million or 28.8% compared to \$461.5 million at September 30, 2023. This increase reflects both our \$2.6 billion in net growth in the funded balance of our loans and unfunded loan commitments and our cautious outlook on macroeconomic conditions, including the migration of risk ratings within our portfolio as a result of Fed interest rate increases, increases in capitalization rates, decreases in appraised values, and higher-for-longer interest rates, which, among other factors, have increased challenges for some sponsors and stress on some projects.

Our provision for credit losses for the third quarter of 2024 was \$46.4 million, including a provision expense of \$39.0 million related to our allowance for loan losses (“ALL”) for outstanding loans and a provision of \$7.5 million related to our reserve for losses on unfunded credit commitments. Our provision for the nine months ended September 30, 2024 was \$138.4 million, including a provision expense of \$125.7 million related to our ALL for outstanding loans and a provision expense of \$12.6 million related to our reserve for losses on unfunded loan commitments. Our provision for credit losses for the third quarter of 2023 was \$44.0 million, including a provision expense of \$49.5 million related to our ALL for outstanding loans and a negative provision expense of \$5.5 million related to our reserve for losses on unfunded credit commitments. Our provision for credit losses for the nine months ended September 30, 2023 was \$121.6 million, including a provision expense of \$119.9 million related to our ALL for outstanding loans and a provision expense of \$1.7 million related to our reserve for losses on unfunded loan commitments.

The calculations of our provision for credit losses for the third quarter and first nine months of 2024 and our total ACL at September 30, 2024 were based on a number of key estimates, assumptions and economic forecasts. The Bank utilized recent economic forecasts provided by Moody’s, including their updates released in September 2024. In selecting the weightings for the various economic scenarios for purposes of determining the ACL at September 30, 2024, our combined weightings assigned to Moody’s S4 (Alternative Adverse Downside) and S6 (Stagflation) scenarios exceeded that of the Moody’s Baseline scenario. Our selection and weightings of these scenarios reflected our assessment of conditions in the U.S. economy, and acknowledged the uncertainty regarding future U.S. economic conditions, including risks from: U.S. fiscal policy actions, changes in the Fed funds target rate, quantitative tightening, a possible recession, inflationary pressures, the conflict in the Middle East, the ongoing war in Ukraine, global trade and geopolitical matters, supply chain disruptions, labor disputes and strikes and various other factors. These forecasts included a number of economic variables, including gross domestic product (“GDP”), unemployment rates, commercial and residential real estate prices, among others. For purposes of the forecasts used in the calculation of our ACL, 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 to capture items not included in our modeled results or other assumptions.

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

Allowance for Credit Losses

	Allowance for Loan Losses	Reserve for Losses on Unfunded Credit Commitments	Total Allowance for Credit Losses
	(Dollars in thousands)		
Three months ended September 30, 2024:			
Balances – June 30, 2024	\$ 407,079	\$ 167,022	\$ 574,101
Net charge-offs	(26,007)	—	(26,007)
Provision for credit losses	38,986	7,457	46,443
Balances – September 30, 2024	<u>\$ 420,058</u>	<u>\$ 174,479</u>	<u>\$ 594,537</u>
Nine months ended September 30, 2024:			
Balances – December 31, 2023	\$ 339,394	\$ 161,834	\$ 501,228
Net charge-offs	(45,069)	—	(45,069)
Provision for credit losses	125,733	12,645	138,378
Balances – September 30, 2024	<u>\$ 420,058</u>	<u>\$ 174,479</u>	<u>\$ 594,537</u>
Three months ended September 30, 2023:			
Balances – June 30, 2023	\$ 263,188	\$ 163,632	\$ 426,820
Net charge-offs	(9,370)	—	(9,370)
Provision for credit losses	49,540	(5,504)	44,036
Balances – September 30, 2023	<u>\$ 303,358</u>	<u>\$ 158,128</u>	<u>\$ 461,486</u>
Nine months ended September 30, 2023:			
Balances – December 31, 2022	\$ 208,858	\$ 156,419	\$ 365,277
Net charge-offs	(25,429)	—	(25,429)
Provision for credit losses	119,929	1,709	121,638
Balances – September 30, 2023	<u>\$ 303,358</u>	<u>\$ 158,128</u>	<u>\$ 461,486</u>

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

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

Net Charge-off and ACL/ALL Ratios

	As of and for the Three Months Ended September 30,		As of and for the Nine Months Ended September 30,		As of and for the Year Ended December 31,
	2024	2023	2024	2023	2023
Net charge-offs to average total loans ⁽¹⁾	0.36 %	0.15 %	0.21 %	0.15 %	0.13 %
ALL to total loans ⁽²⁾	1.44	1.20	1.44	1.20	1.28
Reserve for losses on unfunded credit commitments to total unfunded credit commitments	0.90	0.77	0.90	0.77	0.79
ACL to total loans	2.03	1.82	2.03	1.82	1.89
ACL to total loans and unfunded credit commitments	1.23	1.00	1.23	1.00	1.07

⁽¹⁾ Ratios for interim periods annualized.

⁽²⁾ Excludes reserve for losses on unfunded credit commitments.

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

Allocation of the ALL

	September 30, 2024				December 31, 2023			
	ALL	% of ALL to Loans	Total Loans	% of loans to Total Loans	ALL	% of ALL to Loans	Total Loans	% of loans to Total Loans
(Dollars in thousands)								
ALL for loans:								
Real estate:								
Residential 1-4 family	\$ 23,636	2.20%	\$1,075,912	3.7%	\$ 23,151	2.41%	\$ 961,338	3.6%
Non-farm/non-residential	94,175	1.19	7,924,453	27.1	44,250	0.83	5,309,239	20.1
Construction/land development	103,750	1.06	9,827,974	33.6	127,320	1.09	11,653,487	44.0
Agricultural	6,447	2.35	274,703	0.9	4,732	1.85	256,423	1.0
Multifamily residential	36,873	1.21	3,058,056	10.5	15,469	0.75	2,064,106	7.8
Commercial and industrial	6,728	0.45	1,503,411	5.2	7,626	0.60	1,269,610	4.8
Consumer	124,517	3.49	3,565,400	12.2	98,974	3.34	2,965,042	11.2
Other	23,932	1.20	1,988,235	6.8	17,872	0.90	1,979,830	7.5
Total ALL	<u>\$420,058</u>	1.44%	<u>\$29,218,144</u>	100.0%	<u>\$339,394</u>	1.28%	<u>\$26,459,075</u>	100.0%

