UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(Mark One)

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended March 31, 2024

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition period from ______ to ______

Commission File Number: 001-41093

HOME BANCSHARES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Arkansas	71-0682831
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
719 Harkrider, Suite 100, Conway, Arkansas	72032
(Address of principal executive offices)	(Zip Code)

(501) 339-2929

(Registrant's telephone number, including area code)

Not Applicable

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, par value $0.01 per share	HOMB	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition 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	☐	Smaller reporting company	☐
		Emerging growth 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.

Common Stock Issued and Outstanding: 200,321,198 shares as of May 2, 2024.

HOME BANCSHARES, INC.
FORM 10-Q
March 31, 2024

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of our statements contained in this document, including matters discussed under the caption “Management's Discussion and Analysis of Financial Condition and Results of Operation,” are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements relate to expectations, beliefs, projections, future financial performance, future plans and strategies, and anticipated events or trends, and include statements about the competitiveness of the banking industry, potential regulatory obligations, our entrance and expansion into other markets, including through potential acquisitions, our other business strategies and other statements that are not historical facts. Forward-looking statements are not guarantees of performance or results. When we use words like “may,” “plan,” “contemplate,” “anticipate,” “believe,” “intend,” “continue,” “expect,” “project,” “predict,” “estimate,” “could,” “should,” “would,” and similar expressions, you should consider them as identifying forward-looking statements, although we may use other phrasing. These forward-looking statements involve risks and uncertainties and are based on our beliefs and assumptions, and on the information available to us at the time that these disclosures were prepared. These forward-looking statements involve risks and uncertainties and may not be realized due to a variety of factors, including, but not limited to, the following:

- the effects of future local, regional, national and international economic conditions, including inflation or a decrease in commercial real estate and residential housing values;
- changes in the level of nonperforming assets and charge-offs, and credit risk generally;
- the risks of changes in interest rates or the level and composition of deposits, loan demand and the values of loan collateral, securities and interest-sensitive assets and liabilities;
- disruptions, uncertainties and related effects on credit quality, liquidity, other aspects of our business and our operations that may result from any future public health crises;
- the ability to identify, complete and successfully integrate new acquisitions;
- the risk that expected cost savings and other benefits from acquisitions may not be fully realized or may take longer to realize than expected;
- diversion of management time on acquisition-related issues;
- the availability of and access to capital and liquidity on terms acceptable to us;
- increased regulatory requirements and supervision that applies as a result of our having over $10 billion in total assets;
- legislation and regulation affecting the financial services industry as a whole, and the Company and its subsidiaries in particular, and future legislative and regulatory changes;
- changes in governmental monetary and fiscal policies;
- the effects of terrorism and efforts to combat it, political instability, war, military conflicts (including the ongoing military conflicts in the Middle East and Ukraine) and other major domestic or international events;
- adverse weather events, including hurricanes, and other natural disasters;
- the ability to keep pace with technological changes, including changes regarding cybersecurity;
- an increase in the incidence or severity of, or any adverse effects resulting from, acts of fraud, illegal payments, cybersecurity breaches or other illegal acts impacting our bank subsidiary, our vendors or our customers;
- the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with competitors offering banking products and services by mail, telephone and the Internet;
- potential claims, expenses and other adverse effects related to current or future litigation, regulatory examinations or other government actions;
- potential increases in deposit insurance assessments, increased regulatory scrutiny, investment portfolio losses, or market disruptions resulting from financial challenges in the banking industry;
- the effect of changes in accounting policies and practices and auditing requirements, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board, and other accounting standard setters;
- higher defaults on our loan portfolio than we expect; and

- the failure of assumptions underlying the establishment of our allowance for credit losses or changes in our estimate of the adequacy of the allowance for credit losses.

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this Cautionary Note. Our actual results may differ significantly from those we discuss in these forward-looking statements. For other factors, risks and uncertainties that could cause our actual results to differ materially from estimates and projections contained in these forward-looking statements, see the “Risk Factors” section of our Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 26, 2024 and this Form 10-Q.

PART I: FINANCIAL INFORMATION

Item 1: Financial Statements

Home BancShares, Inc.
Consolidated Balance Sheets

(In thousands, except share data)	March 31, 2024	December 31, 2023
	(Unaudited)	
Assets		
Cash and due from banks	$ 205,262	$ 226,363
Interest-bearing deposits with other banks	969,996	773,850
Cash and cash equivalents	1,175,258	1,000,213
Fed funds sold	5,200	5,100
Investment securities — available-for-sale, net of allowance for credit losses of $2,525 at both March 31, 2024 and December 31, 2023 (amortized cost of $3,763,609 and $3,840,927 at March 31, 2024 and December 31, 2023, respectively)	3,400,884	3,507,841
Investment securities — held-to-maturity, net of allowance for credit losses of $2,005 at both March 31, 2024 and December 31, 2023	1,280,586	1,281,982
Total investment securities	4,681,470	4,789,823
Loans receivable	14,513,673	14,424,728
Allowance for credit losses	(290,294)	(288,234)
Loans receivable, net	14,223,379	14,136,494
Bank premises and equipment, net	389,618	393,300
Foreclosed assets held for sale	30,650	30,486
Cash value of life insurance	215,424	214,516
Accrued interest receivable	119,029	118,966
Deferred tax asset, net	202,882	197,164
Goodwill	1,398,253	1,398,253
Core deposit intangibles	46,630	48,770
Other assets	347,928	323,573
Total assets	$ 22,835,721	$ 22,656,658
Liabilities and Stockholders' Equity		
Deposits:		
Demand and non-interest-bearing	$ 4,115,603	$ 4,085,501
Savings and interest-bearing transaction accounts	11,047,258	11,050,347
Time deposits	1,703,269	1,651,863
Total deposits	16,866,130	16,787,711
Securities sold under agreements to repurchase	176,107	142,085
FHLB and other borrowed funds	1,301,050	1,301,300
Accrued interest payable and other liabilities	241,345	194,653
Subordinated debentures	439,688	439,834
Total liabilities	19,024,320	18,865,583
Stockholders' equity:		
Common stock, par value $0.01; shares authorized 300,000,000 in 2024 and 2023; shares issued and outstanding 200,796,852 in 2024 and 201,526,494 in 2023	2,008	2,015
Capital surplus	2,326,824	2,348,023
Retained earnings	1,753,994	1,690,112
Accumulated other comprehensive loss	(271,425)	(249,075)
Total stockholders' equity	3,811,401	3,791,075
Total liabilities and stockholders' equity	$ 22,835,721	$ 22,656,658

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Income

(In thousands, except per share data)	Three Months Ended March 31, 2024	2023
	(Unaudited)	
Interest income:		
Loans	$ 265,294	$ 236,997
Investment securities		
Taxable	33,229	35,288
Tax-exempt	7,803	7,963
Deposits – other banks	10,528	4,685
Federal funds sold	61	6
Total interest income	316,915	284,939
Interest expense:		
Interest on deposits	92,548	59,162
Federal funds purchased	—	—
FHLB and other borrowed funds	14,276	6,190
Securities sold under agreements to repurchase	1,404	868
Subordinated debentures	4,097	4,124
Total interest expense	112,325	70,344
Net interest income	204,590	214,595
Provision for credit losses on loans	5,500	1,200
Recovery of credit losses on unfunded commitments	(1,000)	—
Provision for credit losses on investment securities	—	—
Total credit loss expense	4,500	1,200
Net interest income after credit loss expense	200,090	213,395
Non-interest income:		
Service charges on deposit accounts	9,686	9,842
Other service charges and fees	10,189	11,875
Trust fees	5,066	4,864
Mortgage lending income	3,558	2,571
Insurance commissions	508	526
Increase in cash value of life insurance	1,195	1,104
Dividends from FHLB, FRB, FNBB & other	3,007	2,794
Gain on sale of SBA loans	198	139
(Loss) gain on sale of branches, equipment and other assets, net	(8)	7
Gain on OREO, net	17	—
Fair value adjustment for marketable securities	1,003	(11,408)
Other income	7,380	11,850
Total non-interest income	41,799	34,164
Non-interest expense:		
Salaries and employee benefits	60,910	64,490
Occupancy and equipment	14,551	14,952
Data processing expense	9,147	8,968
Merger and acquisition expenses	—	—
Other operating expenses	26,888	26,234
Total non-interest expense	111,496	114,644
Income before income taxes	130,393	132,915
Income tax expense	30,284	29,953
Net income	$ 100,109	$ 102,962
Basic earnings per share	$ 0.50	$ 0.51
Diluted earnings per share	$ 0.50	$ 0.51

See Condensed Notes to Consolidated Financial Statements.

Home BancShares, Inc.
Consolidated Statements of Comprehensive Income (Loss)

(In thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(Unaudited)	
Net income	$ 100,109	$ 102,962
Net unrealized (loss) gain on available-for-sale securities	(29,635)	64,968
Other comprehensive (loss) income before tax effect	(29,635)	64,968
Tax effect on other comprehensive loss	7,285	(15,811)
Other comprehensive (loss) income	(22,350)	49,157
Comprehensive income	$ 77,759	$ 152,119

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Stockholders' Equity

Three Months Ended March 31, 2024

(In thousands, except share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances at January 1, 2024	$ 2,015	$ 2,348,023	$ 1,690,112	$ (249,075)	$ 3,791,075
Comprehensive income:					
Net income	—	—	100,109	—	100,109
Other comprehensive loss	—	—	—	(22,350)	(22,350)
Net issuance of 76,542 shares of common stock from exercise of stock options	1	670	—	—	671
Repurchase of 1,025,934 shares of common stock	(10)	(24,007)	—	—	(24,017)
Share-based compensation net issuance of 219,750 shares of restricted common stock	2	2,273	—	—	2,275
Excise tax from repurchase of common stock	—	(135)	—	—	(135)
Cash dividends – Common Stock, $0.18 per share	—	—	(36,227)	—	(36,227)
Balances at March 31, 2024 (unaudited)	$ 2,008	$ 2,326,824	$ 1,753,994	$ (271,425)	$ 3,811,401

See Condensed Notes to Consolidated Financial Statements.

Home BancShares, Inc.
Consolidated Statements of Stockholders' Equity

For the Three Months Ended March 31, 2023

(In thousands, except share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances at January 1, 2023	$ 2,034	$ 2,386,699	$ 1,443,087	$ (305,458)	$ 3,526,362
Comprehensive income:					
Net income	—	—	102,962	—	102,962
Other comprehensive income	—	—	—	49,157	49,157
Net issuance of 66,451 shares of common stock from exercise of stock options	1	85	—	—	86
Repurchase of 590,000 shares of common stock	(6)	(13,534)	—	—	(13,540)
Share-based compensation net issuance of 258,000 shares of restricted common stock	3	2,504	—	—	2,507
Cash dividends – Common Stock, $0.18 per share	—	—	(36,649)	—	(36,649)
Balances at March 31, 2023 (unaudited)	$ 2,032	$ 2,375,754	$ 1,509,400	$ (256,301)	$ 3,630,885

See Condensed Notes to Consolidated Financial Statements.

Home BancShares, Inc.
Consolidated Statements of Cash Flows

(In thousands)	Three Months Ended March 31, 2024	2023
	(Unaudited)	
Operating Activities		
Net income	$ 100,109	$ 102,962
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	7,350	7,722
(Increase) decrease in value of equity securities	(1,003)	11,408
Amortization of securities, net	3,826	3,835
Accretion of purchased loans	(2,772)	(3,172)
Share-based compensation	2,275	2,507
Gain on assets	(207)	(146)
Provision for credit losses - loans	5,500	1,200
(Recovery of) provision for credit losses - unfunded commitments	(1,000)	—
Deferred income tax effect	1,567	176
Increase in cash value of life insurance	(1,195)	(1,104)
Originations of mortgage loans held for sale	(119,379)	(90,465)
Proceeds from sales of mortgage loans held for sale	126,012	66,655
Changes in assets and liabilities:		
Accrued interest receivable	(63)	459
Other assets	(21,169)	(99)
Accrued interest payable and other liabilities	47,692	16,010
Net cash provided by operating activities	147,543	117,948
Investing Activities		
Net increase in federal funds sold	(100)	—
Net (increase) decrease in loans, excluding purchased loans	(99,450)	43,894
Proceeds from maturities of investment securities – available-for-sale	73,448	330,539
Proceeds from maturities of investment securities – held-to-maturity	1,444	1,378
(Purchase) redemption of other investments	(2,176)	5,239
Proceeds from foreclosed assets held for sale	306	157
Proceeds from sale of SBA loans	2,949	2,337
Purchases of premises and equipment, net	(1,682)	(2,404)
Return of investment on cash value of life insurance	280	—
Net cash (used in) provided by investing activities	(24,981)	381,140
Financing Activities		
Net increase (decrease) in deposits	78,419	(493,317)
Net increase in securities sold under agreements to repurchase	34,022	7,596
Decrease in FHLB and other borrowed funds	(1,400,250)	—
Increase in FHLB and other borrowed funds	1,400,000	—
Proceeds from exercise of stock options	671	86
Repurchase of common stock	(24,152)	(13,540)
Dividends paid on common stock	(36,227)	(36,649)
Net cash provided by (used in) financing activities	52,483	(535,824)
Net change in cash and cash equivalents	175,045	(36,736)
Cash and cash equivalents – beginning of year	1,000,213	724,790
Cash and cash equivalents – end of period	$ 1,175,258	$ 688,054

See Condensed Notes to Consolidated Financial Statements.

Home BancShares, Inc.
Condensed Notes to Consolidated Financial Statements
(Unaudited)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Home BancShares, Inc. (the “Company” or “HBI”) is a bank holding company headquartered in Conway, Arkansas. The Company is primarily engaged in providing a full range of banking services to individual and corporate customers through its wholly-owned community bank subsidiary – Centennial Bank (sometimes referred to as “Centennial” or the “Bank”). The Bank has branch locations in Arkansas, Florida, South Alabama, Texas and New York City. The Company is subject to competition from other financial institutions. The Company also is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

A summary of the significant accounting policies of the Company follows:

Operating Segments

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Bank is the only significant subsidiary upon which management makes decisions regarding how to allocate resources and assess performance. Each of the branches of the Bank provide a group of similar banking services, including such products and services as commercial, real estate and consumer loans, time deposits, checking and savings accounts. The individual bank branches have similar operating and economic characteristics. While the chief decision maker monitors the revenue streams of the various products, services and branch locations, operations are managed, and financial performance is evaluated on a company-wide basis. Accordingly, all of the banking services and branch locations are considered by management to be aggregated into one reportable operating segment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, the valuation of investment securities, the valuation of foreclosed assets and the valuations of assets acquired, and liabilities assumed in business combinations. In connection with the determination of the allowance for credit losses and the valuation of foreclosed assets, management obtains independent appraisals for significant properties.

Principles of Consolidation

The consolidated financial statements include the accounts of HBI and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Various items within the accompanying consolidated financial statements for previous years have been reclassified to provide more comparative information. These reclassifications had no effect on net earnings or stockholders’ equity.

Interim financial information

The accompanying unaudited consolidated financial statements have been prepared in condensed format, and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The information furnished in these interim statements reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for each respective period presented. Such adjustments are of a normal recurring nature. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for any other quarter or for the full year. The interim financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2023 Form 10-K, filed with the Securities and Exchange Commission on February 26, 2024.

Loans Receivable and Allowance for Credit Losses

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balance adjusted for any charge-offs, deferred fees or costs on originated loans. Interest income on loans is accrued over the term of the loans based on the principal balance outstanding. Loan origination fees and direct origination costs are capitalized and recognized as adjustments to yield on the related loans.

The allowance for credit losses on loans receivable is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed and expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in the national unemployment rate, gross domestic product, national retail sales index, housing price indices and rental vacancy rate index.

The allowance for credit losses is measured based on call report segment as these types of loans exhibit similar risk characteristics. The identified loan segments are as follows:

- 1-4 family construction
- All other construction
- 1-4 family revolving home equity lines of credit (“HELOC”) & junior liens
- 1-4 family senior liens
- Multifamily
- Owner occupied commercial real estate
- Non-owner occupied commercial real estate
- Commercial & industrial, agricultural, non-depository financial institutions, purchase/carry securities, other
- Consumer auto
- Other consumer
- Other consumer - Shore Premier Finance ("SPF")

The allowance for credit losses for each segment is measured through the use of the discounted cash flow method. Loans evaluated individually that are considered to be collateral dependent are not included in the collective evaluation. For these loans, where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the allowance for credit losses is measured based on the difference between the fair value of the collateral, net of estimated costs to sell, and the amortized cost basis of the loan as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the present value of expected cash flows from the operation of the collateral. The allowance for credit losses may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan, net of estimated costs to sell. For individually analyzed loans which are not considered to be collateral dependent, an allowance is recorded based on the loss rate for the respective pool within the collective evaluation.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies:

- Management has a reasonable expectation at the reporting date that restructured loans made to borrowers experiencing financial difficulty will be executed with an individual borrower.
- The extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Management qualitatively adjusts model results for risk factors that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. These qualitative factors ("Q-Factors") and other qualitative adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making Q-Factor and other qualitative adjustments include, among other things, the impact of (i) changes in lending policies, procedures and strategies; (ii) changes in nature and volume of the portfolio; (iii) staff experience; (iv) changes in volume and trends in classified loans, delinquencies and nonaccruals; (v) concentration risk; (vi) trends in underlying collateral values; (vii) external factors such as competition, legal and regulatory environment; (viii) changes in the quality of the loan review system; and (ix) economic conditions.

Loans are placed on non-accrual status when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful, or generally when loans are 90 days or more past due. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. Accrued interest related to non-accrual loans is generally charged against the allowance for credit losses when accrued in prior years and reversed from interest income if accrued in the current year. Interest income on non-accrual loans may be recognized to the extent cash payments are received, although the majority of payments received are usually applied to principal. Non-accrual loans are generally returned to accrual status when principal and interest payments are less than 90 days past due, the customer has made required payments for at least six months, and we reasonably expect to collect all principal and interest.

Acquisition Accounting and Acquired Loans

The Company accounts for its acquisitions under FASB Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*, which requires the use of the purchase method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. In accordance with FASB ASC 326, the Company records both a discount or premium and an allowance for credit losses on acquired loans. All purchased loans are recorded at fair value in accordance with the fair value methodology prescribed in FASB ASC Topic 820, *Fair Value Measurements*. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

Purchased loans that have experienced more than insignificant credit deterioration since origination are purchase credit deteriorated ("PCD") loans. An allowance for credit losses is determined using the same methodology as other loans. The Company develops separate PCD models for each loan segment with PCD loans not individually analyzed for credit losses. These models utilize a peer group benchmark in order to determine the probability of default and loss given default to be used in the calculation. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a non-credit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through the provision for credit losses.

For further discussion of the Company's acquisitions, see Note 2 to the Notes to Consolidated Financial Statements.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Earnings per Share

Basic earnings per share is computed based on the weighted-average number of shares outstanding during each year. Diluted earnings per share is computed using the weighted-average shares and all potential dilutive shares outstanding during the period. The following table sets forth the computation of basic and diluted earnings per share ("EPS") for the following periods:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Net income	$ 100,109	$ 102,962
Average shares outstanding	201,210	203,456
Effect of common stock options	180	169
Average diluted shares outstanding	201,390	203,625
Basic earnings per share	$ 0.50	$ 0.51
Diluted earnings per share	$ 0.50	$ 0.51

The impact of anti-dilutive shares to the diluted earnings per share calculation was considered immaterial for the periods ended March 31, 2024 and 2023.

2. Business Combinations

Acquisition of Happy Bancshares, Inc.

The Company's most recent acquisition occurred on April 1, 2022, when the Company completed the acquisition of Happy Bancshares, Inc. ("Happy"), and merged Happy State Bank into Centennial Bank. For additional discussion regarding the acquisition of Happy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 "Business Combinations" in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2023.

3. Investment Securities

The following table summarizes the amortized cost and fair value of securities that are classified as available-for-sale and held-to-maturity:

	March 31, 2024					
	Available-for-Sale					
	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)					
U.S. government-sponsored enterprises	$ 342,771	$ —	$ 342,771	$ 1,441	$ (18,537)	$ 325,675
U.S. government-sponsored mortgage-backed securities	1,667,526	—	1,667,526	396	(215,187)	1,452,735
Private mortgage-backed securities	190,155	—	190,155	—	(16,614)	173,541
Non-government-sponsored asset backed securities	367,066	—	367,066	695	(6,421)	361,340
State and political subdivisions	980,415	—	980,415	1,104	(81,647)	899,872
Other securities	215,676	(2,525)	213,151	957	(26,387)	187,721
Total	$ 3,763,609	$ (2,525)	$ 3,761,084	$ 4,593	$ (364,793)	$ 3,400,884

	March 31, 2024					
	Held-to-Maturity					
	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)					
U.S. government-sponsored enterprises	$ 43,353	$ —	$ 43,353	$ —	$ (3,342)	$ 40,011
U.S. government-sponsored mortgage-backed securities	129,077	—	129,077	—	(6,093)	122,984
State and political subdivisions	1,110,161	(2,005)	1,108,156	216	(112,222)	996,150
Total	$ 1,282,591	$ (2,005)	$ 1,280,586	$ 216	$ (121,657)	$ 1,159,145

	December 31, 2023					
	Available-for-Sale					
	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)					
U.S. government-sponsored enterprises	$ 361,494	$ —	$ 361,494	$ 2,247	$ (17,093)	$ 346,648
U.S. government-sponsored mortgage-backed securities	1,711,668	—	1,711,668	310	(191,557)	1,520,421
Private mortgage-backed securities	191,522	—	191,522	—	(16,117)	175,405
Non-government-sponsored asset backed securities	370,203		370,203	821	(7,551)	363,473
State and political subdivisions	990,318	—	990,318	1,938	(75,931)	916,325
Other securities	215,722	(2,525)	213,197	402	(28,030)	185,569
Total	$ 3,840,927	$ (2,525)	$ 3,838,402	$ 5,718	$ (336,279)	$ 3,507,841

	December 31, 2023					
	Held-to-Maturity					
	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)					
U.S. government-sponsored enterprises	$ 43,285	$ —	$ 43,285	$ —	$ (2,607)	$ 40,678
U.S. government-sponsored mortgage-backed securities	130,278	—	130,278	106	(4,362)	126,022
State and political subdivisions	1,110,424	(2,005)	1,108,419	456	(105,094)	1,003,781
Total	$ 1,283,987	$ (2,005)	$ 1,281,982	$ 562	$ (112,063)	$ 1,170,481

Assets, principally investment securities, having a carrying value of approximately $ 3.55 billion and $3.57 billion at March 31, 2024 and December 31, 2023, respectively, were pledged to secure public deposits, as collateral for repurchase agreements, and for other purposes required or permitted by law. Investment securities pledged as collateral for repurchase agreements totaled approximately $176.1 million and $142.1 million at March 31, 2024 and December 31, 2023, respectively.

The amortized cost and estimated fair value of securities classified as available-for-sale and held-to-maturity at March 31, 2024, by contractual maturity, are shown below. Expected maturities could differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)			
Due in one year or less	$ 15,856	$ 15,686	$ —	$ —
Due after one year through five years	235,704	220,573	28,202	26,487
Due after five years through ten years	396,977	355,394	313,321	283,296
Due after ten years	890,325	821,615	811,991	726,378
U.S. government-sponsored mortgage-backed securities	1,667,526	1,452,735	129,077	122,984
Private mortgage-backed securities	190,155	173,541	—	—
Non-government-sponsored asset backed securities	367,066	361,340	—	—
Total	$ 3,763,609	$ 3,400,884	$ 1,282,591	$ 1,159,145

During the three months ended March 31, 2024 and 2023, no available-for-sale securities were sold.

The following table shows gross unrealized losses and estimated fair value of investment securities classified as available-for-sale and held-to-maturity, aggregated by investment category and length of time that individual investment securities have been in a continuous loss position as of March 31, 2024 and December 31, 2023.

	March 31, 2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Available-for-sale:						
U.S. government-sponsored enterprises	$ 29,035	$ (529)	$ 177,346	$ (18,008)	$ 206,381	$ (18,537)
U.S. government-sponsored mortgage-backed securities	34,770	(956)	1,365,034	(214,231)	1,399,804	(215,187)
Private mortgage-backed securities	—	—	173,541	(16,614)	173,541	(16,614)
Non-government-sponsored asset backed securities	17,486	(15)	212,754	(6,406)	230,240	(6,421)
State and political subdivisions	32,760	(921)	782,538	(80,726)	815,298	(81,647)
Other securities	2,415	(1,085)	167,048	(25,302)	169,463	(26,387)
Total	$ 116,466	$ (3,506)	$ 2,878,261	$ (361,287)	$ 2,994,727	$ (364,793)
Held-to-maturity:						
U.S. government-sponsored enterprises	$ —	$ —	$ 40,011	$ (3,342)	$ 40,011	$ (3,342)
U.S. government-sponsored mortgage-backed securities	42,125	(960)	80,859	(5,133)	122,984	(6,093)
State and political subdivisions	10,816	(480)	961,813	(111,742)	972,629	(112,222)
Total	$ 52,941	$ (1,440)	$ 1,082,683	$ (120,217)	$ 1,135,624	$ (121,657)

	December 31, 2023					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Available-for-sale:						
U.S. government-sponsored enterprises	$ 2,742	$ (2)	$ 180,569	$ (17,091)	$ 183,311	$ (17,093)
U.S. government-sponsored mortgage-backed securities	102,831	(2,166)	1,392,318	(189,391)	1,495,149	(191,557)
Private mortgage-backed securities	9,298	(226)	166,107	(15,891)	175,405	(16,117)
Non-government-sponsored asset backed securities	—	—	213,838	(7,551)	213,838	(7,551)
State and political subdivisions	28,596	(400)	769,860	(75,531)	798,456	(75,931)
Other securities	—	—	164,430	(28,030)	164,430	(28,030)
Total	$ 143,467	$ (2,794)	$ 2,887,122	$ (333,485)	$ 3,030,589	$ (336,279)
Held to maturity:						
U.S. government-sponsored enterprises	$ —	$ —	$ 40,677	$ (2,607)	$ 40,677	$ (2,607)
U.S. government-sponsored mortgage-backed securities	48,498	(861)	65,573	(3,501)	114,071	(4,362)
State and political subdivisions	21,493	(297)	956,578	(104,797)	978,071	(105,094)
Total	$ 69,991	$ (1,158)	$ 1,062,828	$ (110,905)	$ 1,132,819	$ (112,063)

Debt securities available-for-sale ("AFS") are reported at fair value with unrealized holding gains and losses reported as a separate component of stockholders' equity and other comprehensive income (loss), net of taxes. Securities that are held as available-for-sale are used as a part of our asset/liability management strategy. Securities that may be sold in response to interest rate changes, changes in prepayment risk, the need to increase regulatory capital, and other similar factors are classified as available-for-sale. The Company evaluates all securities quarterly to determine if any securities in a loss position require a provision for credit losses. The Company first assesses whether it intends to sell or is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities that do not meet these criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, and changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. The Company has made the election to exclude accrued interest receivable on AFS securities from the estimate of credit losses and report accrued interest separately on the consolidated balance sheets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of a security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Debt securities held-to-maturity ("HTM"), which include any security for which we have the positive intent and ability to hold until maturity, are reported at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized/accreted to the call date to interest income using the constant effective yield method over the estimated life of the security. The Company evaluates all securities quarterly to determine if any securities in a loss position require a provision for credit losses. The Company measures expected credit losses on HTM securities on a collective basis by major security type, with each type sharing similar risk characteristics. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Company has made the election to exclude accrued interest receivable on HTM securities from the estimate of credit losses and report accrued interest separately on the consolidated balance sheets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of a security is confirmed.

During the three months ended March 31, 2024, the Company determined the $ 2.5 million allowance for credit losses on the available for sale portfolio and the $2.0 million allowance for credit losses on the held-to-maturity portfolio were adequate. Therefore, no additional provision was considered necessary.

Available-for-Sale Investment Securities

	March 31, 2024	December 31, 2023
Allowance for credit losses:	(In thousands)	
Beginning balance	$ 2,525	$ 842
Provision for credit loss	—	—
Balance, March 31	$ 2,525	$ 842
Provision for credit loss		1,683
Balance, December 31, 2023		$ 2,525

Held-to-Maturity Investment Securities

	March 31, 2024	December 31, 2023
Allowance for credit losses:	(In thousands)	
Beginning balance	$ 2,005	$ 2,005
Provision for credit loss	—	—
Balance, March 31	$ 2,005	$ 2,005
Provision for credit loss		—
Balance, December 31, 2023		$ 2,005

For the three months ended March 31, 2024, the Company had available-for-sale investment securities with approximately $ 364.8 million in unrealized losses, of which $361.3 million had been in continuous loss positions for more than twelve months. With the exception of the subordinated debt investment securities which were downgraded during 2023 resulting in the allowance as noted above, the Company’s assessments indicated the cause of the market depreciation was primarily due to the change in interest rates and not the issuer’s financial condition or downgrades by rating agencies. In addition, approximately 34.7% of the principal balance from the Company’s investment portfolio will mature or are expected to pay down within five years or less. As a result, the Company has the ability and intent to hold such securities until maturity.

As of March 31, 2024, the Company's available-for-sale securities portfolio consisted of 1,570 investment securities, 1,321 of which were in an unrealized loss position. As noted in the table above, the total amount of the unrealized loss was $364.8 million. The U.S. government-sponsored enterprises portfolio contained unrealized losses of $18.5 million on 63 securities. The U.S. government-sponsored mortgage-backed securities portfolio contained $215.2 million of unrealized losses on 660 securities, and the private mortgage-backed securities portfolio contained $ 16.6 million of unrealized losses on 32 securities. The non-government-sponsored asset backed securities portfolio contained $ 6.4 million of unrealized losses on 33 securities. The state and political subdivisions portfolio contained $81.6 million of unrealized losses on 471 securities. In addition, the other securities portfolio contained $26.4 million of unrealized losses on 62 securities. With the exception of the investments for which an allowance for credit losses has been established, the unrealized losses on the Company's investments were primarily a result of interest rate changes, and the Company expects to recover the amortized cost basis over the term of the securities. The Company has determined that, as of March 31, 2024, an additional provision for credit losses is not necessary because the decline in market value was attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity.

As of March 31, 2024, the Company's held-to-maturity securities portfolio consisted of 508 investment securities, 492 of which were in an unrealized loss position. As noted in the table above, the total amount of the unrealized loss was $121.7 million. The U.S. government-sponsored enterprises portfolio contained unrealized losses of $3.3 million on 5 securities. The U.S. government-sponsored mortgage-backed securities portfolio contained unrealized losses of $6.1 million on 20 securities. The state and political subdivisions portfolio contained $ 112.2 million of unrealized losses on 467 securities. The unrealized losses on the Company's investments were a result of interest rate changes. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value was attributable to changes in interest rates and not credit quality, the Company has determined that an additional provision for credit losses was not necessary as of March 31, 2024.

The following table summarizes bond ratings for the Company's held-to-maturity portfolio, based upon amortized cost, issued by state and political subdivisions and other securities as of March 31, 2024:

	State and political subdivisions	U.S. government-sponsored enterprises	U.S. government-sponsored mortgage-backed securities	Total
	(In thousands)			
Aaa/AAA	$ 235,082	$ 43,353	$ —	$ 278,435
Aa/AA	845,485	—	—	845,485
A	27,686	—	—	27,686
Not rated	1,908	—	—	1,908
Agency Backed	—	—	129,077	129,077
Total	$ 1,110,161	$ 43,353	$ 129,077	$ 1,282,591

Income earned on securities for the three months ended March 31, 2024 and 2023, is as follows:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(In thousands)	
Taxable		
Available-for-sale	$ 25,762	$ 27,798
Held-to-maturity	7,467	7,490
Non-taxable		
Available-for-sale	4,695	4,826
Held-to-maturity	3,108	3,137
Total	$ 41,032	$ 43,251

4. Loans Receivable

The various categories of loans receivable are summarized as follows:

	March 31, 2024	December 31, 2023
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 5,616,965	$ 5,549,954
Construction/land development	2,330,555	2,293,047
Agricultural	337,618	325,156
Residential real estate loans		
Residential 1-4 family	1,899,974	1,844,260
Multifamily residential	415,926	435,736
Total real estate	10,601,038	10,448,153
Consumer	1,163,228	1,153,690
Commercial and industrial	2,284,775	2,324,991
Agricultural	278,609	307,327
Other	186,023	190,567
Total loans receivable	14,513,673	14,424,728
Allowance for credit losses	(290,294)	(288,234)
Loans receivable, net	$ 14,223,379	$ 14,136,494

During the three months ended March 31, 2024, the Company sold $ 2.7 million of the guaranteed portions of certain SBA loans, which resulted in a gain of approximately $198,000. During the three months ended March 31, 2023, the Company sold $ 2.2 million guaranteed portions of certain SBA loans, which resulted in a gain of approximately $139,000.

Mortgage loans held for sale of approximately $ 95.2 million and $123.4 million at March 31, 2024 and December 31, 2023, respectively, are included in residential 1-4 family loans. Mortgage loans held for sale are carried at the lower of cost or fair value, determined using an aggregate basis. Gains and losses resulting from sales of mortgage loans are recognized when the respective loans are sold to investors. Gains and losses are determined by the difference between the selling price and the carrying amount of the loans sold, net of discounts collected or paid. The Company obtains forward commitments to sell mortgage loans to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale. The forward commitments acquired by the Company for mortgage loans in process of origination are considered mandatory forward commitments. Because these commitments are structured on a mandatory basis, the Company is required to substitute another loan or to buy back the commitment if the original loan does not fund. The Company regularly sells mortgages into the capital markets to mitigate the effects of interest rate volatility during the period from the time an interest rate lock commitment ("IRLC") is issued until the IRLC funds creating a mortgage loan held for sale and its subsequent sale into the secondary/capital markets. Loan sales are typically executed on a mandatory basis. Under a mandatory commitment, the Company agrees to deliver a specified dollar amount with predetermined terms by a certain date. Generally, the commitment is not loan specific, and any combination of loans can be delivered into the outstanding commitment provided the terms fall within the parameters of the commitment. Upon failure to deliver, the Company is subject to fees based on market movement. These commitments and IRLCs are derivative instruments and their fair values at March 31, 2024 and December 31, 2023 were not material.

Purchased loans that have experienced more than insignificant credit deterioration since origination are PCD loans. An allowance for credit losses is determined using the same methodology as other loans. The Company develops separate PCD models for each loan segment with PCD loans not individually analyzed for credit losses. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a non-credit discount or premium which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through the provision for credit losses. The Company held approximately $90.5 million and $130.7 million in PCD loans, as of March 31, 2024 and December 31, 2023, respectively. This balance, as of March 31, 2024, consisted of $90.1 million resulting from the acquisition of Happy and $362,000 from the acquisition of LH-Finance.

A description of our accounting policies for loans and impaired loans (which includes loans individually analyzed for credit losses for which a specific reserve has been recorded, non-accrual loans, loans past due 90 days or more and restructured loans made to borrowers experiencing financial difficulty) are set forth in our 2023 Form 10-K filed with the SEC on February 26, 2024.

5. Allowance for Credit Losses, Credit Quality and Other

The Company uses the discounted cash flow ("DCF") method to estimate expected losses for all of the Company's loan pools. These pools are as follows: construction & land development; other commercial real estate; residential real estate; commercial & industrial; and consumer & other. The loan portfolio pools were selected in order to generally align with the loan categories specified in the quarterly call reports required to be filed with the Federal Financial Institutions Examination Council. For each of these loan pools, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, probability of default, and loss given default. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical internal data. The Company uses regression analysis of historical internal and peer data to determine suitable loss drivers to utilize when modeling lifetime probability of default and loss given default. This analysis also determines how expected probability of default and loss given default will react to forecasted levels of the loss drivers.

Management qualitatively adjusts model results for risk factors ("Q-Factors") that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. These Q-Factors and other qualitative adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making Q-Factor and other qualitative adjustments include, among other things, the impact of (i) changes in lending policies, procedures and strategies; (ii) changes in nature and volume of the portfolio; (iii) staff experience; (iv) changes in volume and trends in classified loans, delinquencies and nonaccruals; (v) concentration risk; (vi) trends in underlying collateral values; (vii) external factors such as competition, legal and regulatory environment; (viii) changes in the quality of the loan review system; and (ix) economic conditions.

Each year management evaluates the performance of the selected models used in the CECL calculation through backtesting. Based on the results of the testing, management determines if the various models produced accurate results compared to the actual losses incurred for the current economic environment. Management then determines if changes to the input assumptions and economic factors would produce a stronger overall calculation that is more responsive to changes in economic conditions. The Company continues to use regression analysis to determine suitable loss drivers to utilize when modeling lifetime probability of default and loss given default for the changes in the economic factors for the loss driver segments. The identified loss drivers by segment are included below as of both March 31, 2024 and December 31, 2023.

Loss Driver Segment	Call Report Segment(s)	Modeled Economic Factors
1-4 Family Construction	1a1	National Unemployment (%) & Housing Price Index (%)
All Other Construction	1a2	National Unemployment (%) & Gross Domestic Product (%)
1-4 Family Revolving HELOC & Junior Liens	1c1	National Unemployment (%) & Housing Price Index – CoreLogic (%)
1-4 Family Revolving HELOC & Junior Liens	1c2b	National Unemployment (%) & Gross Domestic Product (%)
1-4 Family Senior Liens	1c2a	National Unemployment (%) & Gross Domestic Product (%)
Multifamily	1d	Rental Vacancy Rate (%) & Housing Price Index – Case-Schiller (%)
Owner Occupied CRE	1e1	National Unemployment (%) & Gross Domestic Product (%)
Non-Owner Occupied CRE	1e2,1b,8	National Unemployment (%) & Gross Domestic Product (%)
Commercial & Industrial, Agricultural, Non-Depository Financial Institutions, Purchase/Carry Securities, Other	4a, 3, 9a, 9b1, 9b2, 10, Other	National Unemployment (%) & National Retail Sales (%)
Consumer Auto	6c	National Unemployment (%) & National Retail Sales (%)
Other Consumer	6b, 6d	National Unemployment (%) & National Retail Sales (%)
Other Consumer - SPF	6d	National Unemployment (%)

For all DCF models, management has determined that four quarters represents a reasonable and supportable forecast period and reverts to a historical loss rate over four quarters on a straight-line basis. Management leverages economic projections from a reputable and independent third party to inform its loss driver forecasts over the four-quarter forecast period. Other internal and external indicators of economic forecasts are also considered by management when developing the forecast metrics.

The combination of adjustments for credit expectations (default and loss) and time expectations (prepayment, curtailment, and time to recovery) produces an expected cash flow stream at the instrument level. Instrument effective yield is calculated, net of the impacts of prepayment assumptions, and the instrument expected cash flows are then discounted at that effective yield to produce an instrument-level net present value of expected cash flows (“NPV”). An allowance for credit loss is established for the difference between the instrument’s NPV and amortized cost basis.

Construction/Land Development and Other Commercial Real Estate Loans. We originate non-farm and non-residential loans (primarily secured by commercial real estate), construction/land development loans, and agricultural loans, which are generally secured by real estate located in our market areas. Our commercial mortgage loans are generally collateralized by first liens on real estate and amortized (where defined) over a 15 to 30 year period with balloon payments due at the end of one to five years. These loans are generally underwritten by assessing cash flow (debt service coverage), primary and secondary source of repayment, the financial strength of any guarantor, the strength of the tenant (if any), the borrower’s liquidity and leverage, management experience, ownership structure, economic conditions and industry specific trends and collateral. Generally, we will loan up to 85% of the value of improved property, 65% of the value of raw land and 75% of the value of land to be acquired and developed. A first lien on the property and assignment of lease is required if the collateral is rental property, with second lien positions considered on a case-by-case basis.

Residential Real Estate Loans. We originate one to four family, residential mortgage loans generally secured by property located in our primary market areas. Residential real estate loans generally have a loan-to-value ratio of up to 90%. These loans are underwritten by giving consideration to many factors including the borrower’s ability to pay, stability of employment or source of income, debt-to-income ratio, credit history and loan-to-value ratio.