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

Allocation of ACL

	ALL	Reserve for Losses on Unfunded Credit Commitments	Total ACL
	(Dollars in thousands)		
September 30, 2024:			
Real estate:			
Residential 1-4 family	\$ 23,636	\$ 6,507	\$ 30,143
Non-farm/non-residential	94,175	19,866	114,041
Construction/land development	103,750	85,946	189,696
Agricultural	6,447	20	6,467
Multifamily residential	36,873	3,163	40,036
Commercial and industrial	6,728	28,624	35,352
Consumer	124,517	144	124,661
Other	23,932	30,209	54,141
Total	<u>\$ 420,058</u>	<u>\$ 174,479</u>	<u>\$ 594,537</u>
December 31, 2023:			
Real estate:			
Residential 1-4 family	\$ 23,151	\$ 5,252	\$ 28,403
Non-farm/non-residential	44,250	3,605	47,855
Construction/land development	127,320	108,525	235,845
Agricultural	4,732	66	4,798
Multifamily residential	15,469	1,021	16,490
Commercial and industrial	7,626	16,680	24,306
Consumer	98,974	134	99,108
Other	17,872	26,551	44,423
Total	<u>\$ 339,394</u>	<u>\$ 161,834</u>	<u>\$ 501,228</u>

Liquidity Risk Management

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

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

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

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

Available Primary and Secondary Liquidity Sources

	September 30, 2024		
	Total Capacity	Outstanding	Available Liquidity
	(Dollars in thousands)		
Cash & cash equivalents	\$ 2,678,726	\$ —	\$ 2,678,726
Unpledged investment securities	2,100,313	—	2,100,313
FHLB ⁽¹⁾	10,880,894	3,501,140	7,379,754
Unsecured lines of credit	1,110,000	150,000	960,000
Fed discount window	390,494	—	390,494
Total	<u>\$ 17,160,427</u>	<u>\$ 3,651,140</u>	<u>\$ 13,509,287</u>

⁽¹⁾ FHLB outstanding balance included \$3.5 billion of outstanding letters of credit at September 30, 2024.

Deposits. In recent years, we have worked to improve the mix and quality of our deposit base by focusing significant efforts on growing our core relationships. This groundwork has been very helpful in the current environment, allowing us to continue to grow deposits as many banks saw 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 as many customers have been taking advantage of time deposit rates. Most of our deposits are generated through our network of 230 retail branches in Arkansas, Georgia, Florida, North Carolina, Tennessee and Texas. Our total deposits increased \$3.17 billion, or 11.6%, not annualized, to \$30.57 billion at September 30, 2024 compared to \$27.41 billion at December 31, 2023. Our loan-to-deposit ratio at September 30, 2024 was 95.6% compared to 96.5% at December 31, 2023.

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

Deposits – By Account Type

	September 30, 2024		December 31, 2023	
	(Dollars in thousands)			
Non-interest bearing	\$ 3,855,214	12.6%	\$ 4,095,874	14.9%
Interest bearing:				
Transaction (NOW)	4,758,162	15.6	4,486,372	16.4
Savings and money market	4,545,304	14.8	4,587,924	16.7
Time deposits	17,412,933	57.0	14,234,973	52.0
Total deposits	<u>\$ 30,571,613</u>	<u>100.0%</u>	<u>\$ 27,405,143</u>	<u>100.0%</u>

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

Deposits – By Customer Type

	September 30, 2024		December 31, 2023	
	(Dollars in thousands)			
Non-interest bearing	\$ 3,855,214	12.6%	\$ 4,095,874	14.9%
Interest bearing:				
Consumer and commercial:				
Consumer – non-time	2,854,094	9.3	2,792,199	10.2
Consumer – time	13,133,060	43.0	10,216,217	37.3
Commercial – non-time	2,819,146	9.2	2,439,175	8.9
Commercial – time	971,632	3.2	767,566	2.8
Public funds	3,628,461	11.9	3,725,766	13.6
Brokered	2,716,206	8.9	2,655,317	9.7
Reciprocal	593,800	1.9	713,029	2.6
Total deposits	<u>\$ 30,571,613</u>	<u>100.0%</u>	<u>\$ 27,405,143</u>	<u>100.0%</u>

At September 30, 2024, brokered deposits totaled \$2.72 billion, compared to \$2.66 billion at December 31, 2023. Brokered deposits totaled 8.9% of total deposits as of September 30, 2024 and 9.7% as of December 31, 2023. We use brokered deposits, subject to certain limitations and requirements, as a source of funding to augment deposits generated from our branch network, which are our primary source of funding. Our Board has established policies and procedures with respect to the use of brokered deposits. Such policies and procedures require, among other things, that (i) we limit the amount of brokered deposits as a percentage of total deposits and (ii) ALCO monitor our use of brokered deposits on a regular basis, including interest rates and the volume of such deposits in relation to our total deposits.

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

Average Deposit Balances and Rates

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(Dollars in thousands)							
Interest bearing:								
Transaction (NOW)	\$ 4,581,217	3.18%	\$ 4,130,496	2.94%	\$ 4,535,800	3.21%	\$ 4,138,807	2.51%
Savings and money market	4,575,724	2.80	4,676,194	2.17	4,669,628	2.72	5,062,905	1.84
Time deposits	17,286,964	5.01	11,606,189	4.19	16,386,188	4.95	9,621,410	3.63
Total interest-bearing deposits	26,443,905	4.31	20,412,879	3.48	25,591,616	4.24	18,823,122	2.90
Non-interest bearing	3,866,808		4,294,191		3,953,241		4,370,763	
Total deposits	<u>\$30,310,713</u>	3.76	<u>\$24,707,070</u>	2.87	<u>\$29,544,857</u>	3.67	<u>\$23,193,885</u>	2.36

The calculation of the average rate paid on total interest bearing deposits of 4.31% for the three months and 4.24% for the nine months ended September 30, 2024 and 3.48% for the three months and 2.90% for the nine months ended September 30, 2023, includes interest paid and average balances of all categories of interest bearing deposits. The average rate paid for all deposits, including both interest bearing and non-interest bearing deposits, was 3.76% for the three months and 3.67% for the nine months ended September 30, 2024 and 2.87% for the three months and 2.36% for the nine months ended September 30, 2023. With the Federal Reserve reducing the federal funds rate, we expect our average rate paid on interest-bearing deposits to decrease, as our time deposits mature and renew or are replaced with new time deposits at lower rates. Future increases or decreases in the rates paid on our interest bearing deposits will depend on funding needs to support growth in our earning assets, changes in the federal funds rate and other interest rates, the level of on-balance sheet liquidity, competitive conditions and other factors.