Commercial and Industrial Loans. Commercial and industrial loans are made for a variety of business purposes, including working capital, inventory, equipment and capital expansion. The terms for commercial loans are generally one to seven years Commercial loan applications must be supported by current financial information on the borrower and, where appropriate, by adequate collateral. Commercial loans are generally underwritten by addressing cash flow (debt service coverage), primary and secondary sources of repayment, the financial strength of any guarantor, the borrower's liquidity and leverage, management experience, ownership structure, economic conditions and industry specific trends and collateral. The loan to value ratio depends on the type of collateral. Generally, accounts receivable are financed at between 50% and 80% of accounts receivable less than 60 days past due. Inventory financing will range between 50% and 80% (with no work in process) depending on the borrower and nature of inventory. We require a first lien position for those loans.

Consumer & Other Loans. Our consumer & other loans are primarily composed of loans to finance USCG registered high-end sail and power boats. The performance of consumer & other loans will be affected by the local and regional economies as well as the rates of personal bankruptcies, job loss, divorce and other individual-specific characteristics.

Off-Balance Sheet Credit Exposures. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit loss on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The Company uses the DCF method to estimate expected losses for all of the Company's off-balance sheet credit exposures through the use of the existing DCF models for the Company's loan portfolio pools. The off-balance sheet credit exposures exhibit similar risk characteristics as loans currently in the Company's loan portfolio.

During the three months ended March 31, 2024, the Company recorded $ 5.5 million in provision for credit losses on loans, and the Company reversed $1.0 million in provision for unfunded commitments. During the three months ended March 31, 2023, the Company recorded $ 1.2 million in provision for credit losses on loans, and the Company determined that no additional provision was necessary for unfunded commitments as the current level of the reserve was considered adequate.

The following table presents the activity in the allowance for credit losses for the three months ended March 31, 2024:

	Three Months Ended March 31, 2024					
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Total
	(In thousands)					
Allowance for credit losses:						
Beginning balance	$ 33,877	$ 78,635	$ 55,860	$ 92,810	$ 27,052	$ 288,234
Loans charged off	(1)	(1,102)	(159)	(1,746)	(970)	(3,978)
Recoveries of loans previously charged off	7	20	19	101	391	538
Net loans recovered (charged off)	6	(1,082)	(140)	(1,645)	(579)	(3,440)
Provision for credit losses	2,038	1,575	1,183	(157)	861	5,500
Balance, March 31	$ 35,921	$ 79,128	$ 56,903	$ 91,008	$ 27,334	$ 290,294

The following table presents the activity in the allowance for credit losses for the three months ended March 31, 2023 and the year ended December 31, 2023:

	Three Months Ended March 31, 2023 and Year Ended December 31, 2023					
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Total
	(In thousands)					
Allowance for credit losses:						
Beginning balance	$ 32,243	$ 93,848	$ 50,963	$ 89,354	$ 23,261	$ 289,669
Loans charged off	(25)	(73)	(59)	(3,006)	(1,125)	(4,288)
Recoveries of loans previously charged off	7	19	126	109	327	588
Net loans (charged off) recovered	(18)	(54)	67	(2,897)	(798)	(3,700)
Provision for credit loss - loans	(1,053)	(6,816)	403	5,939	2,727	1,200
Balance, March 31	31,172 —	86,978 —	51,433 —	92,396 —	25,190	287,169
Loans charged off	(238)	(2,262)	(210)	(6,151)	(2,906)	(11,767)
Recoveries of loans previously charged off	106	514	203	474	785	2,082
Net loans (charged off) recovered	(132)	(1,748)	(7)	(5,677)	(2,121)	(9,685)
Provision for credit loss - loans	2,837	(6,595)	4,434	6,091	3,983	10,750
Balance, December 31	$ 33,877	$ 78,635	$ 55,860	$ 92,810	$ 27,052	$ 288,234

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 90 days still accruing as of March 31, 2024 and December 31, 2023:

	March 31, 2024		
	Nonaccrual	Nonaccrual with Reserve	Loans Past Due Over 90 Days Still Accruing
	(In thousands)		
Real estate:			
Commercial real estate loans			
Non-farm/non-residential	$ 12,887	$ —	$ 9,377
Construction/land development	15,782	9,059	603
Agricultural	414	—	—
Residential real estate loans			
Residential 1-4 family	22,037	—	543
Total real estate	51,120	9,059	10,523
Consumer	4,639	—	48
Commercial and industrial	10,969	3,112	2,311
Agricultural & other	327	—	46
Total	$ 67,055	$ 12,171	$ 12,928

	December 31, 2023		
	Nonaccrual	Nonaccrual with Reserve	Loans Past Due Over 90 Days Still Accruing
	(In thousands)		
Real estate:			
Commercial real estate loans			
Non-farm/non-residential	$ 13,178	$ —	$ 2,177
Construction/land development	12,094	—	255
Agricultural	431	—	—
Residential real estate loans			
Residential 1-4 family	20,351	—	84
Multifamily residential	—	—	—
Total real estate	46,054	—	2,516
Consumer	3,423	—	79
Commercial and industrial	9,982	2,534	1,535
Agricultural & other	512	—	—
Total	$ 59,971	$ 2,534	$ 4,130

The Company had $67.1 million and $60.0 million in nonaccrual loans for the periods ended March 31, 2024 and December 31, 2023, respectively. In addition, the Company had $12.9 million and $4.1 million in loans past due 90 days or more and still accruing for the periods ended March 31, 2024 and December 31, 2023, respectively.

The Company had $12.2 million and $2.5 million in nonaccrual loans with a specific reserve as of March 31, 2024 and December 31, 2023, respectively. Interest income recognized on the non-accrual loans for the periods ended March 31, 2024 and March 31, 2023 was considered immaterial.

The following table presents the amortized cost basis of impaired loans (which includes loans individually analyzed for credit losses for which a specific reserve has been recorded, non-accrual loans, loans past due 90 days or more and restructured loans made to borrowers experiencing financial difficulty) by class of loans as of March 31, 2024 and December 31, 2023:

	March 31, 2024		
	Commercial Real Estate	Residential Real Estate	Other
	(In thousands)		
Real estate:			
Commercial real estate loans			
Non-farm/non-residential	$ 44,193	$ —	$ —
Construction/land development	16,385	—	—
Agricultural	414	—	—
Residential real estate loans			
Residential 1-4 family	—	23,696	—
Multifamily residential	—	—	—
Total real estate	60,992	23,696	—
Consumer	—	—	4,696
Commercial and industrial	—	—	15,536
Agricultural & other	—	—	373
Total	$ 60,992	$ 23,696	$ 20,605

	December 31, 2023		
	Commercial Real Estate	Residential Real Estate	Other
	(In thousands)		
Real estate:			
Commercial real estate loans			
Non-farm/non-residential	$ 39,813	$ —	$ —
Construction/land development	12,350	—	—
Agricultural	431	—	—
Residential real estate loans			
Residential 1-4 family	—	21,386	—
Multifamily residential	—	—	—
Total real estate	52,594	21,386	—
Consumer	—	—	3,511
Commercial and industrial	—	—	16,890
Agricultural & other	—	—	512
Total	$ 52,594	$ 21,386	$ 20,913

The Company had $105.3 million and $94.9 million in impaired loans for the periods ended March 31, 2024 and December 31, 2023, respectively.

Loans that do not share risk characteristics are evaluated on an individual basis. For these loans, where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the financial asset to be provided substantially through the operation or sale of the collateral, the allowance for credit losses is measured based on the difference between the fair value of the collateral, net of estimated costs to sell, and the amortized cost basis of the loan as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the present value of expected cash flows from the operation of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the fair value of the underlying collateral less estimated costs to sell. The allowance for credit losses may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan, net of estimated costs to sell.

The following is an aging analysis for loans receivable as of March 31, 2024 and December 31, 2023:

	March 31, 2024						
	Loans Past Due 30-59 Days	Loans Past Due 60-89 Days	Loans Past Due 90 Days or More	Total Past Due	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days or More
	(In thousands)						
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 2,628	$ 1,148	$ 22,264	$ 26,040	$ 5,590,925	$ 5,616,965	$ 9,377
Construction/land development	1,525	103	16,385	18,013	2,312,542	2,330,555	603
Agricultural	301	311	414	1,026	336,592	337,618	—
Residential real estate loans							
Residential 1-4 family	10,488	1,466	22,580	34,534	1,865,440	1,899,974	543
Multifamily residential	790	—	—	790	415,136	415,926	—
Total real estate	15,732	3,028	61,643	80,403	10,520,635	10,601,038	10,523
Consumer	417	151	4,687	5,255	1,157,973	1,163,228	48
Commercial and industrial	1,426	2,747	13,280	17,453	2,267,322	2,284,775	2,311
Agricultural & other	462	48	373	883	463,749	464,632	46
Total	$ 18,037	$ 5,974	$ 79,983	$ 103,994	$ 14,409,679	$ 14,513,673	$ 12,928

	December 31, 2023						
	Loans Past Due 30-59 Days	Loans Past Due 60-89 Days	Loans Past Due 90 Days or More	Total Past Due	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days or More
	(In thousands)						
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 8,124	$ 416	$ 15,355	$ 23,895	$ 5,526,059	$ 5,549,954	$ 2,177
Construction/land development	1,430	—	12,349	13,779	2,279,268	2,293,047	255
Agricultural	474	314	431	1,219	323,937	325,156	—
Residential real estate loans							
Residential 1-4 family	4,346	1,423	20,435	26,204	1,818,056	1,844,260	84
Multifamily residential	—	—	—	—	435,736	435,736	—
Total real estate	14,374	2,153	48,570	65,097	10,383,056	10,448,153	2,516
Consumer	1,022	303	3,502	4,827	1,148,863	1,153,690	79
Commercial and industrial	2,089	3,378	11,517	16,984	2,308,007	2,324,991	1,535
Agricultural and other	1,074	113	512	1,699	496,195	497,894	—
Total	$ 18,559	$ 5,947	$ 64,101	$ 88,607	$ 14,336,121	$ 14,424,728	$ 4,130

Non-accruing loans at March 31, 2024 and December 31, 2023 were $ 67.1 million and $60.0 million, respectively.

Interest recognized on impaired loans during the three months ended March 31, 2024 was approximately $ 685,000. Interest recognized on impaired loans during the three months ended March 31, 2023 was approximately $1.8 million. The amount of interest recognized on impaired loans on the cash basis is not materially different than the accrual basis.

Credit Quality Indicators. As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to (i) the risk rating of loans, (ii) the level of classified loans, (iii) net charge-offs, (iv) non-performing loans and (v) the general economic conditions in Arkansas, Florida, Texas, Alabama and New York.

The Company utilizes a risk rating matrix to assign a risk rating to each of its loans. Loans are rated on a scale from 1 to 8. Descriptions of the general characteristics of the 8 risk ratings are as follows:

- *Risk rating 1 – Excellent.* Loans in this category are to persons or entities of unquestionable financial strength, a highly liquid financial position, with collateral that is liquid and well margined. These borrowers have performed without question on past obligations, and the Bank expects their performance to continue. Internally generated cash flow covers current maturities of long-term debt by a substantial margin. Loans secured by bank certificates of deposit and savings accounts, with appropriate holds placed on the accounts, are to be rated in this category.
- *Risk rating 2 – Good.* These are loans to persons or entities with strong financial condition and above-average liquidity that have previously satisfactorily handled their obligations with the Bank. Collateral securing the Bank's debt is margined in accordance with policy guidelines. Internally generated cash flow covers current maturities of long-term debt more than adequately. Unsecured loans to individuals supported by strong financial statements and on which repayment is satisfactory may be included in this classification.
- *Risk rating 3 – Satisfactory.* Loans to persons or entities with an average financial condition, adequate collateral margins, adequate cash flow to service long-term debt, and net worth comprised mainly of fixed assets are included in this category. These entities are minimally profitable now, with projections indicating continued profitability into the foreseeable future. Closely held corporations or businesses where a majority of the profits are withdrawn by the owners or paid in dividends are included in this rating category. Overall, these loans are basically sound.
- *Risk rating 4 – Watch.* Borrowers who have marginal cash flow, marginal profitability or have experienced an unprofitable year and a declining financial condition characterize these loans. The borrower has in the past satisfactorily handled debts with the Bank, but in recent months has either been late, delinquent in making payments, or made sporadic payments. While the Bank continues to be adequately secured, margins have decreased or are decreasing, despite the borrower's continued satisfactory condition. Other characteristics of borrowers in this class include inadequate credit information, weakness of financial statement and repayment capacity, but with collateral that appears to limit exposure.
- *Risk rating 5 – Other Loans Especially Mentioned ("OLEM")*. A loan criticized as OLEM has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. OLEM assets are not adversely classified and do not expose the institution to sufficient risk to warrant adverse classification.
- *Risk rating 6 – Substandard.* A loan classified as substandard is inadequately protected by the sound worth and paying capacity of the borrower or the collateral pledged. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual assets.
- *Risk rating 7 – Doubtful.* A loan classified as doubtful has all the weaknesses inherent in a loan classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. These are poor quality loans in which neither the collateral, if any, nor the financial condition of the borrower presently ensure collectability in full in a reasonable period of time; in fact, there is permanent impairment in the collateral securing the loan.
- *Risk rating 8 – Loss.* Assets classified as loss are considered uncollectible and of such little value that the continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather, it is not practical or desirable to defer writing off this basically worthless asset, even though partial recovery may occur in the future. This classification is based upon current facts, not probabilities. Assets classified as loss should be charged-off in the period in which they became uncollectible.

The Company's classified loans include loans in risk ratings 6, 7 and 8. Loans may be classified, but not considered collateral dependent, due to one of the following reasons: (1) The Company has established minimum dollar amount thresholds for credit loss testing. All loans over $2.0 million that are rated 5 – 8 are individually assessed for credit losses on a quarterly basis. Loans rated 5 – 8 that fall under the threshold amount are not individually tested for credit losses and therefore are not included in collateral dependent loans; (2) of the loans that are above the threshold amount and tested for credit losses after testing, some are considered to not be collateral dependent and are not included in collateral dependent loans.

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Based on the most recent analysis performed, the risk category of loans by class of loans as of March 31, 2024 and December 31, 2023 is as follows:

	March 31, 2024							
	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
	(In thousands)							
Real estate:								
Commercial real estate loans								
Non-farm/non-residential								
Risk rating 1	$ —	$ —	$ —	$ —	$ —	$ 342	$ 91	$ 433
Risk rating 2	—	—	—	—	—	109	—	109
Risk rating 3	83,363	331,573	594,821	581,031	241,146	1,121,885	437,309	3,391,128
Risk rating 4	7,718	157,901	499,982	251,916	157,181	710,773	133,521	1,918,992
Risk rating 5	—	—	800	10,612	—	53,802	—	65,214
Risk rating 6	—	—	8,191	9,205	24,133	199,371	189	241,089
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total non-farm/non-residential	91,081	489,474	1,103,794	852,764	422,460	2,086,282	571,110	5,616,965
Construction/land development								
Risk rating 1	$ —	$ —	$ —	$ 10	$ —	$ —	$ —	$ 10
Risk rating 2	—	138	—	—	—	179	—	317
Risk rating 3	103,471	338,932	491,298	113,870	50,553	70,571	47,987	1,216,682
Risk rating 4	17,872	165,321	426,339	220,985	19,545	52,325	193,864	1,096,251
Risk rating 5	—	635	—	—	—	67	—	702
Risk rating 6	—	—	11,796	1,602	1,279	901	943	16,521
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	72	—	—	—	72
Total construction/land development	121,343	505,026	929,433	336,539	71,377	124,043	242,794	2,330,555
Agricultural								
Risk rating 1	$ 700	$ —	$ 1,550	$ —	$ —	$ —	$ —	$ 2,250
Risk rating 2	—	245	—	1,908	—	—	—	2,153
Risk rating 3	12,689	35,840	43,636	20,758	24,044	48,712	26,975	212,654
Risk rating 4	7,297	9,474	22,316	18,238	13,622	40,145	4,636	115,728
Risk rating 5	—	—	—	—	—	882	—	882
Risk rating 6	—	—	—	1,668	1,084	1,199	—	3,951
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total agricultural	20,686	45,559	67,502	42,572	38,750	90,938	31,611	337,618
Total commercial real estate loans	$ 233,110	$ 1,040,059	$ 2,100,729	$ 1,231,875	$ 532,587	$ 2,301,263	$ 845,515	$ 8,285,138
Residential real estate loans								
Residential 1-4 family								
Risk rating 1	$ —	$ —	$ —	$ —	$ —	$ 96	$ 2	$ 98
Risk rating 2	—	867	—	—	—	14	1	882
Risk rating 3	68,236	222,450	374,959	238,269	140,564	399,083	123,952	1,567,513
Risk rating 4	3,710	14,286	43,663	52,466	20,855	76,831	85,756	297,567
Risk rating 5	—	158	670	29	298	1,412	—	2,567
Risk rating 6	—	1,274	5,386	3,915	3,939	16,047	784	31,345
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	2	—	2
Total residential 1-4 family	71,946	239,035	424,678	294,679	165,656	493,485	210,495	1,899,974

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	March 31, 2024							
	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
	(In thousands)							
Multifamily residential								
Risk rating 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Risk rating 2	—	—	—	—	—	—	—	—
Risk rating 3	424	3,300	25,242	37,413	44,195	81,998	6,867	199,439
Risk rating 4	—	696	81,319	38,046	64,246	23,736	8,041	216,084
Risk rating 5	—	—	150	—	—	—	—	150
Risk rating 6	—	—	—	—	—	253	—	253
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total multifamily residential	424	3,996	106,711	75,459	108,441	105,987	14,908	415,926
Total real estate	$ 305,480	$ 1,283,090	$ 2,632,118	$ 1,602,013	$ 806,684	$ 2,900,735	$ 1,070,918	$ 10,601,038
Consumer								
Risk rating 1	$ 2,232	$ 4,108	$ 2,526	$ 1,834	$ 769	$ 1,238	$ 1,529	$ 14,236
Risk rating 2	—	—	—	—	—	170	—	170
Risk rating 3	44,644	230,405	238,893	206,923	102,296	289,483	1,196	1,113,840
Risk rating 4	904	7,573	8,067	1,015	49	4,911	255	22,774
Risk rating 5	—	5,052	—	223	165	905	—	6,345
Risk rating 6	—	186	1,482	950	932	2,276	23	5,849
Risk rating 7	—	13	—	—	—	—	—	13
Risk rating 8	—	—	—	—	1	—	—	1
Total consumer	47,780	247,337	250,968	210,945	104,212	298,983	3,003	1,163,228
Commercial and industrial								
Risk rating 1	$ 678	$ 1,729	$ 860	$ 816	$ 231	$ 20,920	$ 12,287	$ 37,521
Risk rating 2	—	160	1,221	208	10	20	1,130	2,749
Risk rating 3	21,943	475,638	267,003	73,719	52,985	248,283	227,129	1,366,700
Risk rating 4	32,124	50,433	33,941	44,843	19,245	85,821	425,396	691,803
Risk rating 5	—	20	832	16,270	3,186	972	2,123	23,403
Risk rating 6	22	12,147	72,252	4,576	668	20,577	52,352	162,594
Risk rating 7	—	—	—	—	—	5	—	5
Risk rating 8	—	—	—	—	—	—	—	—
Total commercial and industrial	54,767	540,127	376,109	140,432	76,325	376,598	720,417	2,284,775
Agricultural and other								
Risk rating 1	$ 427	$ 402	$ 120	$ 16	$ 105	$ —	$ 331	$ 1,401
Risk rating 2	71	308	28	1	—	1,216	743	2,367
Risk rating 3	17,995	51,938	40,941	30,317	25,416	44,812	140,789	352,208
Risk rating 4	3,781	8,139	9,975	7,231	642	13,634	62,823	106,225
Risk rating 5	—	—	312	—	61	593	15	981
Risk rating 6	—	77	31	55	97	368	822	1,450
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total agricultural and other	22,274	60,864	51,407	37,620	26,321	60,623	205,523	464,632
Total	$ 430,301	$ 2,131,418	$ 3,310,602	$ 1,991,010	$ 1,013,542	$ 3,636,939	$ 1,999,861	$ 14,513,673