The following table reflects the balance and weighted average rate of time deposits maturing in future periods.

Maturity Distribution of Time Deposits as of September 30, 2024

	Time Deposits	Weighted Average Rate
	(Dollars in thousands)	
3 months or less	\$ 5,863,095	5.19%
Over 3 to 6 months	6,285,630	5.10
Over 6 to 9 months	2,715,277	4.46
Over 9 to 12 months	1,891,714	4.49
Over 12 months	657,217	2.69
Total deposits	<u>\$ 17,412,933</u>	<u>4.87%</u>

As of September 30, 2024, approximately 79% of our deposits are either insured (65% at September 30, 2024) or, in the case of public funds and certain other deposits, collateralized (14% at September 30, 2024). As of September 30, 2024, our average deposit account balance was approximately \$45,000. The diversity of our deposit base is an important factor in the demonstrated stability of our deposits. The estimated amount of uninsured deposits at September 30, 2024 was \$10.3 billion. Estimated uninsured deposits exclude intercompany deposits that are eliminated in financial consolidation.

The following table sets forth the maturity distribution of our estimated amount of time deposits that are in excess of the FDIC insurance limit or are otherwise uninsured.

	Estimated Aggregate Time Deposits that Exceed the FDIC Insurance Limit or Otherwise Uninsured Time Deposits ⁽¹⁾	
	(Dollars in thousands)	
3 months or less	\$	1,945,935
Over 3 to 6 months		1,963,752
Over 6 to 12 months		1,675,592
Over 12 months		189,801
Total	\$	5,775,080

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

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

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

Deposits by State

Deposits Attributable to Offices In	September 30, 2024		December 31, 2023	
	(Dollars in thousands)			
Arkansas	\$ 10,716,896	35.1%	\$ 10,315,992	37.6%
Georgia	8,597,607	28.1	7,739,622	28.2
Florida	5,307,025	17.4	4,471,030	16.3
Texas	3,879,379	12.7	3,020,420	11.0
North Carolina	2,069,010	6.7	1,858,079	6.9
Tennessee	1,696	—	—	—
Total	\$ 30,571,613	100.0%	\$ 27,405,143	100.0%

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

Loan Portfolio. In addition to customer deposits, cash flows from our loan portfolio provide us with a significant source of liquidity. The following table reflects total loans grouped by remaining maturities at September 30, 2024 by type and by fixed or floating interest rates. This table is based on actual maturities and does not reflect amortizations, projected paydowns or the earliest repricing for floating rate loans. Many loans have principal paydowns scheduled in periods prior to the period in which they mature. In addition, many floating rate loans are subject to repricing in periods prior to the period in which they mature.

Loan Maturities

	1 Year or Less	Over 1 Through 5 Years	Over 5 Through 15 Years	Over 15 Years	Total
	(Dollars in thousands)				
Real estate	\$ 9,957,839	\$ 10,744,151	\$ 746,495	\$ 712,613	\$ 22,161,098
Commercial and industrial	930,523	531,467	41,062	359	1,503,411
Consumer	17,023	25,182	1,056,802	2,466,393	3,565,400
Other	806,431	1,173,378	3,721	4,705	1,988,235
Total	\$ 11,711,816	\$ 12,474,178	\$ 1,848,080	\$ 3,184,070	\$ 29,218,144
Fixed rate	\$ 267,383	\$ 1,397,128	\$ 1,131,943	\$ 2,719,811	\$ 5,516,265
Floating rate (not at a floor or ceiling rate) ⁽¹⁾	10,972,158	10,543,334	218,891	240,122	21,974,505
Floating rate (at floor rate) ⁽¹⁾	430,768	511,810	484,773	220,844	1,648,195
Floating rate (at ceiling rate)	41,507	21,906	12,473	3,293	79,179
Total	\$ 11,711,816	\$ 12,474,178	\$ 1,848,080	\$ 3,184,070	\$ 29,218,144

⁽¹⁾ At September 30, 2024, 98% of our total commitment of variable rate loans had floor rates and the majority of the rates on these loans were above their floor rate. In a declining rate environment, such loans will reprice at their next reset date 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 September 30, 2024, we had \$19.31 billion in unfunded credit commitments, the majority of which is attributable to the unfunded balance of closed construction and development loans. In most cases the borrower's equity and all or most other required subordinated elements of the capital structure must be fully funded before we advance funds. In many cases we do not advance funds on construction and development loans for many months after closing because the borrower's equity and a majority of other funding sources must fund first. This conservative practice for handling construction loans has led to the large unfunded balance of closed loans. As a result, we maintain a detailed 36-month forward funding forecast projecting loan fundings and loan repayments. Our ability to project periodic net portfolio growth with a reasonable degree of accuracy is an important part of our liquidity management process.

Investment Securities AFS. We classify all of our securities as either available for sale or trading; thus, we have no securities classified as held-to-maturity. Cash flows from our investment securities portfolio also provide us with an additional source of liquidity. The following table reflects the expected maturity distribution of our investment securities AFS, at estimated fair value, at September 30, 2024 and weighted average yields (for tax exempt obligations on an FTE basis) of such securities.

Expected Maturity Distribution of Investment Securities AFS

	1 Year Or Less	Weighted Average Yield- FTE	Over 1 Through 5 Years	Weighted Average Yield- FTE	Over 5 Through 10 Years	Weighted Average Yield- FTE	Over 10 Years	Weighted Average Yield- FTE	Total	Weighted Average Yield- FTE
(Dollars in thousands)										
U.S. Government agency mortgage-backed securities	\$296,655	1.27%	\$568,531	1.13%	\$72,808	1.27%	\$ 6,009	2.91%	\$ 944,003	1.19%
Obligations of state and political subdivisions	86,456	2.97	99,198	5.77	229,472	4.45	974,325	5.39	1,389,451	5.11
Other U.S. Government agency securities	590,722	1.14	—	—	—	—	—	—	590,722	1.14
Corporate obligations	3,001	4.04	15,690	4.51	2,361	3.61	6,794	4.92	27,846	4.50
Total	\$976,834	1.35%	\$683,419	1.84%	\$304,641	3.65%	\$987,128	5.37%	\$2,952,022	3.01%
Percentage of total	33.1%		23.2%		10.3%		33.4%		100.0%	
Cumulative percentage of total	33.1%		56.3%		66.6%		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 September 30, 2024 and (2) callable investment securities for which we have received notification of call, which are included in the maturity category in which the call occurs or is expected to occur. Actual maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. The weighted-average yields-FTE are calculated based on the coupon rate and amortized cost for such securities and includes any projected discount accretion or premium amortization.

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

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

Average Balances and Rates of Other Interest Bearing Liabilities

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Average Balance	Rate Paid	Average Balance	Rate Paid	Average Balance	Rate Paid	Average Balance	Rate Paid
	(Dollars in thousands)							
Other borrowings ⁽¹⁾	\$ 120,203	3.15%	\$1,048,566	5.42%	\$ 175,386	4.32%	\$ 783,566	5.20%
Subordinated notes	348,270	3.01	347,456	3.00	348,067	3.00	347,254	3.01
Subordinated debentures	121,652	8.05	121,652	8.06	121,652	8.13	121,647	7.71
Total other interest bearing liabilities	<u>\$ 590,125</u>	4.08%	<u>\$1,517,674</u>	5.08%	<u>\$ 645,105</u>	4.32%	<u>\$1,252,467</u>	4.82%

⁽¹⁾ The interest expense and rates paid related to "other borrowings" include capitalized interest which totaled \$0.7 million and \$1.5 million for the third quarter and first nine months of 2024. Capitalized interest was not material for the third quarter and first nine months of 2023. Excluding capitalized interest from the "other borrowings" expense calculation would result in a rate of 5.42% and 5.46% for the third quarter and first nine months of 2024.

We utilize FHLB advances and Fed Funds purchased to support our funding sources and provide additional on-balance sheet liquidity. Details of those outstanding Fed Funds purchased, at September 30, 2024, are shown in the following table.

Fed Funds Purchased			
Borrowing Type	Balance	Interest Rate	Maturity Date
	(Dollars in thousands)		
Fed Funds Purchased	\$ 150,000	4.94%	10/1/2024

At September 30, 2024, we had substantial unused borrowing availability. This availability was primarily comprised of the following four options: (1) \$7.38 billion of available blanket borrowing capacity with the FHLB, (2) \$2.10 billion of investment securities available to pledge for federal funds or other borrowings, (3) \$0.39 billion of available unsecured federal funds borrowing lines, and (4) up to \$0.96 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 Fed Funds purchased, will be used to augment our primary funding sources.

Sources and Uses of Funds. Operating activities provided net cash of \$0.68 billion for the first nine months of 2024 and 2023. Net cash provided by operating activities is comprised primarily of net income, adjusted for certain non-cash items and for changes in various operating assets and liabilities.

Investing activities used net cash of \$2.51 billion in the first nine months of 2024 and \$4.43 billion in the first nine months of 2023. The decrease in net cash used by investing activities in the first nine months of 2024 was primarily the result of changes in the net cash used for our growth in loans, which used \$2.84 billion in the first nine months of 2024 and \$4.72 billion in the first nine months of 2023, partially offset by an increase in the net cash provided from our investments securities AFS, which provided net cash of \$0.34 billion in the first nine months of 2024 and \$0.30 billion in the first nine months of 2023.

Financing activities provided net cash of \$2.36 billion in the first nine months of 2024 and \$4.58 billion in the first nine months of 2023. The decrease in net cash provided by financing activities was primarily the result of the growth in deposits in the first nine months of 2024 of \$3.17 billion compared to the growth in deposits in the first nine months of 2023 of \$4.05 billion, partially offset by repayments of other borrowings which used \$0.65 billion in the first nine months of 2024 and proceeds from other borrowings which provided \$0.82 billion for the first nine months of 2023.

Market and Interest Rate Risk Management

Overview. Market risk is the risk to a financial institution's condition resulting from adverse movements in market rates or prices, including, but not limited to, interest rates, foreign exchange rates, commodity prices, or security prices. We are exposed to both interest rate risk and price risk. Interest rate risk is the risk that arises from increased volatility in net interest income due to a

change of interest rates. There are different types of risk exposures that can arise when there is a change of interest rates, such as basis risk, options risk, term structure and repricing risk. Price risk is the risk that arises from security price volatility – the risk of a decline in the value of a security or a portfolio. Price risk can be either systemic or non-systemic. Non-systemic risk can be mitigated through diversification, whereas systemic risk cannot. In a global economic crisis, price risk is systemic because it affects multiple asset classes.

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

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

Earnings Simulation Model. Our earnings simulation modeling process projects a baseline net interest income (assuming no changes in interest rate levels) and estimates changes to that baseline net interest income resulting from changes in interest rate levels. We rely primarily on the results of this model in evaluating our interest rate risk.

This model incorporates a number of additional factors including: (1) the expected growth in various interest earning assets and interest bearing liabilities and the expected interest rates on new assets and liabilities, (2) the expected exercise of call features on various assets and liabilities, (3) the expected rates at which various rate sensitive assets and rate sensitive liabilities will reprice, (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, (8) the timing and amount of repayments that are anticipated from our loan portfolio, (9) the need, if any, for additional capital and/or debt to support continued growth and (10) other relevant factors. Inclusion of these factors in the model is intended to more accurately project our expected changes in net interest income resulting from interest rate changes.