	December 31, 2023							
	Term Loans Amortized Cost Basis by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
	(In thousands)							
Real estate:								
Commercial real estate loans								
Non-farm/non-residential								
Risk rating 1	$ —	$ —	$ —	$ —	$ 232	$ 116	$ 55	$ 403
Risk rating 2	—	—	—	—	111	—	—	111
Risk rating 3	305,742	584,860	568,413	243,177	216,746	934,111	440,414	3,293,463
Risk rating 4	83,089	557,540	242,217	224,378	149,258	590,864	95,360	1,942,706
Risk rating 5	—	—	10,000	—	14,095	42,694	758	67,547
Risk rating 6	—	8,198	9,958	23,743	24,380	179,350	95	245,724
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total non-farm/non-residential	388,831	1,150,598	830,588	491,298	404,822	1,747,135	536,682	5,549,954
Construction/land development								
Risk rating 1	$ —	$ —	$ 10	$ —	$ —	$ —	$ —	$ 10
Risk rating 2	759	—	—	—	—	186	—	945
Risk rating 3	300,941	499,984	130,342	62,134	22,656	56,180	44,603	1,116,840
Risk rating 4	198,874	417,244	252,602	22,713	32,342	24,527	209,063	1,157,365
Risk rating 5	641	1,163	—	3,306	218	69	—	5,397
Risk rating 6	—	7,817	1,631	748	641	254	1,327	12,418
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	72	—	—	—	—	72
Total construction/land development	501,215	926,208	384,657	88,901	55,857	81,216	254,993	2,293,047
Agricultural								
Risk rating 1	$ —	$ 1,605	$ —	$ —	$ —	$ —	$ —	$ 1,605
Risk rating 2	247	—	1,936	—	—	—	—	2,183
Risk rating 3	30,252	43,291	22,919	25,992	10,678	43,284	20,104	196,520
Risk rating 4	9,477	24,688	20,358	19,532	7,873	32,692	4,612	119,232
Risk rating 5	—	—	—	—	314	571	—	885
Risk rating 6	—	—	1,675	1,084	1,620	352	—	4,731
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total agricultural	39,976	69,584	46,888	46,608	20,485	76,899	24,716	325,156
Total commercial real estate loans	$ 930,022	$ 2,146,390	$ 1,262,133	$ 626,807	$ 481,164	$ 1,905,250	$ 816,391	$ 8,168,157
Residential real estate loans								
Residential 1-4 family								
Risk rating 1	$ —	$ —	$ —	$ —	$ —	$ 144	$ 2	$ 146
Risk rating 2	259	—	—	—	—	20	1	280
Risk rating 3	246,462	366,149	241,985	145,339	93,751	324,569	122,950	1,541,205
Risk rating 4	14,992	37,444	55,406	21,240	13,313	67,084	62,356	271,835
Risk rating 5	—	243	246	479	831	1,343	40	3,182
Risk rating 6	71	5,361	2,926	4,064	3,432	10,567	1,189	27,610
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	2	—	2
Total residential 1-4 family	261,784	409,197	300,563	171,122	111,327	403,729	186,538	1,844,260

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	December 31, 2023							
	Term Loans Amortized Cost Basis by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
	(In thousands)							
Multifamily residential								
Risk rating 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Risk rating 2	—	—	—	—	—	—	—	—
Risk rating 3	3,314	9,827	37,755	44,407	31,436	53,068	6,537	186,344
Risk rating 4	669	77,185	69,546	64,295	8,116	18,490	7,822	246,123
Risk rating 5	—	—	—	—	—	3,006	—	3,006
Risk rating 6	—	—	—	—	263	—	—	263
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total multifamily residential	3,983	87,012	107,301	108,702	39,815	74,564	14,359	435,736
Total real estate	$ 1,195,789	$ 2,642,599	$ 1,669,997	$ 906,631	$ 632,306	$ 2,383,543	$ 1,017,288	$ 10,448,153
Consumer								
Risk rating 1	$ 5,195	$ 2,952	$ 2,002	$ 839	$ 355	$ 1,114	$ 1,580	$ 14,037
Risk rating 2	—	—	—	—	126	54	—	180
Risk rating 3	240,897	245,543	211,312	108,009	108,063	191,220	1,264	1,106,308
Risk rating 4	9,597	7,534	2,479	69	109	6,073	214	26,075
Risk rating 5	22	—	22	483	872	261	—	1,660
Risk rating 6	204	1,559	830	581	881	1,349	11	5,415
Risk rating 7	15	—	—	—	—	—	—	15
Risk rating 8	—	—	—	—	—	—	—	—
Total consumer	255,930	257,588	216,645	109,981	110,406	200,071	3,069	1,153,690
Commercial and industrial								
Risk rating 1	$ 3,757	$ 918	$ 1,120	$ 236	$ 121	$ 20,835	$ 12,644	$ 39,631
Risk rating 2	174	1,293	220	12	164	218	963	3,044
Risk rating 3	487,896	272,608	78,507	50,340	77,761	170,610	227,043	1,364,765
Risk rating 4	115,025	34,474	55,812	33,000	27,189	71,854	378,417	715,771
Risk rating 5	21	547	16,318	3,352	201	980	1,767	23,186
Risk rating 6	12,498	75,536	4,942	1,154	9,086	12,180	63,198	178,594
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total commercial and industrial	619,371	385,376	156,919	88,094	114,522	276,677	684,032	2,324,991
Agricultural and other								
Risk rating 1	$ 408	$ 131	$ 16	$ 105	$ —	$ 2	$ 563	$ 1,225
Risk rating 2	396	28	1	—	1,181	100	693	2,399
Risk rating 3	52,758	45,796	31,378	26,918	3,059	43,984	145,419	349,312
Risk rating 4	14,007	7,663	8,025	955	10,955	3,188	94,186	138,979
Risk rating 5	—	2,286	—	134	—	593	665	3,678
Risk rating 6	71	33	63	108	—	370	1,656	2,301
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total agricultural and other	67,640	55,937	39,483	28,220	15,195	48,237	243,182	497,894
Total	$ 2,138,730	$ 3,341,500	$ 2,083,044	$ 1,132,926	$ 872,429	$ 2,908,528	$ 1,947,571	$ 14,424,728

The following table presents gross write-offs by origination date as of March 31, 2024 and December 31, 2023.

	March 31, 2024							
	Gross Loan Write-Offs by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
	(In thousands)							
Real estate								
Commercial real estate loans								
Non-farm/non-residential	$ —	$ —	$ —	$ 750	$ 1	$ 351	$ —	$ 1,102
Construction/land development	—	—	—	—	1	—	—	1
Agricultural	—	—	—	—	—	—	—	—
Residential real estate loans								
Residential 1-4 family	—	1	68	—	25	65	—	159
Total real estate	—	1	68	750	27	416	—	1,262
Consumer	—	12	39	26	87	34	—	198
Commercial and industrial	—	106	25	258	—	2	1,355	1,746
Agricultural & other	772 *	—	—	—	—	—	—	772
Total	$ 772	$ 119	$ 132	$ 1,034	$ 114	$ 452	$ 1,355	$ 3,978

*The 2024 write-off consists entirely of overdrafts.

	December 31, 2023							
	Gross Loan Write-Offs by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	2020	2019	Prior		
	(In thousands)							
Real estate								
Commercial real estate loans								
Non-farm/non-residential	$ —	$ —	$ —	$ —	$ 1,826	$ 502	$ —	$ 2,328
Construction/land development	—	2	168	5	—	88	—	263
Agricultural	—	—	—	—	1	6	—	7
Residential real estate loans								
Residential 1-4 family	—	29	28	73	13	126	—	269
Total real estate	—	31	196	78	1,840	722	—	2,867
Consumer	—	51	44	98	63	263	25	544
Commercial and industrial	—	407	1,110	894	911	5,369	466	9,157
Agricultural & other	3,252 **	1	1	2	64	3	164	3,487
Total	$ 3,252	$ 490	$ 1,351	$ 1,072	$ 2,878	$ 6,357	$ 655	$ 16,055

**The 2023 write-offs consists entirely of overdrafts.

The Company considers the performance of the loan portfolio and its impact on the allowance for credit losses. The Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following tables present the amortized cost of performing and nonperforming loans as of March 31, 2024 and December 31, 2023.

	March 31, 2024							
	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
	(In thousands)							
Real estate:								
Commercial real estate loans								
Non-farm/non-residential								
Performing	$ 91,081	$ 489,474	$ 1,103,713	$ 844,097	$ 421,053	$ 2,052,324	$ 571,030	$ 5,572,772
Non-performing	—	—	81	8,667	1,407	33,958	80	44,193
Total non-farm/non-residential	91,081	489,474	1,103,794	852,764	422,460	2,086,282	571,110	5,616,965
Construction/land development								
Performing	$ 121,343	$ 505,026	$ 917,637	$ 334,866	$ 70,220	$ 123,226	$ 241,852	$ 2,314,170
Non-performing	—	—	11,796	1,673	1,157	817	942	16,385
Total construction/ land development	121,343	505,026	929,433	336,539	71,377	124,043	242,794	2,330,555
Agricultural								
Performing	$ 20,686	$ 45,559	$ 67,502	$ 42,501	$ 38,750	$ 90,595	$ 31,611	$ 337,204
Non-performing	—	—	—	71	—	343	—	414
Total agricultural	20,686	45,559	67,502	42,572	38,750	90,938	31,611	337,618
Total commercial real estate loans	$ 233,110	$ 1,040,059	$ 2,100,729	$ 1,231,875	$ 532,587	$ 2,301,263	$ 845,515	$ 8,285,138
Residential real estate loans								
Residential 1-4 family								
Performing	$ 71,946	$ 238,505	$ 420,458	$ 291,510	$ 162,453	$ 481,331	$ 210,075	$ 1,876,278
Non-performing	—	530	4,220	3,169	3,203	12,154	420	23,696
Total residential 1-4 family	71,946	239,035	424,678	294,679	165,656	493,485	210,495	1,899,974
Multifamily residential								
Performing	$ 424	$ 3,996	$ 106,711	$ 75,459	$ 108,441	$ 105,987	$ 14,908	$ 415,926
Non-performing	—	—	—	—	—	—	—	—
Total multifamily residential	424	3,996	106,711	75,459	108,441	105,987	14,908	415,926
Total real estate	$ 305,480	$ 1,283,090	$ 2,632,118	$ 1,602,013	$ 806,684	$ 2,900,735	$ 1,070,918	$ 10,601,038
Consumer								
Performing	$ 47,780	$ 247,223	$ 250,314	$ 210,065	$ 103,311	$ 296,854	$ 2,985	$ 1,158,532
Non-performing	—	114	654	880	901	2,129	18	4,696
Total consumer	47,780	247,337	250,968	210,945	104,212	298,983	3,003	1,163,228
Commercial and industrial								
Performing	$ 54,767	$ 537,330	$ 373,206	$ 139,722	$ 75,802	$ 370,961	$ 717,451	$ 2,269,239
Non-performing	—	2,797	2,903	710	523	5,637	2,966	15,536
Total commercial and industrial	54,767	540,127	376,109	140,432	76,325	376,598	720,417	2,284,775
Agricultural and other								
Performing	$ 22,274	$ 60,787	$ 51,376	$ 37,565	$ 26,321	$ 60,546	$ 205,390	$ 464,259
Non-performing	—	77	31	55	—	77	133	373
Total agricultural and other	22,274	60,864	51,407	37,620	26,321	60,623	205,523	464,632
Total	$ 430,301	$ 2,131,418	$ 3,310,602	$ 1,991,010	$ 1,013,542	$ 3,636,939	$ 1,999,861	$ 14,513,673

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	December 31, 2023							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	2020	2019	Prior		
	(In thousands)							
Real estate:								
Commercial real estate loans								
Non-farm/non-residential								
Performing	$ 388,831	$ 1,150,598	$ 821,373	$ 490,153	$ 404,061	$ 1,718,776	$ 536,349	$ 5,510,141
Non-performing	—	—	9,215	1,145	761	28,359	333	39,813
Total non-farm/non-residential	388,831	1,150,598	830,588	491,298	404,822	1,747,135	536,682	5,549,954
Construction/land development								
Performing	$ 501,215	$ 918,390	$ 382,954	$ 88,204	$ 55,239	$ 81,028	$ 253,667	$ 2,280,697
Non-performing	—	7,818	1,703	697	618	188	1,326	12,350
Total construction/land development	501,215	926,208	384,657	88,901	55,857	81,216	254,993	2,293,047
Agricultural								
Performing	$ 39,976	$ 69,584	$ 46,809	$ 46,608	$ 20,485	$ 76,547	$ 24,716	$ 324,725
Non-performing	—	—	79	—	—	352	—	431
Total agricultural	39,976	69,584	46,888	46,608	20,485	76,899	24,716	325,156
Total commercial real estate loans	$ 930,022	$ 2,146,390	$ 1,262,133	$ 626,807	$ 481,164	$ 1,905,250	$ 816,391	$ 8,168,157
Residential real estate loans								
Residential 1-4 family								
Performing	$ 261,784	$ 405,239	$ 298,207	$ 167,475	$ 108,091	$ 396,130	$ 185,948	$ 1,822,874
Non-performing	—	3,958	2,356	3,647	3,236	7,599	590	21,386
Total residential 1-4 family	261,784	409,197	300,563	171,122	111,327	403,729	186,538	1,844,260
Multifamily residential								
Performing	$ 3,983	$ 87,012	$ 107,301	$ 108,702	$ 39,815	$ 74,564	$ 14,359	$ 435,736
Non-performing	—	—	—	—	—	—	—	—
Total multifamily residential	3,983	87,012	107,301	108,702	39,815	74,564	14,359	435,736
Total real estate	$ 1,195,789	$ 2,642,599	$ 1,669,997	$ 906,631	$ 632,306	$ 2,383,543	$ 1,017,288	$ 10,448,153
Consumer								
Performing	$ 255,771	$ 256,826	$ 215,831	$ 109,442	$ 110,267	$ 198,982	$ 3,060	$ 1,150,179
Non-performing	159	762	814	539	139	1,089	9	3,511
Total consumer	255,930	257,588	216,645	109,981	110,406	200,071	3,069	1,153,690
Commercial and industrial								
Performing	$ 616,809	$ 382,190	$ 156,056	$ 87,531	$ 111,529	$ 273,434	$ 680,552	$ 2,308,101
Non-performing	2,562	3,186	863	563	2,993	3,243	3,480	16,890
Total commercial and industrial	619,371	385,376	156,919	88,094	114,522	276,677	684,032	2,324,991
Agricultural and other								
Performing	$ 67,569	$ 55,904	$ 39,473	$ 28,220	$ 15,195	$ 48,203	$ 242,818	$ 497,382
Non-performing	71	33	10	—	—	34	364	512
Total agricultural and other	67,640	55,937	39,483	28,220	15,195	48,237	243,182	497,894
Total	$ 2,138,730	$ 3,341,500	$ 2,083,044	$ 1,132,926	$ 872,429	$ 2,908,528	$ 1,947,571	$ 14,424,728

The Company had approximately $10.3 million or 61 total revolving loans convert to term loans for the three months ended March 31, 2024 compared to $6.2 million or 64 total revolving loans convert to term loans for the three months ended March 31, 2023. These loans were considered immaterial for vintage disclosure inclusion.

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The following table presents the amortized cost basis of modified loans to borrowers experiencing financial difficulty by class and modification type at March 31, 2024 and December 31, 2023. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	March 31, 2024									
					Combination of Modifications					
	Term Extension	Interest Rate Reduction	Principal Reduction	Interest Only	Interest Rate Reduction and Term Extension	Principal Reduction and Interest Rate Reduction	Term Extension and Interest Only	Term Extension and Principal Reduction	Post-Modification Outstanding Balance	Percentage of Total Class of Loans Receivable
	(In thousands)									
Real estate:										
Commercial real estate loans										
Non-farm/non-residential	$ 396	$ 457	$ —	$ 1,415	$ 347	$ —	$ 16,023	$ —	$ 18,638	0.33 %
Construction/land development	—	—	—	121	—	—	—	—	121	0.01
Residential real estate loans										
Residential 1-4 family	626	724	105	56	500	—	—	115	2,126	0.11
Total real estate	1,022	1,181	105	1,592	847	—	16,023	115	20,885	0.20
Consumer	—	—	1	9	—	4	—	—	14	—
Commercial and industrial	2,257	38	4	1,669	74	—	—	—	4,042	0.18
Total	$ 3,279	$ 1,219	$ 110	$ 3,270	$ 921	$ 4	$ 16,023	$ 115	$ 24,941	0.17 %

	December 31, 2023									
					Combination of Modifications					
	Term Extension	Interest Rate Reduction	Principal Reduction	Interest Only	Interest Rate Reduction and Term Extension	Principal Reduction and Interest Rate Reduction	Term Extension and Interest Only	Term Extension and Principal Reduction	Post-Modification Outstanding Balance	Percentage of Total Class of Loans Receivable
	(In thousands)									
Real estate:										
Commercial real estate loans										
Non-farm/non-residential	$ 398	$ —	$ —	$ 1,537	$ 348	$ —	$ 16,023	$ —	$ 18,306	0.33 %
Construction/land development	—	—	—	149	—	—	—	—	149	0.01
Residential real estate loans										
Residential 1-4 family	560	598	106	59	516	—	—	116	1,955	0.11
Total real estate	958	598	106	1,745	864	—	16,023	116	20,410	0.20
Consumer	14	—	1	10	—	5	—	—	30	—
Commercial and industrial	2,253	38	42	1,763	74	—	—	—	4,170	0.18
Total	$ 3,225	$ 636	$ 149	$ 3,518	$ 938	$ 5	$ 16,023	$ 116	$ 24,610	0.17 %

During the three-months ended March 31, 2024, the Company restructured approximately $ 668,000 in loans to 3 borrowers. The ending balance of these loans as of March 31, 2024, was $656,000. During the three-months ended March 31, 2023, the Company restructured approximately $ 52,000 in loans to three borrowers. The ending balance of these loans as of March 31, 2023, was $ 48,000. The Company considered the financial effect of these loan modifications to borrowers experiencing financial difficulty during the three-months ended March 31, 2024 and March 31, 2023 as well as the unadvanced balances to these borrowers immaterial for tabular disclosure inclusion.

The following table presents the amortized cost basis of loans that had a payment default during the three-months ended March 31, 2024 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

	March 31, 2024						
	Term Extension	Interest Rate Reduction	Principal Reduction	Interest Only	Combination Interest Rate Reduction and Term Extension	Combination Interest Rate Reduction and Principal Reduction	Combination Term Extension and Principal Reduction
	(Dollars in thousands)						
Real estate							
Commercial real estate loans							
Non-farm/non-residential	$ —	$ —	$ —	$ 319	$ —	$ —	$ —
Residential real estate loans							
Residential 1-4 family	115	104	9	—	323	—	115
Total real estate	115	104	9	319	323	—	115
Commercial and industrial	—	—	—	28	—	—	—
Total	$ 115	$ 104	$ 9	$ 347	$ 323	$ —	$ 115

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The Company has modified 21 loans over the past 12 months to borrowers experiencing financial difficulty. The pre-modification balance of the loans was $20.2 million, and the ending balance as of March 31, 2024 was $ 21.5 million. The $21.5 million balance consists of $1.0 million of non-accrual loans and $ 20.5 million of current loans, of which $71,000 were 30-59 days past due and $ 1.1 million were past due 90 days or more as of March 31, 2024. The remaining balance of the loans was current as of March 31, 2024.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses on loans is adjusted by the same amount. The defaults impact the loss rate by applicable loan pool for the quarterly CECL calculation. For individually analyzed loans which are not considered to be collateral dependent, an allowance is recorded based on the loss rate for the respective pool within the collective evaluation.

The following is a presentation of total foreclosed assets as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
	(In thousands)	
Commercial real estate loans		
Non-farm/non-residential	$ 29,894	$ 29,894
Construction/land development	—	47
Residential real estate loans		
Residential 1-4 family	756	545
Total foreclosed assets held for sale	$ 30,650	$ 30,486

6. Goodwill and Core Deposits and Other Intangibles

Changes in the carrying amount and accumulated amortization of the Company’s goodwill and core deposits and other intangibles at March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024	December 31, 2023
	(In thousands)	
Goodwill		
Balance, beginning of period	$ 1,398,253	$ 1,398,253
Acquisitions	—	—
Balance, end of period	$ 1,398,253	$ 1,398,253

		March 31, 2024		December 31, 2023
		(In thousands)		
Core Deposit Intangibles				
Balance, beginning of period	$	48,770	$	58,455
Amortization expense		(2,140)		(2,477)
Balance, March 31	$	46,630		55,978
Amortization expense				(7,208)
Balance, end of year			$	48,770

The carrying basis and accumulated amortization of core deposit intangibles at March 31, 2024 and December 31, 2023 were :

		March 31, 2024		December 31, 2023
		(In thousands)		
Gross carrying basis	$	128,888	$	128,888
Accumulated amortization		(82,258)		(80,118)
Net carrying amount	$	46,630	$	48,770

Core deposit intangible amortization expense was approximately $ 2.1 million and $2.5 million for the three months ended March 31, 2024 and 2023, respectively. The Company's estimated amortization expense of core deposits intangibles for each of the years 2024 through 2028 is approximately: 2024 – $8.4 million; 2025 – $8.0 million; 2026 – $7.8 million; 2027– $6.6 million; 2028 – $4.2 million.