We model our change in net interest income in various interest rate scenarios, including scenarios where interest rates go up 100 bps, up 200 bps, up 300 bps, down 100 bps, down 200 bps, and down 300 bps. For purposes of these scenarios, we have assumed that the change in interest rates phases in over a 12-month period. While we believe this model provides a reasonably accurate projection of our interest rate risk, the model includes a number of assumptions and predictions which may or may not be correct and may impact the model results. These assumptions and predictions include inputs to compute baseline net interest income, growth rates, prepayment assumptions, expected changes in rates on interest bearing deposit accounts, competition and a variety of other factors that are difficult to accurately predict. Accordingly, there can be no assurance the earnings simulation model will accurately reflect future results. Our Earnings Simulation Model is governed through our Model Risk Management framework.

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

Earnings Simulation Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline Net Interest Income
+300	16.1%
+200	10.6
+100	5.3
-100	(5.0)
-200	(9.1)
-300	(11.6)

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

EVE Model. EVE is calculated as the fair value of all assets minus the fair value of liabilities and incorporates a number of assumptions including (1) the timing and amount of cash flows expected to be received or paid on various assets and liabilities, (2) the expected exercise of call features on various assets and liabilities, (3) estimated discount rates, and (4) other relevant factors. We measure changes in the dollar amount of EVE for parallel shifts in interest rates. Due to embedded optionality and asymmetric rate risk, changes in EVE can be useful in quantifying risks not apparent for small rate changes.

The following table presents our EVE results as of September 30, 2024.

EVE Model Results

Change in Interest Rates (in bps)	% Change in Projected Baseline EVE
+200	(0.9)%
+100	(0.2)
-100	0.1
-200	0.2

Variable Rate Loans and Loan Repricing. At September 30, 2024, approximately 81% of our funded balance of total loans had variable rates, of which 85% were tied to 1-month term SOFR, 12% to WSJ Prime and 3% to other indexes. Additionally, approximately 98% of our total commitment of variable rate loans had floor rates. The following table reflects total loans as of September 30, 2024 grouped by expected amortizations, expected paydowns or the earliest repricing opportunity for floating rate loans. This cash flow or repricing schedule approximates our ability to reprice the outstanding principal of loans either by adjusting rates on existing loans or reinvesting principal cash flow into new loans.

Loan Cash Flows or Repricing

	1 Year Or Less	Over 1 Through 2 Years	Over 2 Through 3 Years	Over 3 Through 5 Years	Over 5 Years	Total
	(Dollars in thousands)					
Fixed rate	\$ 475,827	\$ 549,700	\$ 722,974	\$ 684,417	\$ 3,083,347	\$ 5,516,265
Floating rate (not at a floor or ceiling rate) ⁽¹⁾	21,725,740	74,933	84,505	88,018	1,309	21,974,505
Floating rate (at floor rate) ⁽¹⁾	958,621	212,958	264,306	194,870	17,440	1,648,195
Floating rate (at ceiling rate)	70,318	1,025	116	7,720	—	79,179
Total	<u>\$23,230,506</u>	<u>\$ 838,616</u>	<u>\$1,071,901</u>	<u>\$ 975,025</u>	<u>\$3,102,096</u>	<u>\$29,218,144</u>
Percentage of total	79.5%	2.9%	3.7%	3.3%	10.6%	100.0%
Cumulative percentage of total	79.5%	82.4%	86.1%	89.4%	100.0%	

⁽¹⁾ At September 30, 2024, 98% of our variable rate loans had floor rates and the majority of the rates on these loans were above their floor rate. In a declining rate environment, such loans will reprice at their next reset date until they reach their floor rate.

The following table is a summary of our floating rate loan portfolio and contractual interest rate indices at September 30, 2024.

Contractual Indices of Floating Rate Loans

Contractual Interest Rate Index	Floating Rate (at floor rate)	Floating Rate (not at a floor or ceiling rate)	Floating Rate (at ceiling rate)	Total Floating Rate
	(Dollars in thousands)			
1-month term SOFR	\$ 199,651	\$ 19,960,489	\$ —	\$ 20,160,140
Wall Street Journal Prime	1,408,953	1,375,075	79,179	2,863,207
Other contractual interest rate indices	39,591	638,941	—	678,532
Total	<u>\$ 1,648,195</u>	<u>\$ 21,974,505</u>	<u>\$ 79,179</u>	<u>\$ 23,701,879</u>

While changes in these contractual interest rate indices are typically affected by changes in the federal funds target rate, in a declining rate environment, such loans will reprice at their next reset date until they reach their floor rate.

Market Risk Management. We are exposed to market risk primarily through changes in fair value of our fixed income investment securities portfolio. Investment portfolio strategies are set by senior management and are subject to the oversight and direction of ALCO. At September 30, 2024 and 2023, all of our investment securities were classified 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.

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

Investment Securities – AFS

	September 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
U.S. Government agency mortgage-backed securities	\$ 1,007,054	\$ 944,003	\$ 1,272,015	\$ 1,174,429
Obligations of state and political subdivisions	1,387,559	1,389,451	1,406,617	1,400,888
Other U.S. Government agency securities	594,999	590,722	658,851	638,272
Corporate obligations	30,300	27,846	34,341	30,782
Total	<u>\$ 3,019,912</u>	<u>\$ 2,952,022</u>	<u>\$ 3,371,824</u>	<u>\$ 3,244,371</u>

Our investment securities portfolio is reported at estimated fair value, which included gross unrealized gains of \$23.7 million and gross unrealized losses of \$91.6 million at September 30, 2024 and gross unrealized gains of \$22.7 million and gross unrealized losses of \$150.2 million at December 31, 2023. We believe that the vast majority of unrealized losses on individual investment securities at September 30, 2024 and December 31, 2023 are the result of fluctuations in interest rates.

If we intend to sell an AFS security in an unrealized loss position, or if it is more likely than not that we will be required to sell an AFS security in an unrealized loss position before recovery of its amortized cost basis, the security's amortized cost basis is written down to fair value through current period expense. If we do not intend to sell an AFS security in an unrealized loss position or if it is more likely than not that we will not sell an AFS security that is in an unrealized loss position, we are required to assess whether the decline in fair value has resulted from credit losses or non-credit factors. If our assessment determines a credit loss exists, the present value of cash flows expected to be collected from the AFS security is compared to the amortized cost basis of the security and if the present value cash flows expected to be collected is less than amortized cost, an allowance for credit losses and a provision for credit loss expense is recorded. If our assessment determines that a credit loss does not exist, we record the decline in fair value through other comprehensive income, net of related tax effects, with such decline included in accumulated other comprehensive income.

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

Unaccreted Discount and Unamortized Premium

	Amortized Cost	Unaccreted Discount	Unamortized Premium	Par Value
	(Dollars in thousands)			
September 30, 2024:				
U.S. Government agency mortgage-backed securities	\$ 1,007,054	\$ 19	\$ (22,418)	\$ 984,655
Obligations of state and political subdivisions	1,387,559	27,331	(18,750)	1,396,140
Other U.S. Government agency securities	594,999	1	—	595,000
Corporate obligations	30,300	169	(1,310)	29,159
Total	<u>\$ 3,019,912</u>	<u>\$ 27,520</u>	<u>\$ (42,478)</u>	<u>\$ 3,004,954</u>
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	<u>\$ 3,371,824</u>	<u>\$ 28,826</u>	<u>\$ (55,408)</u>	<u>\$ 3,345,242</u>

We recognized premium amortization, net of discount accretion, of \$3.7 million during the three months and \$11.6 million during the nine months ended September 30, 2024 compared to \$4.8 million during the three months and \$15.8 million during the nine months ended September 30, 2023. Any premium amortization or discount accretion is considered an adjustment to the yield of our investment securities.

We had \$0.9 million in sales of investment securities AFS in the third quarter and first nine months of 2024 compared to no sales in the third quarter and \$2.3 million in sales of investment securities AFS for the first nine months of 2023. We purchased \$63.0 million and \$92.5 million of investment securities AFS during the third quarter and the first nine months of 2024 compared to \$69.3 million and \$144.8 million during the third quarter and first nine months of 2023.

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

At September 30, 2024, approximately 95% of our investment securities had an investment grade credit rating and approximately 5% of our investment securities were not rated. For those securities that were not rated, we have performed our own evaluation of the security and/or the underlying issuer and believe that such security or its issuer has credit characteristics equivalent to those which would warrant an investment grade credit rating.

Capital Management

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

Capital Management. We primarily rely on our total stockholders' equity, comprised of preferred and common stock, additional paid-in capital, our retained earnings and our accumulated other comprehensive income (loss) to support our operations and act as a cushion to absorb unanticipated losses. Our common stockholders' equity totaled \$5.25 billion at September 30, 2024 compared to \$4.80 billion at December 31, 2023. Included below in this Capital Management section of our MD&A is the calculation and reconciliation of our common stockholders' equity to the most directly comparable GAAP measure. Additionally, our common stockholders' equity is augmented by our preferred stock, our subordinated notes, our subordinated debentures and our ACL.

Common Stock Repurchase Program. In July 2024, our Board authorized a stock repurchase program for up to \$200 million of our outstanding common stock, with an expiration on July 1, 2025, unless extended, shortened or suspended by the Board. During the third quarter of 2024, we purchased 11,903 shares for \$0.46 million. In evaluating stock repurchases, management will consider a variety of factors including stock price, expected growth, capital position, alternative uses of capital, liquidity, financial performance, the current and expected macroeconomic environment, regulatory requirements and other factors.

Preferred Stock. At September 30, 2024, we had 14,000,000 shares issued and outstanding of 4.625% Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share, with a liquidation preference of \$25 per share (the "Preferred Stock"), totaling \$339.0 million net of the initial purchaser discount and estimated offering expenses. We pay cash dividends on our Preferred Stock, when, as, and if declared by our Board. Subject to declaration by our Board, cash dividends accrue and are payable from the original date of issuance at a rate of 4.625% per annum, payable quarterly, in arrears, on February 15, May 15, August 15, and November 15 of each year. Dividends on our Preferred Stock are not cumulative or mandatory. During the third quarter and first nine months of 2024, we paid dividends on our Preferred Stock of \$4.0 million and \$12.1 million, respectively.

Subordinated Notes. At September 30, 2024, we had \$350 million in aggregate principal amount of our 2.75% Fixed-to-Floating rate Subordinated Notes (the "2.75% Notes") due 2031, which bear interest at a fixed rate of 2.75% per annum until September 30, 2026. On October 1, 2026, the 2.75% Notes will bear interest at a floating rate equal to a benchmark (which is expected to be three-month term SOFR) plus 209 basis points. The 2.75% Notes are unsecured, subordinated debt obligations and mature on October 1, 2031. As of September 30, 2024, the Bank's 2.75% Notes had a carrying value of \$348.4 million and the remaining unamortized discounts and offering expenses totaled \$1.6 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.

Subordinated Debentures. We own eight 100%-owned finance subsidiary business trusts – Ozark Capital Statutory Trust II (“Ozark II”), Ozark Capital Statutory Trust III (“Ozark III”), Ozark Capital Statutory Trust IV (“Ozark IV”), Ozark Capital Statutory Trust V (“Ozark V”), Intervest Statutory Trust II (“Intervest II”), Intervest Statutory Trust III (“Intervest III”), Intervest Statutory Trust IV (“Intervest IV”) and Intervest Statutory Trust V (“Intervest V”), (collectively, the “Trusts”). At September 30, 2024, we had the following issues of trust preferred securities and subordinated debentures owed to the Trusts.

Trust Preferred Securities and Subordinated Debentures

	Subordinated Debentures Owed to Trusts	Carrying Value of Subordinated Debentures at September 30, 2024	Trust Preferred Securities of the Trusts	Contractual Interest Rate at September 30, 2024 ⁽¹⁾	Final Maturity Date
(Dollars in thousands)					
Ozark II	\$ 14,433	\$ 14,433	\$ 14,000	7.77%	September 29, 2033
Ozark III	14,434	14,434	14,000	8.51	September 25, 2033
Ozark IV	15,464	15,464	15,000	7.58	September 28, 2034
Ozark V	20,619	20,619	20,000	6.81	December 15, 2036
Intervest II	15,464	15,464	15,000	8.15	September 17, 2033
Intervest III	15,464	15,464	15,000	7.99	March 17, 2034
Intervest IV	15,464	15,464	15,000	7.48	September 20, 2034
Intervest V	10,310	10,310	10,000	6.86	December 15, 2036
	<u>\$ 121,652</u>	<u>\$ 121,652</u>	<u>\$ 118,000</u>		

⁽¹⁾ Our trust preferred securities and related subordinated debentures are tied to a spread over the three-month term SOFR. Our subordinated debentures and related trust preferred securities generally mature 30 years after issuance and may be prepaid at par, subject to regulatory approval. These subordinated debentures and the related trust preferred securities provide us additional tier 2 regulatory capital.