The carrying amount of the Company's goodwill was $1.40 billion at both March 31, 2024 and December 31, 2023. Goodwill is tested annually for impairment during the fourth quarter or more often if events and circumstances indicate there may be an impairment. During the 2023 review, no impairment was found. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated, and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

7. Other Assets

Other assets consist primarily of equity securities without a readily determinable fair value and other miscellaneous assets. As of March 31, 2024 and December 31, 2023, other assets were $347.9 million and $323.6 million, respectively.

The Company has equity securities without readily determinable fair values such as stock holdings in the Federal Home Loan Bank ("FHLB") and the Federal Reserve Bank ("Federal Reserve") which are outside the scope of ASC Topic 321, *Investments – Equity Securities* ("ASC Topic 321"). These equity securities without a readily determinable fair value were $134.1 million and $133.4 million at March 31, 2024 and December 31, 2023, and are accounted for at cost.

The Company has equity securities such as stock holdings in First National Bankers' Bank and other miscellaneous holdings which are accounted for under ASC Topic 321. These equity securities without a readily determinable fair value were $92.7 million and $90.3 million at March 31, 2024 and December 31, 2023, respectively. There were no transactions during the period that would indicate a material change in fair value.

8. Deposits

The aggregate amount of time deposits with a minimum denomination of $250,000 was $ 847.9 million and $836.7 million at March 31, 2024 and December 31, 2023, respectively. The aggregate amount of time deposits with a minimum denomination of $100,000 was $1.11 billion and $1.09 billion at March 31, 2024 and December 31, 2023, respectively. Interest expense applicable to certificates in excess of $100,000 totaled $11.6 million and $2.9 million for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024 and December 31, 2023, brokered deposits were $407.4 million and $401.0 million, respectively.

Deposits totaling approximately $3.06 billion and $3.05 billion at March 31, 2024 and December 31, 2023, respectively, were public funds obtained primarily from state and political subdivisions in the United States.

9. Securities Sold Under Agreements to Repurchase

At March 31, 2024 and December 31, 2023, securities sold under agreements to repurchase totaled $ 176.1 million and $142.1 million, respectively. For the three-month periods ended March 31, 2024 and 2023, securities sold under agreements to repurchase daily weighted-average totaled $172.0 million and $134.9 million, respectively.

The remaining contractual maturity of securities sold under agreements to repurchase in the consolidated balance sheets as of March 31, 2024 and December 31, 2023 is presented in the following table:

	March 31, 2024		December 31, 2023	
	Overnight and Continuous	Total	Overnight and Continuous	Total
	(In thousands)			
Securities sold under agreements to repurchase:				
Mortgage-backed securities	$ 12,602	$ 12,602	$ —	$ —
Other securities	163,505	163,505	142,085	142,085
Total borrowings	$ 176,107	$ 176,107	$ 142,085	$ 142,085

10. FHLB and Other Borrowed Funds

The Company's FHLB borrowed funds, which are secured by our loan portfolio, were $ 600.0 million at both March 31, 2024 and December 31, 2023. At March 31, 2024 and December 31, 2023, the entire $600.0 million of the outstanding balances were classified as long-term advances. The FHLB advances mature from 2025 to 2037 with fixed interest rates ranging from 3.37% to 4.84%. Expected maturities could differ from contractual maturities because FHLB may have the right to call, or the Company may have the right to prepay certain obligations.

Other borrowed funds were $701.1 million as of March 31, 2024 and were classified as short-term advances. The Company had $ 701.3 million in other borrowed funds as of December 31, 2023. As of both March 31, 2024 and December 31, 2023, the Company had drawn $700.0 million from the Bank Term Funding Program in the ordinary course of business, and these advances mature on January 16, 2025.

Additionally, the Company had $ 1.59 billion and $1.33 billion at March 31, 2024 and December 31, 2023, in letters of credit under a FHLB blanket borrowing line of credit, which are used to collateralize public deposits at March 31, 2024 and December 31, 2023, respectively.

11. Subordinated Debentures

Subordinated debentures at March 31, 2024 and December 31, 2023 consisted of the following components:

	As of March 31, 2024	As of December 31, 2023
	(In thousands)	
Subordinated debt securities		
Subordinated notes, net of issuance costs, issued in 2020, due 2030, fixed rate of5.50% during the first five years and at a floating rate of 534.5 basis points above the then three-month SOFR rate, reset quarterly, thereafter, callable in 2025 without penalty	$ 141,756	$ 142,084
Subordinated notes, net of issuance costs, issued in 2022, due 2032, fixed rate of3.125% during the first five years and at a floating rate of 182 basis points above the then three-month SOFR rate, reset quarterly, thereafter, callable in 2027 without penalty	297,932	297,750
Total	$ 439,688	$ 439,834

Subordinated Debt Securities. On April 1, 2022, the Company acquired $ 140.0 million in aggregate principal amount of 5.500% Fixed-to-Floating Rate Subordinated Notes due 2030 (the "2030 Notes") from Happy, and the Company recorded approximately $144.4 million which included fair value adjustments. The 2030 Notes are unsecured, subordinated debt obligations of the Company and will mature on July 31, 2030. From and including the date of issuance to, but excluding July 31, 2025 or the date of earlier redemption, the 2030 Notes will bear interest at an initial rate of 5.50% per annum, payable in arrears on January 31 and July 31 of each year. From and including July 31, 2025 to, but excluding, the maturity date or earlier redemption, the 2030 Notes will bear interest at a floating rate equal to the Benchmark rate (which is expected to be 3-month Secured Overnight Funding Rate (SOFR)), each as defined in and subject to the provisions of the applicable supplemental indenture for the 2030 Notes, plus 5.345%, payable quarterly in arrears on January 31, April 30, July 31, and October 31 of each year, commencing on October 31, 2025.

The Company may, beginning with the interest payment date of July 31, 2025, and on any interest payment date thereafter, redeem the 2030 Notes, in whole or in part, subject to prior approval of the Federal Reserve if then required, at a redemption price equal to 100% of the principal amount of the 2030 Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. The Company may also redeem the 2030 Notes at any time, including prior to July 31, 2025, at the Company's option, in whole but not in part, subject to prior approval of the Federal Reserve if then required, if certain events occur that could impact the Company's ability to deduct interest payable on the 2030 Notes for U.S. federal income tax purposes or preclude the 2030 Notes from being recognized as Tier 2 capital for regulatory capital purposes, or if the Company is required to register as an investment company under the Investment Company Act of 1940, as amended. In each case, the redemption would be at a redemption price equal to 100% of the principal amount of the 2030 Notes plus any accrued and unpaid interest to, but excluding, the redemption date.

On January 18, 2022, the Company completed an underwritten public offering of $ 300.0 million in aggregate principal amount of its 3.125% Fixed-to-Floating Rate Subordinated Notes due 2032 (the "2032 Notes") for net proceeds, after underwriting discounts and issuance costs of approximately $296.4 million. The 2032 Notes are unsecured, subordinated debt obligations of the Company and will mature on January 30, 2032. From and including the date of issuance to, but excluding January 30, 2027 or the date of earlier redemption, the 2032 Notes will bear interest at an initial rate of 3.125% per annum, payable in arrears on January 30 and July 30 of each year. From and including January 30, 2027 to, but excluding, the maturity date or earlier redemption, the 2032 Notes will bear interest at a floating rate equal to the Benchmark rate (which is expected to be Three-Month Term SOFR), each as defined in and subject to the provisions of the applicable supplemental indenture for the 2032 Notes, plus 182 basis points, payable quarterly in arrears on January 30, April 30, July 30, and October 30 of each year, commencing on April 30, 2027.

The Company may, beginning with the interest payment date of January 30, 2027, and on any interest payment date thereafter, redeem the 2032 Notes, in whole or in part, subject to prior approval of the Federal Reserve if then required, at a redemption price equal to 100% of the principal amount of the 2032 Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. The Company may also redeem the 2032 Notes at any time, including prior to January 30, 2027, at the Company's option, in whole but not in part, subject to prior approval of the Federal Reserve if then required, if certain events occur that could impact the Company's ability to deduct interest payable on the 2032 Notes for U.S. federal income tax purposes or preclude the 2032 Notes from being recognized as Tier 2 capital for regulatory capital purposes, or if the Company is required to register as an investment company under the Investment Company Act of 1940, as amended. In each case, the redemption would be at a redemption price equal to 100% of the principal amount of the 2032 Notes plus any accrued and unpaid interest to, but excluding, the redemption date.

12. Income Taxes

The following is a summary of the components of the provision for income taxes for the three months ended March 31, 2024 and 2023:

	For the Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Current:		
Federal	$ 23,327	$ 24,740
State	5,390	5,037
Total current	28,717	29,777
Deferred:		
Federal	1,273	146
State	294	30
Total deferred	1,567	176
Income tax expense	$ 30,284	$ 29,953

The reconciliation between the statutory federal income tax rate and effective income tax rate is as follows for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Statutory federal income tax rate	21.00 %	21.00 %
Effect of non-taxable interest income	(0.43)	(0.78)
Stock compensation	0.35	0.39
State income taxes, net of federal benefit	2.81	2.49
Executive officer compensation & other	(0.51)	(0.56)
Effective income tax rate	23.22 %	22.54 %

The types of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts that give rise to deferred income tax assets and liabilities, and their approximate tax effects, are as follows:

	March 31, 2024	December 31, 2023
	(In thousands)	
Deferred tax assets:		
Allowance for credit losses	$ 81,487	$ 81,251
Deferred compensation	4,969	7,619
Stock compensation	6,611	6,803
Non-accrual interest income	1,641	1,463
Real estate owned	70	79
Unrealized loss on investment securities, available-for-sale	88,778	81,493
Loan discounts	4,519	5,119
Investments	27,185	25,789
Other	19,531	14,691
Gross deferred tax assets	234,791	224,307
Deferred tax liabilities:		
Accelerated depreciation on premises and equipment	1,275	1,477
Tax basis on acquisitions	4,937	4,061
Core deposit intangibles	10,547	11,021
FHLB dividends	2,522	2,351
Other	12,628	8,233
Gross deferred tax liabilities	31,909	27,143
Net deferred tax assets	$ 202,882	$ 197,164

The Company files income tax returns in the U.S. federal jurisdiction. The Company's income tax returns are open and subject to examinations from the 2020 tax year and forward. The Company's various state income tax returns are generally open from the 2020 and later tax return years based on individual state statute of limitations.

13. Common Stock, Compensation Plans and Other

Common Stock

The Company's Restated Articles of Incorporation, as amended, authorize the issuance of up to 300,000,000 shares of common stock, par value $0.01 per share.

The Company also has the authority to issue up to 5,500,000 shares of preferred stock, par value $ 0.01 per share under the Company's Restated Articles of Incorporation, as amended.

Stock Repurchases

During the three months ended March 31, 2024, the Company repurchased a total of 1,025,934 shares with a weighted-average stock price of $ 23.38 per share. Shares repurchased under the program as of March 31, 2024 since its inception total 24,011,649 shares. The remaining balance available for repurchase is 15,740,351 shares at March 31, 2024.

Stock Compensation Plans

The Company has a stock option and performance incentive plan know as the Home BancShares, Inc. 2022 Equity Incentive Plan (the "Plan"). The purpose of the Plan is to attract and retain highly qualified officers, directors, key employees, and other persons, and to motivate those persons to improve the Company's business results. As of March 31, 2024, the maximum total number of shares of the Company's common stock available for issuance under the Plan was 14,788,000 shares. At March 31, 2024, the Company had 2,548,186 shares of common stock available for future grants and 5,117,620 shares of common stock reserved for issuance pursuant to the Plan.

The intrinsic value of the stock options outstanding was $ 8.8 million, which includes the intrinsic value of vested stock options of $ 7.9 million at March 31, 2024. The intrinsic value of stock options exercised during the three months ended March 31, 2024 was approximately $1.2 million. Total unrecognized compensation cost related to non-vested stock option awards, which are expected to be recognized over the vesting periods, was approximately $2.4 million as of March 31, 2024.

The table below summarizes the stock option transactions under the Plan at March 31, 2024 and December 31, 2023 and changes during the three-month period and year then ended:

	For the Three Months Ended March 31, 2024		For the Year Ended December 31, 2023	
	Shares (000)	Weighted-Average Exercisable Price	Shares (000)	Weighted-Average Exercisable Price
Outstanding, beginning of year	2,776	$ 20.95	2,971	$ 20.45
Granted	—	—	25	22.63
Forfeited/Expired	(19)	22.32	(10)	23.38
Exercised	(188)	17.78	(210)	14.01
Outstanding, end of period	2,569	21.17	2,776	20.95
Exercisable, end of period	1,987	20.65	1,940	20.05

Stock-based compensation expense for stock-based compensation awards granted is based on the grant-date fair value. For stock option awards, the fair value is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options granted but are not considered by the model. Accordingly, while management believes that the Black-Scholes option-pricing model provides a reasonable estimate of fair value, the model does not necessarily provide the best single measure of fair value for the Company's employee stock options. There were no options granted during the three months ended March 31, 2024. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model based on the weighted-average assumptions for expected dividend yield, expected stock price volatility, risk-free interest rate, and expected life of options granted.

The assumptions used in determining the fair value of the 2024 and 2023 stock option grants were as follows:

	For the Three Months Ended March 31, 2024	For the Year Ended December 31, 2023
Expected dividend yield	Not Applicable	2.98 %
Expected stock price volatility	Not Applicable	27.97 %
Risk-free interest rate	Not Applicable	3.37 %
Expected life of options	Not Applicable	6.5 years

The following is a summary of currently outstanding and exercisable options at March 31, 2024:

	Options Outstanding			Options Exercisable	
Exercise Prices	Options Outstanding Shares (000)	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Options Exercisable Shares (000)	Weighted-Average Exercise Price
$14.00 to $15.99	100	0.79	$ 14.71	100	$ 14.71
$16.00 to $17.99	87	1.01	17.05	87	17.05
$18.00 to $19.99	736	1.56	18.49	730	18.48
$20.00 to $21.99	261	4.37	20.88	194	20.99
$22.00 to $23.99	1,295	4.40	23.22	805	23.19
$24.00 to $25.99	91	4.15	25.59	71	25.95
	2,570			1,987	

The table below summarized the activity for the Company's restricted stock issued and outstanding at March 31, 2024 and December 31, 2023 and changes during the period and year then ended:

	As of March 31, 2024	As of December 31, 2023
	(In thousands)	
Beginning of year	1,429	1,381
Issued	238	261
Vested	(433)	(152)
Forfeited	(18)	(61)
End of period	1,216	1,429
Amount of expense for the three months and twelve months ended, respectively	$ 2,008	$ 8,016

Total unrecognized compensation cost related to non-vested restricted stock awards, which are expected to be recognized over the vesting periods, was approximately $14.5 million as of March 31, 2024.

14. Non-Interest Expense

The table below shows the components of non-interest expense for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Salaries and employee benefits	$ 60,910	$ 64,490
Occupancy and equipment	14,551	14,952
Data processing expense	9,147	8,968
Merger and acquisition expenses	—	—
Other operating expenses:		
Advertising	1,654	2,231
Amortization of intangibles	2,140	2,477
Electronic banking expense	3,156	3,330
Directors' fees	498	460
Due from bank service charges	276	273
FDIC and state assessment	3,318	3,500
Insurance	903	889
Legal and accounting	2,081	1,088
Other professional fees	2,236	2,284
Operating supplies	683	738
Postage	523	501
Telephone	470	528
Other expense	8,950	7,935
Total other operating expenses	26,888	26,234
Total non-interest expense	$ 111,496	$ 114,644

15. Leases

The Company leases land and office facilities under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2044 and do not include renewal options based on economic factors that would have implied that continuation of the lease was reasonably certain. Certain leases provide for increases in future minimum annual rental payments as defined in the lease agreements. The leases generally include real estate taxes and common area maintenance charges in the rental payments. Short-term leases are leases having a term of twelve months or less. The Company does not separate nonlease components from the associated lease component of our operating leases. As a result, the Company accounts for these components as a single component since (i) the timing and pattern of transfer of the nonlease components and the associated lease component are the same and (ii) the lease component, if accounted for separately, would be classified as an operating lease. The Company recognizes short term leases on a straight-line basis and does not record a related right-of-use ("ROU") asset and liability for such leases. In addition, equipment leases were determined to be immaterial and a related ROU asset and liability for such leases is not recorded.

As of March 31, 2024, the balances of the ROU asset and lease liability were $ 40.6 million and $43.3 million, respectively. As of December 31, 2023, the balances of the ROU asset and lease liability were $42.2 million and $45.0 million, respectively. The ROU asset is included in bank premises and equipment, net, and the lease liability is included in accrued interest payable and other liabilities.

The minimum rental commitments under these noncancelable operating leases are as follows (in thousands) as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
2024	$ 7,018	$ 9,373
2025	8,566	8,549
2026	8,115	8,111
2027	7,227	7,223
2028	5,496	5,496
Thereafter	19,827	19,827
Total future minimum lease payments	$ 56,249	$ 58,579
Discount effect of cash flows	(12,903)	(13,551)
Present value of net future minimum lease payments	$ 43,346	$ 45,028

Additional information (dollar amounts in thousands):

	For the Three Months Ended	
Lease expense:	March 31, 2024	March 31, 2023
Operating lease expense	$ 2,598	$ 1,955
Short-term lease expense	—	—
Variable lease expense	296	260
Total lease expense	$ 2,894	$ 2,215
Other information:		
Cash paid for amounts included in the measurement of lease liabilities	$ 2,710	$ 2,023
Weighted-average remaining lease term (in years)	7.88	8.84
Weighted-average discount rate	3.42 %	3.48 %

The Company currently leases three properties from three related parties. Total rent expense from the leases was $ 35,000, or 1.20% of total lease expense for the three months ended March 31, 2024.

16. Significant Estimates and Concentrations of Credit Risks

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for credit losses and certain concentrations of credit risk are reflected in Note 5, while deposit concentrations are reflected in Note 8.

The Company's primary market areas are in Arkansas, Florida, Texas, South Alabama and New York. The Company primarily grants loans to customers located within these markets unless the borrower has an established relationship with the Company.

The diversity of the Company's economic base tends to provide a stable lending environment. Although the Company has a loan portfolio that is diversified in both industry and geographic area, a substantial portion of its debtors' ability to honor their contracts is dependent upon real estate values, tourism demand and the economic conditions prevailing in its market areas.

Although the Company has a diversified loan portfolio, at March 31, 2024 and December 31, 2023, commercial real estate loans represented 57.1% and 56.7% of total loans receivable, respectively, and 217.4% and 215.5% of total stockholders' equity at March 31, 2024 and December 31, 2023, respectively. Residential real estate loans represented 16.0% and 15.8% of total loans receivable and 60.8% and 60.1% of total stockholders' equity at March 31, 2024 and December 31, 2023, respectively.

Approximately 79.3% of the Company's total loans and 83.7% of the Company's real estate loans as of March 31, 2024, are to borrowers whose collateral is located in Alabama, Arkansas, Florida, Texas and New York, the states in which the Company has its branch locations.

Any future volatility in the economy could cause the values of assets and liabilities recorded in the financial statements to change rapidly, resulting in material future adjustments in asset values, the allowance for credit losses and capital that could negatively impact the Company's ability to meet regulatory capital requirements and maintain sufficient liquidity.

17. Commitments and Contingencies

In the ordinary course of business, the Company makes various commitments and incurs certain contingent liabilities to fulfill the financing needs of its customers. These commitments and contingent liabilities include lines of credit and commitments to extend credit and issue standby letters of credit. The Company applies the same credit policies and standards as they do in the lending process when making these commitments. The collateral obtained is based on the assessed creditworthiness of the borrower.