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

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

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

	September 30,		December 31,
	2024	2023	2023
	(Dollars in thousands)		
Total stockholders' equity before noncontrolling interest	\$ 5,592,859	\$ 4,903,504	\$ 5,139,001
Less preferred stock	(338,980)	(338,980)	(338,980)
Total common stockholders' equity	\$ 5,253,879	\$ 4,564,524	\$ 4,800,021
Less goodwill	(660,789)	(660,789)	(660,789)
Total tangible common stockholders' equity	\$ 4,593,090	\$ 3,903,735	\$ 4,139,232
Total assets	\$ 37,441,804	\$ 32,767,328	\$ 34,237,457
Less goodwill	(660,789)	(660,789)	(660,789)
Total tangible assets	\$ 36,781,015	\$ 32,106,539	\$ 33,576,668
Ratio of total common stockholders' equity to total assets	14.03%	13.93%	14.02%
Ratio of total tangible common stockholders' equity to total tangible assets	12.49%	12.16%	12.33%

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

	September 30,		December 31,
	2024	2023	2023
	(In thousands, except per share amounts)		
Total stockholders' equity before noncontrolling interest	\$ 5,592,859	\$ 4,903,504	\$ 5,139,001
Less preferred stock	(338,980)	(338,980)	(338,980)
Total common stockholders' equity	\$ 5,253,879	\$ 4,564,524	\$ 4,800,021
Less goodwill	(660,789)	(660,789)	(660,789)
Total tangible common stockholders' equity	\$ 4,593,090	\$ 3,903,735	\$ 4,139,232
Shares of common stock outstanding	113,450	113,136	113,149
Book value per common share	\$ 46.31	\$ 40.35	\$ 42.42
Tangible book value per common share	\$ 40.49	\$ 34.50	\$ 36.58

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Net income available to common stockholders	\$ 177,147	\$ 169,746	\$ 522,134	\$ 503,517
Average stockholders' equity before noncontrolling interest	\$ 5,502,526	\$ 4,885,620	\$ 5,348,540	\$ 4,809,053
Less average preferred stock	(338,980)	(338,980)	(338,980)	(338,980)
Total average common stockholders' equity	\$ 5,163,546	\$ 4,546,640	\$ 5,009,560	\$ 4,470,073
Less average intangible assets:				
Goodwill	(660,789)	(660,789)	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	—	—	—	(1,098)
Total average intangibles	(660,789)	(660,789)	(660,789)	(661,887)
Average tangible common stockholders' equity	\$ 4,502,757	\$ 3,885,851	\$ 4,348,771	\$ 3,808,186
Return on average common stockholders' equity ⁽¹⁾	13.65%	14.81%	13.92%	15.06%
Return on average tangible common stockholders' equity ⁽¹⁾	15.65%	17.33%	16.04%	17.68%

⁽¹⁾ Ratios annualized based on actual days.

Common Stock Dividend Policy. During the third quarter of 2024, we paid cash dividends of \$0.40 per common share. On October 1, 2024, our Board approved a cash dividend of \$0.41 per common share that was paid on October 18, 2024. The determination of future dividends on our common stock will depend on conditions existing at that time and approval of our Board. In addition, our ability to pay common stock dividends to our shareholders is subject to the restrictions set forth in Arkansas law, by our federal regulator, the relative powers, preferences and other rights of the holders of our Preferred Stock and by certain covenants contained in the indentures governing the trust preferred securities, the subordinated debentures and the 2.75% Notes.

Preferred Stock Dividend Policy. As previously disclosed in the Capital Management section, we have 14,000,000 shares issued and outstanding of 4.625% non-cumulative preferred stock totaling \$339.0 million, net of the initial purchaser discount and offering expenses. During the third quarter of 2024, we paid cash dividends of \$0.28906 million on our Preferred Stock. On October 1, 2024, our Board declared a quarterly cash dividend of \$0.28906 per share on Preferred Stock for the period covering August 15, 2024 through, but excluding November 15, 2024. The Preferred Stock dividend is payable on November 15, 2024, to the holders of record of the Preferred Stock at the close of business on November 1, 2024. We will pay cash dividends on the Preferred Stock, when, as, and if declared by our Board. If declared, we would expect our cash dividends on shares of the Preferred Stock to be approximately \$4.0 million per quarter. The determination of future dividends on our Preferred Stock will depend on conditions at that time and approval by our Board. In addition, our ability to pay dividends on our preferred shares is subject to the restrictions set forth in Arkansas law and by our federal regulator.

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

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

Tier 1 capital includes common equity tier 1 capital and certain additional tier 1 items as provided under the Basel III Rules. At September 30, 2024 and December 31, 2023, our tier 1 capital includes both our common equity tier 1 capital and our preferred stock.

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

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

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

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

The following table presents actual and required capital ratios as of the dates indicated under the Basel III Rules. The minimum required capital amounts presented include the minimum required capital levels, plus the capital conservation buffer. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Rules. At September 30, 2024 and December 31, 2023, our capital levels exceeded all minimum capital requirements and requirements to be considered well capitalized under the Basel III Rules.