At March 31, 2024 and December 31, 2023, commitments to extend credit of $ 4.54 billion and $4.59 billion, respectively, were outstanding. A percentage of these balances are participated out to other banks; therefore, the Company can call on the participating banks to fund future draws. Since some of these commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Outstanding standby letters of credit are contingent commitments issued by the Company, generally to guarantee the performance of a customer in third-party borrowing arrangements. The term of the guarantee is dependent upon the creditworthiness of the borrower, some of which are long-term. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments. The maximum amount of future payments the Company could be required to make under these guarantees at March 31, 2024 and December 31, 2023, was $148.6 million and $185.5 million, respectively.

The Company and/or its bank subsidiary have various unrelated legal proceedings, most of which involve loan foreclosure activity pending, which, in the aggregate, are not expected to have a material adverse effect on the financial position or results of operations or cash flows of the Company and its subsidiary.

18. Regulatory Matters

The Bank is subject to a legal limitation on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. Arkansas bank regulators have specified that the maximum dividend limit state banks may pay to the parent company without prior approval is 75% of the current year earnings plus 75% of the retained net earnings of the preceding year. Since the Bank is also under supervision of the Federal Reserve, it is further limited if the total of all dividends declared in any calendar year by the Bank exceeds the Bank's net profits to date for that year combined with its retained net profits for the preceding two years. During the three months ended March 31, 2024, the Company requested approximately $68.8 million in regular dividends from its banking subsidiary.

The Company's banking subsidiary is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Company's regulators could require adjustments to regulatory capital not reflected in the consolidated financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total, Tier 1 common equity Tier 1 ("CET1") and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of March 31, 2024, the Company meets all capital adequacy requirements to which it is subject.

On December 31, 2018, the federal banking agencies issued a joint final rule to revise their regulatory capital rules to permit bank holding companies and banks to phase-in, for regulatory capital purposes, the day-one impact of the new CECL accounting rule on retained earnings over a period of three years. As part of its response to the impact of COVID-19, on March 27, 2020, the federal banking regulatory agencies issued an interim final rule that provided the option to temporarily delay certain effects of CECL on regulatory capital for two years, followed by a three-year transition period. The interim final rule allows bank holding companies and banks to delay for two years 100% of the day-one impact of adopting CECL and 25% of the cumulative change in the reported allowance for credit losses since adopting CECL. The Company elected to adopt the interim final rule, which is reflected in the Company's risk-based capital ratios.

Basel III became effective for the Company and its bank subsidiary on January 1, 2015. Basel III amended the prompt corrective action rules to incorporate a CET1 requirement and to raise the capital requirements for certain capital categories. In order to be adequately capitalized for purposes of the prompt corrective action rules, a banking organization is required to have at least a 4.5% CET1 risk-based capital ratio, a 4% Tier 1 leverage capital ratio, a 6% Tier 1 risk-based capital ratio and an 8% total risk-based capital ratio.

The Federal Reserve Board's risk-based capital guidelines include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) an undercapitalized institution. Under Basel III, the criteria for a well-capitalized institution are: a 6.5% CET1 risk-based capital ratio, a 5% Tier 1 leverage capital ratio, an 8% Tier 1 risk-based capital ratio, and a 10% total risk-based capital ratio. As of March 31, 2024, the Bank met the capital standards for a well-capitalized institution. The Company's CET1 risk-based capital ratio, Tier 1 leverage capital ratio, Tier 1 risk-based capital ratio, and total risk-based capital ratio were 14.31%, 12.30%, 14.31%, and 17.95%, respectively, as of March 31, 2024.

19. Additional Cash Flow Information

The following is a summary of the Company's additional cash flow information during the three-month periods ended:

	March 31,	
	2024	2023
	(In thousands)	
Interest paid	$ 109,589	$ 71,697
Income taxes paid	2,429	1,600
Assets acquired by foreclosure	435	16

20. Financial Instruments

Fair value is the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair values:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Transfers of financial instruments between levels within the fair value hierarchy are recognized on the date management determines that the underlying circumstances or assumptions have changed.

Available-for-sale securities – the Company's available-for-sale securities are considered to be Level 2 securities. The Level 2 securities consist primarily of U.S. government-sponsored enterprises, mortgage-backed securities plus state and political subdivisions. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

The Company reviews the prices supplied by the independent pricing service, as well as their underlying pricing methodologies, for reasonableness and to ensure such prices are aligned with traditional pricing matrices. In general, the Company does not purchase investment portfolio securities with complicated structures. Pricing for the Company's investment securities is fairly generic and is easily obtained. The Company uses a third-party comparison pricing vendor in order to reflect consistency in the fair values of the investment securities sampled by the Company each quarter.

Held-to-maturity securities – the Company's held-to-maturity securities are considered to be Level 2 securities. The Level 2 securities consist primarily of U.S. government-sponsored enterprises, mortgage-backed securities plus state and political subdivisions. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Impaired loans - Impaired loans include loans individually analyzed for credit losses for which a specific reserve has been recorded, non-accrual loans, loans past due 90 days or more and restructured loans made to borrowers experiencing financial difficulty. Impaired loans are carried at the net realizable value of the collateral if the loan is collateral dependent. A portion of the allowance for credit losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for credit losses to require an increase, such increase is reported as a component of the provision for credit losses. The fair value of loans with specific allocated losses was $18.5 million and $10.5 million as of March 31, 2024 and December 31, 2023, respectively. This valuation is considered Level 3, consisting of appraisals of underlying collateral. The Company reversed $314,000 and $236,000 of accrued interest receivable when impaired loans were put on non-accrual status during the three months ended March 31, 2024 and 2023, respectively.

Foreclosed assets held for sale – Foreclosed assets held for sale are held by the Company at fair value, less estimated costs to sell. At foreclosure, if the fair value, less estimated costs to sell, of the real estate acquired is less than the Company's recorded investment in the related loan, a write-down is recognized through a charge to the allowance for credit losses. Additionally, valuations are periodically performed by management and any subsequent reduction in value is recognized by a charge to income. The fair value of foreclosed assets held for sale is estimated using Level 3 inputs based on appraisals of underlying collateral. As of March 31, 2024 and December 31, 2023, the fair value of foreclosed assets held for sale, less estimated costs to sell, was $30.7 million and $30.5 million, respectively.

No foreclosed assets held for sale were remeasured during the three months ended March 31, 2024. Regulatory guidelines require the Company to reevaluate the fair value of foreclosed assets held for sale on at least an annual basis. The Company's policy is to comply with the regulatory guidelines.

The significant unobservable (Level 3) inputs used in the fair value measurement of collateral for collateral-dependent impaired loans and foreclosed assets primarily relate to customized discounting criteria applied to the customer's reported amount of collateral. The amount of the collateral discount depends upon the condition and marketability of the underlying collateral. As the Company's primary objective in the event of default would be to monetize the collateral to settle the outstanding balance of the loan, less marketable collateral would receive a larger discount.

Fair Values of Financial Instruments

The following table presents the estimated fair values of the Company's financial instruments. Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

	March 31, 2024		
	Carrying Amount	Fair Value	Level
	(In thousands)		
Financial assets:			
Cash and cash equivalents	$ 1,175,258	$ 1,175,258	1
Federal funds sold	5,200	5,200	1
Investment securities - available for sale	3,400,884	3,400,884	2
Investment securities - held-to-maturity	1,280,586	1,159,145	2
Loans receivable, net of impaired loans and allowance	14,125,177	14,068,484	3
Accrued interest receivable	119,029	119,029	1
FHLB, FRB & FNBB Bank stock; other equity investments	226,765	226,765	3
Marketable equity securities	50,422	50,422	1
Financial liabilities:			
Deposits:			
Demand and non-interest bearing	$ 4,115,603	$ 4,115,603	1
Savings and interest-bearing transaction accounts	11,047,258	11,047,258	1
Time deposits	1,703,269	1,681,484	3
Securities sold under agreements to repurchase	176,107	176,107	1
FHLB and other borrowed funds	1,301,050	1,288,077	2
Accrued interest payable	21,860	21,860	1
Subordinated debentures	439,688	364,500	3

	December 31, 2023				
	Carrying Amount		Fair Value		Level
	(In thousands)				
Financial assets:					
Cash and cash equivalents	$	1,000,213	$	1,000,213	1
Federal funds sold		5,100		5,100	1
Investment securities - available for sale		3,507,841		3,507,841	2
Investment securities - held-to-maturity		1,281,982		1,170,481	2
Loans receivable, net of impaired loans and allowance		14,048,002		14,071,775	3
Accrued interest receivable		118,966		118,966	1
FHLB, FRB & FNBB Bank stock; other equity investments		223,748		223,748	3
Marketable equity securities		49,419		49,419	1
Financial liabilities:					
Deposits:					
Demand and non-interest bearing	$	4,085,501	$	4,085,501	1
Savings and interest-bearing transaction accounts		11,050,347		11,050,347	1
Time deposits		1,651,863		1,633,091	3
Securities sold under agreements to repurchase		142,085		142,085	1
FHLB and other borrowed funds		1,301,300		1,291,926	2
Accrued interest payable		19,124		19,124	1
Subordinated debentures		439,834		358,682	3

21. Recent Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04*, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (*"ASU 2020-04")*.* ASU 2020-04 provides optional expedients and exceptions for accounting related to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform and do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. ASU 2020-04 was effective upon issuance and generally can be applied through December 31, 2022. To ensure the relief in Topic 848 covers the period of time during which a significant number of modifications may take place, ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848 (*ASU 2022-06) defers the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848.

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope* ("ASU 2022-01"). The amendments in the update clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. Specifically, certain provisions in Topic 848, if elected by an entity, apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. Amendments in the update to the expedients and exceptions in Topic 848 capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. The amendments in this Update do not apply to contract modifications made after December 31, 2022, new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that apply certain optional expedients in which the accounting effects are recorded through the end of the hedging relationship. ASU 2020-04 was effective upon issuance and generally can be applied through December 31, 2022. To ensure the relief in Topic 848 covers the period of time during which a significant number of modifications may take place, ASU 2022-06 defers the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848.

In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.* These amendments extend the period of time preparers can utilize the reference rate reform relief guidance in Topic 848. The objective of the guidance in Topic 848 is to provide relief during the temporary transition period, so the FASB included a sunset provision within Topic 848 based on expectations of when the London Interbank Offered Rate (LIBOR) would cease being published. In 2021, the UK Financial Conduct Authority (FCA) delayed the intended cessation date of certain tenors of USD LIBOR to June 30, 2023. To ensure the relief in Topic 848 covers the period of time during which a significant number of modifications may take place, the ASU defers the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. ASU 2022-06 was effective upon issuance.

In November 2023, the FASB issued ASU 2023-07, " *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ." The amendments apply to all public entities that are required to report segment information in accordance with FASB ASC Topic 280, *Segment Reporting*. The amendments in the ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss. Public entities are required to disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. In addition, public entities must provide all annual disclosures about a reportable segment's profit or loss and assets currently required by FASB ASC Topic 280, *Segment Reporting*, in interim periods. The amendments clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements. The Amendments require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. Finally, the amendments require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in ASC Topic 280. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is currently evaluating the potential impacts related to the adoption of the ASU.

In December 2023, the FASB issued ASU 2023-09, " *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ." The amendments require that public business entities on an annual basis (a) disclose specific categories in the rate reconciliation and (b) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate). The amendments also require that all entities disclose on an annual basis the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes, and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). The amendments require that all entities disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. The ASU is effective for public business entities for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating the potential impacts related to the adoption of the ASU.

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
Home BancShares, Inc.
Conway, Arkansas

Results of Review of Interim Consolidated Financial Statements

We have reviewed the condensed consolidated balance sheet of Home BancShares Inc. (“the Company”) and subsidiaries as of March 31, 2024, and the related condensed consolidated statements of income, comprehensive income (loss), stockholder’s equity, and cash flows for the three-month periods ended March 31, 2024 and 2023, and the related notes (collectively referred to as the “interim financial information or statements”). Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheet of the Company and subsidiaries as of December 31, 2023, and the related consolidated statements of income, comprehensive income (loss) , stockholders’ equity, and cash flows for the year then ended (not presented herein), and in our report dated February 26, 2024 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company’s management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our review in accordance with the standards of the PCAOB. A review of interim financial information statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ **FORVIS, LLP**

Little Rock, Arkansas
May 3, 2024

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Form 10-K, filed with the Securities and Exchange Commission on February 26, 2024, which includes the audited financial statements for the year ended December 31, 2023. *Unless the context requires otherwise, the terms "Company," "us," "we," and "our" refer to Home BancShares, Inc. on a consolidated basis.*

General

We are a bank holding company headquartered in Conway, Arkansas, offering a broad array of financial services through our wholly-owned bank subsidiary, Centennial Bank (sometimes referred to as "Centennial" or the "Bank"). As of March 31, 2024, we had, on a consolidated basis, total assets of $22.84 billion, loans receivable, net of allowance for credit losses of $14.22 billion, total deposits of $16.87 billion, and stockholders' equity of $3.81 billion.

We generate the majority of our revenue from interest on loans and investments, service charges, and mortgage banking income. Deposits and Federal Home Loan Bank ("FHLB") and other borrowed funds are our primary sources of funding. Our largest expenses are interest on our funding sources, salaries and related employee benefits and occupancy and equipment. We measure our performance by calculating our return on average common equity, return on average assets and net interest margin. We also measure our performance by our efficiency ratio, which is calculated by dividing non-interest expense less amortization of core deposit intangibles by the sum of net interest income on a tax equivalent basis and non-interest income. The efficiency ratio, as adjusted, is a non-GAAP measure and is calculated by dividing non-interest expense less amortization of core deposit intangibles by the sum of net interest income on a tax equivalent basis and non-interest income excluding adjustments such as merger and acquisition expenses and/or certain gains, losses and other non-interest income and expenses.

Table 1: Key Financial Measures

	As of or for the Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands, except per share data)	
Total assets	$ 22,835,721	$ 22,518,255
Loans receivable	14,513,673	14,386,634
Allowance for credit losses	(290,294)	(287,169)
Total deposits	16,866,130	17,445,466
Total stockholders' equity	3,811,401	3,630,885
Net income	100,109	102,962
Basic earnings per share	0.50	0.51
Diluted earnings per share	0.50	0.51
Book value per share	18.98	17.87
Tangible book value per share (non-GAAP)(1)	11.79	10.71
Annualized net interest margin - FTE	4.13%	4.37%
Efficiency ratio	44.22	44.80
Efficiency ratio, as adjusted (non-GAAP)(2)	44.43	43.42
Return on average assets	1.78	1.84
Return on average common equity	10.64	11.70

(1) See Table 19 for the non-GAAP tabular reconciliation.

(2) See Table 23 for the non-GAAP tabular reconciliation.

Overview

Results of Operations for the Three Months Ended March 31, 2024 and 2023

Our net income decreased $2.9 million, or 2.8%, to $100.1 million for the three-month period ended March 31, 2024, from $103.0 million for the same period in 2023. On a diluted earnings per share basis, our earnings were $0.50 per share for the three-month period ended March 31, 2024 compared to $0.51 per share for the three-month period ended March 31, 2023. The Company recorded $4.5 million in credit loss expense for the quarter ended March 31, 2024. This consisted of a $5.5 million provision for credit losses on loans and a reversal of $1.0 million provision for unfunded commitments. During the three months ended March 31, 2024, the Company recorded $162,000 in bank owned life insurance ("BOLI") death benefits and a $1.0 million increase in the fair value of marketable securities.

Total interest expense increased by $42.0 million, or 59.7%. This was partially offset by a $32.0 million, or 11.2%, increase in total interest income, a $7.6 million, or 22.3%, increase in non-interest income and a $3.1 million, or 2.7%, decrease in non-interest expense. These fluctuations are primarily due to the high interest rate environment. The increase in interest expense was primarily due to a $33.4 million, or 56.4%, increase in interest on deposits, an $8.1 million, or 130.6%, increase in interest on FHLB and other borrowed funds and a $536,000, or 61.8%, increase in interest on securities sold under agreements to repurchase. The increase in interest income resulted from a $28.3 million, or 11.9%, increase in loan interest income and a $5.8 million, or 124.7%, increase in interest income on deposits at other banks, partially offset by a $2.2 million, or 5.1%, decrease in investment income. The increase in non-interest income was primarily due to a $12.4 million, or 108.8%, increase in the fair value adjustment for marketable securities and a $987,000, or 38.4%, increase in mortgage lending income, which was partially offset by a $4.5 million, or 37.7%, decrease in other income and a $1.7 million, or 14.2%, decrease in other service charges and fees. The decrease in non-interest expense was due to a decrease of $3.6 million, or 5.6%, in salaries and employee benefits and a decrease of $401,000, or 2.7%, in occupancy and equipment expense, partially offset by an increase of $654,000, or 2.5%, in other operating expenses and an increase of $179,000, or 2.0%, in data processing expense. Income tax expense increased by $331,000, or 1.1%, during the quarter due to an increase in the income tax rate.

Our net interest margin decreased from 4.37% for the three-month period ended March 31, 2023 to 4.13% for the three-month period ended March 31, 2024. The yield on interest earning assets was 6.38% and 5.79% for the three months ended March 31, 2024 and 2023, respectively, while average interest earning assets decreased from $20.06 billion to $20.03 billion. The decrease in average interest earning assets is primarily due to a $425.9 million decrease in average investment securities, partially offset by $375.4 million increase in average interest-bearing balances due from banks, a $13.4 million increase in average loans receivable and a $4.5 million increase in average federal funds sold. During the first quarter of 2024, the Company held excess liquidity of approximately $500.0 million which was dilutive to the net interest margin by 10 basis points. For the three months ended March 31, 2024 and 2023, we recognized $2.8 million and $3.2 million, respectively, in total net accretion for acquired loans and deposits. The reduction in accretion was dilutive to the net interest margin by one basis point. We recognized $1.1 million in event income for the three-months ended March 31, 2024 compared to $2.1 million for the three-months ended March 31, 2023. The decrease in event income was dilutive to the net interest margin by two basis points. The remaining decrease in the net interest margin was due to an increase in interest expense resulting from an increase in average interest-bearing liabilities at higher interest rates primarily as a result of the high interest rate environment.

Our efficiency ratio was 44.22% for the three months ended March 31, 2024, compared to 44.80% for the same period in 2023. For the first quarter of 2024, our efficiency ratio, as adjusted (non-GAAP), was 44.43%, compared to 43.42% reported for the first quarter of 2023. (See Table 23 for the non-GAAP tabular reconciliation).

Our annualized return on average assets was 1.78% for the three months ended March 31, 2024, compared to 1.84% for the same period in 2023. (See Table 20 for the related non-GAAP financial measures and tabular reconciliation). Our annualized return on average common equity was 10.64% and 11.70% for the three months ended March 31, 2024, and 2023, respectively. (See Table 21 for the related non-GAAP financial measures and tabular reconciliation).

Financial Condition as of and for the Period Ended March 31, 2024 and December 31, 2023

Our total assets as of March 31, 2024 increased $179.1 million to $22.84 billion from $22.66 billion reported as of December 31, 2023. Cash and cash equivalents increased $175.0 million for the three months ended March 31, 2024. Our loan portfolio balance increased to $14.51 billion as of March 31, 2024 from $14.42 billion at December 31, 2023. The increase in loans was primarily due to $81.5 million of organic loan growth from our Centennial Commercial Finance Group ("CFG") franchise and $7.4 million of organic loan growth in our remaining footprint. These increases were partially offset by a $108.4 million decrease in investment securities resulting from paydowns and maturities during the first three months of 2024. Total deposits increased $78.4 million to $16.87 billion as of March 31, 2024 from $16.79 billion as of December 31, 2023. Stockholders' equity increased $20.3 million to $3.81 billion as of March 31, 2024, compared to $3.79 billion as of December 31, 2023. The $20.3 million increase in stockholders' equity is primarily associated with the $100.1 million in net income for the three months ended March 31, 2024, partially offset by the $36.2 million of shareholder dividends paid, the $22.4 million in other comprehensive loss and stock repurchases of $24.0 million in 2024.