Regulatory Capital Ratios

	Actual		Minimum Capital Required - Basel III		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
(Dollars in thousands)						
September 30, 2024:						
Common equity tier 1 to risk-weighted assets	\$ 4,639,501	11.15%	\$ 2,913,687	7.00%	\$ 2,705,567	6.50%
Tier 1 capital to risk-weighted assets	4,978,481	11.96	3,538,049	8.50	3,329,928	8.00
Total capital to risk-weighted assets	5,967,691	14.34	4,370,531	10.50	4,162,410	10.00
Tier 1 leverage to average assets	4,978,481	13.64	1,460,394	4.00	1,825,493	5.00
December 31, 2023:						
Common equity tier 1 to risk-weighted assets	\$ 4,230,243	10.79%	\$ 2,743,864	7.00%	\$ 2,547,873	6.50%
Tier 1 capital to risk-weighted assets	4,569,223	11.66	3,331,835	8.50	3,135,844	8.00
Total capital to risk-weighted assets	5,527,326	14.10	4,115,796	10.50	3,919,805	10.00
Tier 1 leverage to average assets	4,569,223	13.91	1,313,917	4.00	1,642,396	5.00

Capital Stress Testing. We completed our annual capital stress tests during the third quarter of 2024 utilizing multiple economic scenarios, including an adverse idiosyncratic scenario unique to our Bank. The results of our stress tests reflected that we would maintain well-capitalized status for all capital ratios over the stress test time horizon.

Our historically strong earnings and earnings retention rate, among other factors, have contributed to our building capital ratios well above the minimum to be considered “well capitalized,” even with our growth in total assets. We are focused on strategies to grow our business and utilize our capital that are in the best long-term interest of our shareholders. These strategies may include, among others, organic loan growth, adding new business lines, increases in our quarterly cash dividend, stock repurchases and, if appropriate, acquisitions.

Growth and Branching. We expect to open several new branches during the fourth quarter of 2024 and in 2025. Cumulatively, we expect to increase our current branch count of 230 by approximately 10% over the next five quarters. Additionally, as we have done in recent years, we may relocate offices, sell offices and/or close certain offices and consolidate the business of such offices into other offices. Opening new offices is subject to local banking market conditions, availability of satisfactory sites, hiring qualified personnel, obtaining regulatory and other approvals and many other conditions and contingencies that we cannot predict with certainty. We may increase or decrease our expected number of new office openings or relocate, sell or close current offices as a result of a variety of factors including our financial results, changes in economic or competitive conditions, strategic opportunities, individual office profitability metrics or other factors.

Capital Expenditures. During the first nine months of 2024, we spent approximately \$64.6 million on capital expenditures for premises and equipment. Our capital expenditures for the remainder of 2024 are expected to be in the range of \$15 million to \$25 million, including progress payments on construction projects expected to be completed in 2024 or 2025, furniture and equipment costs, network equipment and other information technology costs and acquisition of sites for future development. Actual expenditures may vary significantly from those expected, depending on the number and cost of additional branch offices acquired or constructed and sites acquired for future development, progress or delays encountered on ongoing and new construction projects, delays in obtaining or inability to obtain required approvals, potential premises and equipment expenditures associated with acquisitions, if any, and other factors.

Operational Risk Management

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

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

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

Reputational Risk Management

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

Strategic Risk Management

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

Compliance Risk Management

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

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

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 16 to the Consolidated Financial Statements for a discussion of certain recently issued and recently adopted accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information required by this Item is included in “Market and Interest Rate Risk Management” in the MD&A beginning on page 51 and is hereby incorporated by reference.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

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

(b) Changes in Internal Control over Financial Reporting.

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There are no material changes from the risk factors disclosed under Item 1A. of our annual report on Form 10-K for the year ended December 31, 2023.

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

Recent Sales of Unregistered Securities

During the third quarter of 2024, the Bank issued 879 shares of common stock in connection with the exercise of outstanding stock options previously granted to certain officers. The shares were issued in reliance on the exemption provided by Section (3)(a)(2) of the Securities Act of 1933 because the sales involved securities issued by a bank.

During the third quarter of 2024, the Bank issued an aggregate of 2,318 shares of restricted common stock to certain officers pursuant to the Bank’s 2019 Omnibus Equity Incentive Plan. The Bank did not receive any cash consideration in connection with these grants. These grants were exempt from registration pursuant to Section (3)(a)(2) of the Securities Act of 1933 because the grants involved securities issued by a bank.

<u>Period</u>	<u>Total Number of Shares Purchased ⁽¹⁾</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of a Publicly Announced Program</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program ⁽¹⁾</u>
(In thousands, except per share amounts)				
July 1-31, 2024	—	\$ —	—	\$ 200,000
August 1-31, 2024	—	—	—	200,000
September 1-30, 2024	11,903	38.83	11,903	\$ 199,538
Total	<u>11,903</u>	<u>\$ 38.83</u>	<u>11,903</u>	

⁽¹⁾ On July 17, 2024, we announced that our board of directors approved a stock repurchase program authorizing the repurchase of up to \$200 million of our outstanding shares of common stock. The Stock Repurchase Program will expire on July 1, 2025, unless extended or shortened by the Board, and may be suspended by the Bank at any time. Under the Stock Repurchase Program, repurchases may 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 timing and amount of repurchases will be determined by management based on a variety of factors including the Bank’s stock price, expected growth, capital position, alternative uses of capital, liquidity, financial performance, current and expected macroeconomic environment, regulatory requirements and other factors.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the quarter ended September 30, 2024, no director or Section 16 officer of the Bank adopted or terminated any Rule 10b5-1 trading arrangement (as defined in Item 408(a) of Regulation S-K) or non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

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

SIGNATURE

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

Bank OZK

DATE: November 5, 2024

/s/ Tim Hicks

Tim Hicks

Chief Financial Officer

(Principal Financial Officer and Authorized Officer)

Bank OZK
Exhibit Index

**Exhibit
Number**

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

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

I, George Gleason, certify that:

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

Date: November 5, 2024

/s/ George Gleason

George Gleason
Chairman and Chief Executive Officer

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

I, Tim Hicks, certify that:

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

Date: November 5, 2024

/s/ Tim Hicks

Tim Hicks
Chief Financial Officer

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

In connection with the accompanying Quarterly Report of Bank OZK (the Bank) on Form 10-Q for the period ended September 30, 2024, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, George Gleason, Chairman and Chief Executive Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: November 5, 2024

/s/ George Gleason

George Gleason
Chairman and Chief Executive Officer

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

In connection with the accompanying Quarterly Report of Bank OZK (the Bank) on Form 10-Q for the period ended September 30, 2024, as filed with the Federal Deposit Insurance Corporation on the date hereof (the Report), I, Tim Hicks, Chief Financial Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: November 5, 2024

/s/ Tim Hicks

Tim Hicks

Chief Financial Officer