Our non-performing loans were $80.0 million, or 0.55% of total loans as of March 31, 2024, compared to $64.1 million, or 0.44% of total loans, as of December 31, 2023. The allowance for credit losses as a percentage of non-performing loans decreased to 362.94% as of March 31, 2024, from 449.66% as of December 31, 2023. Non-performing loans from our Arkansas franchise were $17.6 million at March 31, 2024 compared to $15.4 million as of December 31, 2023. Non-performing loans from our Florida franchise were $10.6 million at March 31, 2024 compared to $9.3 million as of December 31, 2023. Non-performing loans from our Texas franchise were $44.7 million at March 31, 2024 compared to $33.5 million as of December 31, 2023. Non-performing loans from our Alabama franchise were $408,000 at March 31, 2024 compared to $413,000 as of December 31, 2023. Non-performing loans from our Shore Premier Finance ("SPF") franchise were $3.9 million at March 31, 2024 compared to $2.8 million as of December 31, 2023. Non-performing loans from our Centennial CFG franchise were $2.8 million at March 31, 2024 compared to $2.7 million as of December 31, 2023.

As of March 31, 2024, our non-performing assets increased to $110.7 million, or 0.48% of total assets, from $95.4 million, or 0.42% of total assets, as of December 31, 2023. Non-performing assets from our Arkansas franchise were $17.9 million at March 31, 2024 compared to $15.5 million as of December 31, 2023. Non-performing assets from our Florida franchise were $17.9 million at March 31, 2024 compared to $17.3 million as of December 31, 2023. Non-performing assets from our Texas franchise were $45.0 million at March 31, 2024 compared to $33.8 million as of December 31, 2023. Non-performing assets from our Alabama franchise were $408,000 at March 31, 2024 compared to $413,000 as of December 31, 2023. Non-performing assets from our SPF franchise were $3.9 million at March 31, 2024 compared to $2.8 million as of December 31, 2023. Non-performing assets from our Centennial CFG franchise were $25.5 million at March 31, 2024 compared to $25.6 million as of December 31, 2023.

The $2.8 million balance of non-accrual loans for our Centennial CFG Capital Markets Group consists of two loans that are assessed for credit risk by the Federal Reserve under the Shared National Credit Program. The loans are not current on either principal or interest, and we have reversed any interest that had accrued subsequent to the non-accrual date designated by the Federal Reserve. Any interest payments that are received will be applied to the principal balance. In addition, the $22.8 million balance of foreclosed assets held for sale for our Centennial CFG Property Finance Group consists of an office building located in California. This represents the largest component of the Company's $30.7 million in foreclosed assets held for sale.

Critical Accounting Policies and Estimates

Overview. We prepare our consolidated financial statements based on the selection of certain accounting policies, generally accepted accounting principles and customary practices in the banking industry. These policies, in certain areas, require us to make significant estimates and assumptions. Our accounting policies are described in detail in the notes to our consolidated financial statements included as part of this document.

We consider a policy critical if (i) the accounting estimate requires assumptions about matters that are highly uncertain at the time of the accounting estimate; and (ii) different estimates that could reasonably have been used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial statements. Using these criteria, we believe that the accounting policies most critical to us are those associated with our lending practices, including the accounting for the allowance for credit losses, foreclosed assets, investments, intangible assets, income taxes and stock options.

Credit Losses. We account for credit losses in accordance with ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASC 326" or "CECL"). The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases.

Investments – Available-for-sale. Securities available-for-sale ("AFS") are reported at fair value with unrealized holding gains and losses reported as a separate component of stockholders' equity and other comprehensive income (loss), net of taxes. Securities that are held as available-for-sale are used as a part of our asset/liability management strategy. Securities that may be sold in response to interest rate changes, changes in prepayment risk, the need to increase regulatory capital, and other similar factors are classified as available-for-sale. The Company evaluates all securities quarterly to determine if any securities in a loss position require a provision for credit losses in accordance with ASC 326. The Company first assesses whether it intends to sell or is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities that do not meet this criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, and changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. The Company has made the election to exclude accrued interest receivable on AFS securities from the estimate of credit losses and report accrued interest separately on the consolidated balance sheets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of a security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Investments – Held-to-Maturity. Debt securities held-to-maturity ("HTM"), which include any security for which we have the positive intent and ability to hold until maturity, are reported at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized/accreted to the call date to interest income using the constant effective yield method over the estimated life of the security. The Company evaluates all securities quarterly to determine if any securities in a loss position require a provision for credit losses in accordance with ASC 326. The Company measures expected credit losses on HTM securities on a collective basis by major security type, with each type sharing similar risk characteristics. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Company has made the election to exclude accrued interest receivable on HTM securities from the estimate of credit losses and report accrued interest separately on the consolidated balance sheets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of a security is confirmed.

Loans Receivable and Allowance for Credit Losses. Except for loans acquired during our acquisitions, substantially all of our loans receivable are reported at their outstanding principal balance adjusted for any charge-offs, as it is management's intent to hold them for the foreseeable future or until maturity or payoff, except for mortgage loans held for sale. Interest income on loans is accrued over the term of the loans based on the principal balance outstanding.

The allowance for credit losses on loans receivable is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed and expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in the national unemployment rate, gross domestic product, rental vacancy rate, housing price indices and rental vacancy rate index.

The allowance for credit losses is measured based on call report segment as these types of loans exhibit similar risk characteristics. The identified loan segments are as follows:

- 1-4 family construction
- All other construction
- 1-4 family revolving home equity lines of credit (“HELOC”) & junior liens
- 1-4 family senior liens
- Multifamily
- Owner occupies commercial real estate
- Non-owner occupied commercial real estate
- Commercial & industrial, agricultural, non-depository financial institutions, purchase/carry securities, other
- Consumer auto
- Other consumer
- Other consumer - Shore Premier Finance ("SPF")

The allowance for credit losses for each segment is measured through the use of the discounted cash flow method ("DCF"). Loans evaluated individually that are considered to be collateral dependent are not included in the collective evaluation. For these loans, where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the allowance for credit losses is measured based on the difference between the fair value of the collateral, net of estimated costs to sell, and the amortized cost basis of the loan as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the present value of expected cash flows from the operation of the collateral. The allowance for credit losses may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan, net of estimated costs to sell. For individually analyzed loans which are not considered to be collateral dependent, an allowance is recorded based on the loss rate for the respective pool within the collective evaluation.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies:

- Management has a reasonable expectation at the reporting date that restructured loans made to borrowers experiencing financial difficulty will be executed with an individual borrower.
- The extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Management qualitatively adjusts model results for risk factors that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. These qualitative factors ("Q-Factors") and other qualitative adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making Q-Factor and other qualitative adjustments include, among other things, the impact of (i) changes in lending policies, procedures and strategies; (ii) changes in nature and volume of the portfolio; (iii) staff experience; (iv) changes in volume and trends in classified loans, delinquencies and nonaccruals; (v) concentration risk; (vi) trends in underlying collateral values; (vii) external factors such as competition, legal and regulatory environment; (viii) changes in the quality of the loan review system; and (ix) economic conditions.

Loans are placed on non-accrual status when management believes that the borrower’s financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful, or generally when loans are 90 days or more past due. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. Accrued interest related to non-accrual loans is generally charged against the allowance for credit losses when accrued in prior years and reversed from interest income if accrued in the current year. Interest income on non-accrual loans may be recognized to the extent cash payments are received, although the majority of payments received are usually applied to principal. Non-accrual loans are generally returned to accrual status when principal and interest payments are less than 90 days past due, the customer has made required payments for at least six months, and we reasonably expect to collect all principal and interest.

Acquisition Accounting and Acquired Loans. We account for our acquisitions under ASC Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, and liabilities assumed are recorded at fair value. In accordance with ASC 326, the Company records both a discount and an allowance for credit losses on acquired loans. All purchased loans are recorded at fair value in accordance with the fair value methodology prescribed in FASB ASC Topic 820, *Fair Value Measurements*. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

The Company has purchased loans, some of which have experienced more than insignificant credit deterioration since origination. Purchase credit deteriorated ("PCD") loans are recorded at the amount paid. An allowance for credit losses is determined using the same methodology as other loans. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through the provision for credit loss.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Foreclosed Assets Held for Sale. Real estate and personal property acquired through or in lieu of loan foreclosure are to be sold and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Valuations are periodically performed by management, and the real estate and personal property are carried at fair value less costs to sell. Gains and losses from the sale of other real estate and personal property are recorded in non-interest income, and expenses used to maintain the properties are included in non-interest expenses.

Intangible Assets. Intangible assets consist of goodwill and core deposit intangibles. Goodwill represents the excess purchase price over the fair value of net assets acquired in business acquisitions. The core deposit intangible represents the excess intangible value of acquired deposit customer relationships as determined by valuation specialists. The core deposit intangibles are being amortized over 48 months to 121 months on a straight-line basis. Goodwill is not amortized but rather is evaluated for impairment on at least an annual basis. We perform an annual impairment test of goodwill and core deposit intangibles as required by FASB ASC 350, *Intangibles - Goodwill and Other*, in the fourth quarter or more often if events and circumstances indicate there may be an impairment.

Income Taxes. We account for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. We determine deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more likely than not" means a likelihood of more than 50 percent; the terms "examined" and "upon examination" also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to the management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Both we and our subsidiary file consolidated tax returns. Our subsidiary provides for income taxes on a separate return basis, and remits to us amounts determined to be currently payable.

Stock Compensation. In accordance with FASB ASC 718, *Compensation - Stock Compensation*, and FASB ASC 505-50, *Equity-Based Payments to Non-Employees*, the fair value of each option award is estimated on the date of grant. We recognize compensation expense for the grant-date fair value of the option award over the vesting period of the award.

Acquisitions

Acquisition of Happy Bancshares, Inc.

The Company's most recent acquisition occurred on April 1, 2022, when the Company completed the acquisition of Happy Bancshares, Inc. (“Happy”), and merged Happy State Bank into Centennial Bank. For additional discussion regarding the acquisition of Happy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 "Business Combinations" in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2023.

Branches

As opportunities arise, we will continue to open new (commonly referred to as *de novo*) branches in our current markets and in other attractive market areas.

As of March 31, 2024, we had 218 branch locations. There were 76 branches in Arkansas, 78 branches in Florida, 58 branches in Texas, five branches in Alabama and one branch in New York City.

Results of Operations

For the three months ended March 31, 2024 and 2023

Our net income decreased $2.9 million, or 2.8%, to $100.1 million for the three-month period ended March 31, 2024, from $103.0 million for the same period in 2023. On a diluted earnings per share basis, our earnings were $0.50 per share for the three-month period ended March 31, 2024 compared to $0.51 per share for the three-month period ended March 31, 2023. The Company recorded $4.5 million in credit loss expense for the quarter ended March 31, 2024. This consisted of a $5.5 million provision for credit losses on loans and a reversal of $1.0 million provision for unfunded commitments. During the three months ended March 31, 2024, the Company recorded $162,000 in bank owned life insurance ("BOLI") death benefits and a $1.0 million increase in the fair value of marketable securities.

Net Interest Income

Net interest income, our principal source of earnings, is the difference between the interest income generated by earning assets and the total interest cost of the deposits and borrowings obtained to fund those assets. Factors affecting the level of net interest income include the volume of earning assets and interest-bearing liabilities, yields earned on loans and investments, rates paid on deposits and other borrowings, the level of non-performing loans and the amount of non-interest-bearing liabilities supporting earning assets. Net interest income is analyzed in the discussion and tables below on a fully taxable equivalent basis. The adjustment to convert certain income to a fully taxable equivalent basis consists of dividing tax-exempt income by one minus the combined federal and state income tax rate (24.989% for 2024 and 24.6735% for 2023).

The Federal Reserve Board sets various benchmark rates, including the Federal Funds rate, and thereby influences the general market rates of interest, including the deposit and loan rates offered by financial institutions. The Federal Reserve increased the target rate four times during 2023. First, on February 1, 2023, the target rate was increased to 4.50% to 4.75%, second, on March 22, 2023, the target rate was increased to 4.75% to 5.00%, third, on May 3, 2023, the target rate was increased to 5.00% to 5.25% and fourth, on July 26, 2023, the target rate was increased to 5.25% to 5.50%. As of March 31, 2024, the target rate was 5.25% to 5.50% as the Federal Reserve has left the target rate unchanged in 2024.

Our net interest margin decreased from 4.37% for the three-month period ended March 31, 2023 to 4.13% for the three-month period ended March 31, 2024. The yield on interest earning assets was 6.38% and 5.79% for the three months ended March 31, 2024 and 2023, respectively, while average interest earning assets decreased from $20.06 billion to $20.03 billion. The decrease in average interest earning assets is primarily due to a $425.9 million decrease in average investment securities, partially offset by $375.4 million increase in average interest-bearing balances due from banks, a $13.4 million increase in average loans receivable and a $4.5 million increase in average federal funds sold. During the first quarter of 2024, the Company held excess liquidity of approximately $500.0 million which was dilutive to the net interest margin by 10 basis points. For the three months ended March 31, 2024 and 2023, we recognized $2.8 million and $3.2 million, respectively, in total net accretion for acquired loans and deposits. The reduction in accretion was dilutive to the net interest margin by one basis point. We recognized $1.1 million in event income for the three-months ended March 31, 2024 compared to $2.1 million for the three-months ended March 31, 2023. The decrease in event income was dilutive to the net interest margin by two basis points. The remaining decrease in the net interest margin was due to an increase in interest expense resulting from an increase in average interest-bearing liabilities at higher interest rates primarily as a result of the high interest rate environment.

Net interest income on a fully taxable equivalent basis decreased $10.7 million, or 5.0%, to $205.5 million for the three-month period ended March 31, 2024, from $216.2 million for the same period in 2023. This decrease in net interest income for the three-month period ended March 31, 2024 was the result of a $42.0 million increase in interest expense, partially offset by a $31.2 million increase in interest income, on a fully taxable equivalent basis. The $42.0 million increase in interest expense is primarily the result of the high interest rate environment. The higher rates on interest bearing liabilities resulted in an increase in interest expense of approximately $33.9 million, in addition to an increase in average interest bearing liabilities that increased interest expense by approximately $8.1 million. The $31.2 million increase in interest income was also primarily the result of the high interest rate environment. The higher yield on earning assets resulted in an increase in interest income of approximately $30.1 million, in addition to an increase of $1.1 million in interest income due to the change in average interest earning asset balances.

Tables 2 and 3 reflect an analysis of net interest income on a fully taxable equivalent basis for the three months ended March 31, 2024 and 2023, as well as changes in fully taxable equivalent net interest margin for the three months ended March 31, 2024 compared to the same period in 2023.

Table 2: Analysis of Net Interest Income

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Interest income	$ 316,915	$ 284,939
Fully taxable equivalent adjustment	892	1,628
Interest income – fully taxable equivalent	317,807	286,567
Interest expense	112,325	70,344
Net interest income – fully taxable equivalent	$ 205,482	$ 216,223
Yield on earning assets – fully taxable equivalent	6.38 %	5.79 %
Cost of interest-bearing liabilities	3.09	2.06
Net interest spread – fully taxable equivalent	3.29	3.73
Net interest margin – fully taxable equivalent	4.13	4.37

Table 3: Changes in Fully Taxable Equivalent Net Interest Margin

	Three Months Ended March 31,
	2024 vs. 2023
	(In thousands)
Increase in interest income due to change in earning assets	$ 1,117
Increase in interest income due to change in earning asset yields	30,123
Increase in interest expense due to change in interest-bearing liabilities	(8,084)
Increase in interest expense due to change in interest rates paid on interest-bearing liabilities	(33,897)
Decrease in net interest income	$ (10,741)

Table 4 shows, for each major category of earning assets and interest-bearing liabilities, the average amount outstanding, the interest income or expense on that amount and the average rate earned or expensed for the three months ended March 31, 2024 and 2023, respectively. The table also shows the average rate earned on all earning assets, the average rate expensed on all interest-bearing liabilities, the net interest spread and the net interest margin for the same periods. The analysis is presented on a fully taxable equivalent basis. Non-accrual loans were included in average loans for the purpose of calculating the rate earned on total loans.

Table 4: Average Balance Sheets and Net Interest Income Analysis

	Three Months Ended March 31,					
	2024			2023		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
	(Dollars in thousands)					
ASSETS						
Earnings assets						
Interest-bearing balances due from banks	$ 801,456	$ 10,528	5.28 %	$ 426,051	$ 4,685	4.46 %
Federal funds sold	5,012	61	4.90	474	6	5.13
Investment securities – taxable	3,473,511	33,229	3.85	3,867,737	35,288	3.70
Investment securities – non-taxable	1,257,861	8,642	2.76	1,289,564	9,482	2.98
Loans receivable	14,487,494	265,347	7.37	14,474,072	237,106	6.64
Total interest-earning assets	20,025,334	317,807	6.38 %	20,057,898	286,567	5.79 %
Non-earning assets	2,657,925			2,637,957		
Total assets	$ 22,683,259			$ 22,695,855		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	$ 11,038,910	$ 75,597	2.75 %	$ 11,579,329	54,857	1.92 %
Time deposits	1,685,193	16,951	4.05	1,072,094	4,305	1.63
Total interest-bearing deposits	12,724,103	92,548	2.93	12,651,423	59,162	1.90
Securities sold under agreement to repurchase	172,024	1,404	3.28	134,934	868	2.61
FHLB and other borrowed funds	1,301,091	14,276	4.41	651,111	6,190	3.86
Subordinated debentures	439,760	4,097	3.75	440,346	4,124	3.80
Total interest-bearing liabilities	14,636,978	112,325	3.09 %	13,877,814	70,344	2.06 %
Non-interest-bearing liabilities						
Non-interest-bearing deposits	4,017,659			5,043,219		
Other liabilities	244,970			205,230		
Total liabilities	18,899,607			19,126,263		
Stockholders' equity	3,783,652			3,569,592		
Total liabilities and stockholders' equity	$ 22,683,259			$ 22,695,855		
Net interest spread			3.29 %			3.73 %
Net interest income and margin		$ 205,482	4.13 %		$ 216,223	4.37 %

Table 5 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three months ended March 31, 2024 compared to the same period in 2023, on a fully taxable basis. The changes in interest rate and volume have been allocated to changes in average volume and changes in average rates, in proportion to the relationship of absolute dollar amounts of the changes in rates and volume.

Table 5: Volume/Rate Analysis

	Three Months Ended March 31, 2024 over 2023		
	Volume	Yield / Rate	Total
	(In thousands)		
Increase (decrease) in:			
Interest income:			
Interest-bearing balances due from banks	$ 4,786	$ 1,057	$ 5,843
Federal funds sold	55	—	55
Investment securities – taxable	(3,715)	1,656	(2,059)
Investment securities – non-taxable	(229)	(611)	(840)
Loans receivable	220	28,021	28,241
Total interest income	1,117	30,123	31,240
Interest expense:			
Interest-bearing transaction and savings deposits	(2,668)	23,408	20,740
Time deposits	3,482	9,164	12,646
Securities sold under agreement to repurchase	271	265	536
FHLB and other borrowed funds	7,004	1,082	8,086
Subordinated debentures	(5)	(22)	(27)
Total interest expense	8,084	33,897	41,981
Increase (decrease) in net interest income	$ (6,967)	$ (3,774)	$ (10,741)

Provision for Credit Losses

Credit Loss Expense: During the three months ended March 31, 2024, the Company recorded a $5.5 million provision for credit losses on loans, no provision for credit losses on investment securities and a reversal of $1.0 million provision for unfunded commitments.

Net charge-offs to average total loans was 0.10% for both the three months ended March 31, 2024 and 2023.

Loans. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in the national unemployment rate, gross domestic product, national retail sales index, housing price indices and rental vacancy rate index.

Acquired loans. In accordance with ASC 326, the Company records both a discount and an allowance for credit losses on acquired loans. This is commonly referred to as "double accounting" or "double count".

The allowance for credit losses is measured based on call report segment as these types of loans exhibit similar risk characteristics. The identified loan segments are as follows:

- 1-4 family construction
- All other construction
- 1-4 family revolving HELOC & junior liens
- 1-4 family senior liens
- Multifamily
- Owner occupied commercial real estate
- Non-owner occupied commercial real estate
- Commercial & industrial, agricultural, non-depository financial institutions, purchase/carry securities, other
- Consumer auto
- Other consumer
- Other consumer - SPF

The allowance for credit losses for each segment is measured through the use of the discounted cash flow method. Loans evaluated individually that are considered to be collateral dependent are not included in the collective evaluation. For these loans, where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the allowance for credit losses is measured based on the difference between the fair value of the collateral, net of estimated costs to sell, and the amortized cost basis of the loan as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the present value of expected cash flows from the operation of the collateral. The allowance for credit losses may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan, net of estimated costs to sell. For individually analyzed loans which are not considered to be collateral dependent, an allowance is recorded based on the loss rate for the respective pool within the collective evaluation.

Investments – Available-for-sale: The Company evaluates all securities quarterly to determine if any securities in a loss position require a provision for credit losses in accordance with ASC 326, *Measurement of Credit Losses on Financial Instruments* . The Company first assesses whether it intends to sell or if it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities that do not meet this criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, and changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of a security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Investments – Held-to-Maturity. The Company evaluates all securities quarterly to determine if any securities in a loss position require a provision for credit losses in accordance with ASC 326. The Company measures expected credit losses on HTM securities on a collective basis by major security type, with each type sharing similar risk characteristics. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Company has made the election to exclude accrued interest receivable on HTM securities from the estimate of credit losses and report accrued interest separately on the consolidated balance sheets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of a security is confirmed.

During the three months ended March 31, 2024, the Company determined the $2.5 million allowance for credit losses on the AFS portfolio and the $2.0 million allowance for credit losses on the HTM portfolio were adequate. Therefore, no additional provision was considered necessary.

Non-Interest Income

Total non-interest income was $41.8 million for the three months ended March 31, 2024, compared to $34.2 million for the same period in 2023. Our recurring non-interest income includes service charges on deposit accounts, other service charges and fees, trust fees, mortgage lending income, insurance commissions, increase in cash value of life insurance, fair value adjustment for marketable securities and dividends.

Table 6 measures the various components of our non-interest income for the three months ended March 31, 2024 and 2023.

Table 6: Non-Interest Income

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	2024 Change from 2023	
	(Dollars in thousands)			
Service charges on deposit accounts	$ 9,686	$ 9,842	$ (156)	(1.6)%
Other service charges and fees	10,189	11,875	(1,686)	(14.2)
Trust fees	5,066	4,864	202	4.2
Mortgage lending income	3,558	2,571	987	38.4
Insurance commissions	508	526	(18)	(3.4)
Increase in cash value of life insurance	1,195	1,104	91	8.2
Dividends from FHLB, FRB, FNBB & other	3,007	2,794	213	7.6
Gain on sale of SBA loans	198	139	59	42.4
(Loss) gain on sale of branches, equipment and other assets, net	(8)	7	(15)	(214.3)
Gain on OREO, net	17	—	17	100.0
Fair value adjustment for marketable securities	1,003	(11,408)	12,411	108.8
Other income	7,380	11,850	(4,470)	(37.7)
Total non-interest income	$ 41,799	$ 34,164	$ 7,635	22.3 %

Non-interest income increased $7.6 million, or 22.3%, to $41.8 million for the three months ended March 31, 2024 from $34.2 million for the same period in 2023. The primary factors that resulted in this increase were the increase in fair value adjustment for marketable securities and the increase in mortgage lending income, which was partially offset by decreases in other service charges and fees and other income.

Additional details for the three months ended March 31, 2024 on some of the more significant changes are as follows:

- The $1.7 million decrease in other service charges and fees is primarily related to decreases in Centennial CFG property finance loan fees.
- The $987,000 increase in mortgage lending income is primarily related to an increase in volume of secondary market loans from the lower volume of loans during 2023.
- The $12.4 million increase in the fair value adjustment for marketable securities is due to the changes in the fair value of marketable securities held by the Company.
- The $4.5 million decrease in other income is primarily due to a $2.9 million reduction of income for equity method investments and a $3.8 million decrease in recoveries on historic losses, partially offset by a $1.3 million increase in rental income for other real estate owned ("OREO"), a $579,000 increase in investment brokerage fee income and a $358,000 increase in miscellaneous income.

Non-Interest Expense

Non-interest expense primarily consists of salaries and employee benefits, occupancy and equipment, data processing, and other expenses such as advertising, merger and acquisition expenses, amortization of intangibles, electronic banking expense, FDIC and state assessment, insurance, legal and accounting fees and other professional fees.

Table 7 below sets forth a summary of non-interest expense for the three months ended March 31, 2024 and 2023.

Table 7: Non-Interest Expense

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	2024 Change from 2023	
	(Dollars in thousands)			
Salaries and employee benefits	$ 60,910	$ 64,490	$ (3,580)	(5.6)%
Occupancy and equipment	14,551	14,952	(401)	(2.7)
Data processing expense	9,147	8,968	179	2.0
Other operating expenses:				
Advertising	1,654	2,231	(577)	(25.9)
Amortization of intangibles	2,140	2,477	(337)	(13.6)
Electronic banking expense	3,156	3,330	(174)	(5.2)
Directors' fees	498	460	38	8.3
Due from bank service charges	276	273	3	1.1
FDIC and state assessment	3,318	3,500	(182)	(5.2)
Insurance	903	889	14	1.6
Legal and accounting	2,081	1,088	993	91.3
Other professional fees	2,236	2,284	(48)	(2.1)
Operating supplies	683	738	(55)	(7.5)
Postage	523	501	22	4.4
Telephone	470	528	(58)	(11.0)
Other expense	8,950	7,935	1,015	12.8
Total non-interest expense	$ 111,496	$ 114,644	$ (3,148)	(2.7)%

Non-interest expense decreased $3.1 million, or 2.7%, to $111.5 million for the three months ended March 31, 2024 from $114.6 million for the same period in 2023. The primary factor that resulted in this decrease was the decrease in salaries and employee benefits and advertising expense, partially offset by an increase in other expense and legal and accounting expense.

Additional details for the three months ended March 31, 2024 on some of the more significant changes are as follows:

- The $3.6 million decrease in salaries and employee benefits expense is primarily due to the Company's project to reduce the size of its workforce and a decrease in deferred loan costs.
- The $577,000 decrease in advertising expense is primarily due to decreased volume of advertising.
- The $993,000 increase in legal and accounting expense is primarily due to ongoing legal matters.
- The $1.0 million increase in other expense is primarily due to an increase in OREO expense.

Income Taxes

Income tax expense increased $331,000, or 1.1%, to $30.3 million for the three-month period ended March 31, 2024, from $30.0 million for the same period in 2023. The effective income tax rate was 23.22% for the three months ended March 31, 2024, compared to 22.54% for the same periods in 2023. The marginal tax rate was 24.989% and 24.6735% for 2024 and 2023, respectively.

Financial Condition as of and for the Period Ended March 31, 2024 and December 31, 2023

Our total assets as of March 31, 2024 increased $179.1 million to $22.84 billion from $22.66 billion reported as of December 31, 2023. Cash and cash equivalents increased $175.0 million for the three months ended March 31, 2024. Our loan portfolio balance increased to $14.51 billion as of March 31, 2024 from $14.42 billion at December 31, 2023. The increase in loans was primarily due to $81.5 million of organic loan growth from our Centennial Commercial Finance Group ("CFG") franchise and $7.4 million of organic loan growth in our remaining footprint. These increases were partially offset by a $108.4 million decrease in investment securities resulting from paydowns and maturities during the first three months of 2024. Total deposits increased $78.4 million to $16.87 billion as of March 31, 2024 from $16.79 billion as of December 31, 2023. Stockholders’ equity increased $20.3 million to $3.81 billion as of March 31, 2024, compared to $3.79 billion as of December 31, 2023. The $20.3 million increase in stockholders’ equity is primarily associated with the $100.1 million in net income for the three months ended March 31, 2024, partially offset by the $36.2 million of shareholder dividends paid, the $22.4 million in other comprehensive loss and stock repurchases of $24.0 million in 2024.

Loan Portfolio

Loans Receivable

Our loan portfolio averaged $14.49 billion and $14.47 billion during the three months ended March 31, 2024 and 2023, respectively. Loans receivable were $14.51 billion and $14.42 billion as of March 31, 2024 and December 31, 2023, respectively.

From December 31, 2023 to March 31, 2024, the Company experienced an increase of approximately $88.9 million in loans. The increase in loans was primarily due to $81.5 million of organic loan growth from our Centennial CFG franchise and $7.4 million from our remaining footprint.

The most significant components of the loan portfolio were commercial real estate, residential real estate, consumer and commercial and industrial loans. These loans are generally secured by residential or commercial real estate or business or personal property. Although these loans are primarily originated within our franchises in Arkansas, Florida, Texas, Alabama and Centennial CFG, the property securing these loans may not physically be located within our market areas of Arkansas, Florida, Texas, Alabama and New York. Loans receivable were approximately $3.33 billion, $3.99 billion, $3.77 billion, $122.7 million, $1.27 billion and $2.03 billion as of March 31, 2024 in Arkansas, Florida, Texas, Alabama, SPF and Centennial CFG, respectively.

As of March 31, 2024, we had approximately $881.5 million of construction/land development loans which were collateralized by land. This consisted of approximately $95.5 million for raw land and approximately $786.0 million for land with commercial and/or residential lots.

Table 8 presents our loans receivable balances by category as of March 31, 2024 and December 31, 2023.

Table 8: Loans Receivable

	March 31, 2024	December 31, 2023
	(In thousands)	
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	$ 5,616,965	$ 5,549,954
Construction/land development	2,330,555	2,293,047
Agricultural	337,618	325,156
Residential real estate loans:		
Residential 1-4 family	1,899,974	1,844,260
Multifamily residential	415,926	435,736
Total real estate	10,601,038	10,448,153
Consumer	1,163,228	1,153,690
Commercial and industrial	2,284,775	2,324,991
Agricultural	278,609	307,327
Other	186,023	190,567
Total loans receivable	$ 14,513,673	$ 14,424,728

Commercial Real Estate Loans. We originate non-farm and non-residential loans (primarily secured by commercial real estate), construction/land development loans, and agricultural loans, which are generally secured by real estate located in our market areas. Our commercial mortgage loans are generally collateralized by first liens on real estate and amortized (where defined) over a 15 to 30-year period with balloon payments due at the end of one to five years. These loans are generally underwritten by assessing cash flow (debt service coverage), primary and secondary source of repayment, the financial strength of any guarantor, the strength of the tenant (if any), the borrower's liquidity and leverage, management experience, ownership structure, economic conditions and industry specific trends and collateral. Generally, we will loan up to 85% of the value of improved property, 65% of the value of raw land and 75% of the value of land to be acquired and developed. A first lien on the property and assignment of lease is required if the collateral is rental property, with second lien positions considered on a case-by-case basis.

As of March 31, 2024, commercial real estate loans totaled $8.29 billion, or 57.1%, of loans receivable, as compared to $8.17 billion, or 56.7%, of loans receivable, as of December 31, 2023. Commercial real estate loans originated in our Arkansas, Florida, Texas, Alabama, SPF and Centennial CFG markets were $2.13 billion, $2.48 billion, $2.15 billion, $48.1 million, zero and $1.48 billion at March 31, 2024, respectively.

Residential Real Estate Loans. We originate one to four family, residential mortgage loans generally secured by property located in our primary market areas. Approximately 52.3% and 39.7% of our residential mortgage loans consist of owner occupied 1-4 family properties and non-owner occupied 1-4 family properties (rental), respectively, as of March 31, 2024, with the remaining 8.0% relating to condos and mobile homes. Residential real estate loans generally have a loan-to-value ratio of up to 90%. These loans are underwritten by giving consideration to the borrower's ability to pay, stability of employment or source of income, debt-to-income ratio, credit history and loan-to-value ratio.

As of March 31, 2024, residential real estate loans totaled $2.32 billion, or 16.0%, of loans receivable, compared to $2.28 billion, or 15.8%, of loans receivable, as of December 31, 2023. Residential real estate loans originated in our Arkansas, Florida, Texas, Alabama, SPF and Centennial CFG markets were $527.3 million, $988.9 million, $604.2 million, $40.4 million, zero and $155.2 million at March 31, 2024, respectively.

Consumer Loans. Our consumer loans are composed of secured and unsecured loans originated by our bank, the primary portion of which consists of loans to finance United States Coast Guard registered high-end sail and power boats within our SPF division. The performance of consumer loans will be affected by the local and regional economies as well as the rates of personal bankruptcies, job loss, divorce and other individual-specific characteristics.

As of March 31, 2024, consumer loans totaled $1.16 billion, or 8.0%, of loans receivable, compared to $1.15 billion, or 8.0%, of loans receivable, as of December 31, 2023. Consumer loans originated in our Arkansas, Florida, Texas, Alabama, SPF and Centennial CFG markets were $22.9 million, $7.5 million, $15.1 million, $503,000, $1.12 billion and zero at March 31, 2024, respectively.

Commercial and Industrial Loans. Commercial and industrial loans are made for a variety of business purposes, including working capital, inventory, equipment and capital expansion. The terms for commercial loans are generally one to seven years. Commercial loan applications must be supported by current financial information of the borrower and, where appropriate, by adequate collateral. Commercial loans are generally underwritten by addressing cash flow (debt service coverage), primary and secondary sources of repayment, the financial strength of any guarantor, the borrower's liquidity and leverage, management experience, ownership structure, economic conditions and industry specific trends and collateral. The loan to value ratio depends on the type of collateral. Generally, accounts receivable are financed at between 50% and 80% of accounts receivable less than 60 days past due. Inventory financing will range between 50% and 80% (with no work in process) depending on the borrower and nature of inventory. We require a first lien position for those loans.

As of March 31, 2024, commercial and industrial loans totaled $2.28 billion, or 15.7%, of loans receivable, compared to $2.32 billion, or 16.1%, of loans receivable, as of December 31, 2023. Commercial and industrial loans originated in our Arkansas, Florida, Texas, Alabama, SPF and Centennial CFG markets were $483.6 million, $465.3 million, $782.0 million, $28.1 million, $154.0 million and $371.8 million at March 31, 2024, respectively.

Non-Performing Assets

We classify our problem loans into three categories: past due loans, special mention loans and classified loans (accruing and non-accruing).

When management determines that a loan is no longer performing, and that collection of interest appears doubtful, the loan is placed on non-accrual status. Loans that are 90 days past due are placed on non-accrual status unless they are adequately secured and there is reasonable assurance of full collection of both principal and interest. Our management closely monitors all loans that are contractually 90 days past due, treated as "special mention" or otherwise classified or on non-accrual status.

Purchased loans that have experienced more than insignificant credit deterioration since origination are PCD loans. An allowance for credit losses is determined using the same methodology as other loans. The Company develops separate PCD models for each loan segment with PCD loans not individually analyzed for credit losses. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a non-credit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through the provision for credit losses. The Company held approximately $90.5 million and $130.7 million in PCD loans, as of March 31, 2024 and December 31, 2023, respectively.

Table 9 sets forth information with respect to our non-performing assets as of March 31, 2024 and December 31, 2023. As of these dates, all non-performing restructured loans are included in non-accrual loans.

Table 9: Non-performing Assets

	As of March 31, 2024	As of December 31, 2023
	(Dollars in thousands)	
Non-accrual loans	$ 67,055	$ 59,971
Loans past due 90 days or more (principal or interest payments)	12,928	4,130
Total non-performing loans	79,983	64,101
Other non-performing assets		
Foreclosed assets held for sale, net	30,650	30,486
Other non-performing assets	63	785
Total other non-performing assets	30,713	31,271
Total non-performing assets	$ 110,696	$ 95,372
Allowance for credit losses to non-accrual loans	432.92 %	480.62 %
Allowance for credit losses to non-performing loans	362.94	449.66
Non-accrual loans to total loans	0.46	0.42
Non-performing loans to total loans	0.55	0.44
Non-performing assets to total assets	0.48	0.42

Our non-performing loans are comprised of non-accrual loans and accruing loans that are contractually past due 90 days. Our bank subsidiary recognizes income principally on the accrual basis of accounting. When loans are classified as non-accrual, the accrued interest is charged off and no further interest is accrued, unless the credit characteristics of the loan improve. If a loan is determined by management to be uncollectible, the portion of the loan determined to be uncollectible is then charged to the allowance for credit losses.

Total non-performing loans were $80.0 million and $64.1 million as of March 31, 2024 and December 31, 2023, respectively. Non-performing loans at March 31, 2024 were $17.6 million, $10.6 million, $44.7 million, $408,000, $3.9 million and $2.8 million in the Arkansas, Florida, Texas, Alabama, SPF and Centennial CFG markets, respectively.

The $2.8 million balance of non-accrual loans for our Centennial CFG Capital Markets Group consists of two loans that are assessed for credit risk by the Federal Reserve under the Shared National Credit Program. The loans are not current on either principal or interest, and we have reversed any interest that had accrued subsequent to the non-accrual date designated by the Federal Reserve. Any interest payments that are received will be applied to the principal balance. In addition, the $22.8 million balance of foreclosed assets held for sale for our Centennial CFG Property Finance Group consists of an office building located in California. This represents the largest component of the Company's $30.7 million in foreclosed assets held for sale.

Debt restructuring generally occurs when a borrower is experiencing, or is expected to experience, financial difficulties in the near term. As a result, we will work with the borrower to prevent further difficulties, and ultimately to improve the likelihood of recovery on the loan. In those circumstances it may be beneficial to restructure the terms of a loan and work with the borrower for the benefit of both parties, versus forcing the property into foreclosure and having to dispose of it in potentially an unfavorable and depressed real estate market. When we have modified the terms of a loan, we usually either reduce the monthly payment and/or interest rate for generally about three to twelve months. For our restructured loans that accrue interest at the time the loan is restructured, it would be a rare exception to have charged-off any portion of the loan. As of March 31, 2024, we had $22.9 million of restructured loans that are in compliance with the modified terms and are not reported as past due or non-accrual, and we had $2.0 million of restructured loans that are not in compliance with the modified terms and are reported as non-accrual. Our Florida market contained $17.2 million, our Arkansas market contained $1.4 million, our Texas market contained $2.2 million and our New York region contained $2.1 million of these restructured loans.

A loan modification that might not otherwise be considered may be granted. These loans can involve loans remaining on non-accrual, moving to non-accrual, or continuing on an accrual status, depending on the individual facts and circumstances of the borrower. Generally, a non-accrual loan that is restructured remains on non-accrual for a period of nine months to demonstrate that the borrower can meet the restructured terms. However, performance prior to the restructuring, or significant events that coincide with the restructuring, are considered in assessing whether the borrower can pay under the new terms and may result in the loan being returned to an accrual status after a shorter performance period. If the borrower’s ability to meet the revised payment schedule is not reasonably assured, the loan will remain in a non-accrual status.

The majority of the Bank’s restructured loans relate to real estate lending and generally involve reducing the interest rate, changing from a principal and interest payment to interest-only, lengthening the amortization period, or a combination of some or all of the three. In addition, it is common for the Bank to seek additional collateral or guarantor support when modifying a loan. At March 31, 2024, the amount of restructured loans was $24.9 million. As of March 31, 2024, 92.0% of all restructured loans were performing to the terms of the restructure.

Total foreclosed assets held for sale were $30.7 million as of March 31, 2024, compared to $30.5 million as of December 31, 2023 for an increase of $164,000. The foreclosed assets held for sale as of March 31, 2024 are comprised of $343,000 assets located in Arkansas, $7.3 million located in Florida, $272,000 located in Texas, zero in Alabama, zero in SPF and $22.8 million in Centennial CFG. The majority of the foreclosed assets held for sale is comprised of two properties. The first is an office building located in Santa Monica, California with a carrying value of $22.8 million, and the second is an office building located in Miami, Florida with a carrying value of $7.0 million. These two properties account for $29.8 million of the balance of foreclosed assets held for sale at March 31, 2024.

Table 10 shows the summary of foreclosed assets held for sale as of March 31, 2024 and December 31, 2023.

Table 10: Foreclosed Assets Held For Sale

	As of March 31, 2024	As of December 31, 2023
	(In thousands)	
Commercial real estate loans		
Non-farm/non-residential	$ 29,894	$ 29,894
Construction/land development	—	47
Residential real estate loans		
Residential 1-4 family	756	545
Total foreclosed assets held for sale	$ 30,650	$ 30,486

The Company had $105.3 million and $94.9 million in impaired loans (which includes loans individually analyzed for credit losses for which a specific reserve has been recorded, non-accrual loans, loans past due 90 days or more and restructured loans made to borrowers experiencing financial difficulty) for the periods ended March 31, 2024 and December 31, 2023, respectively. As of March 31, 2024, our Arkansas, Florida, Texas, Alabama, SPF and Centennial CFG markets accounted for approximately $22.8 million, $27.8 million, $45.4 million, $408,000, $3.9 million and $5.0 million of the impaired loans, respectively.

The amortized cost balance for loans with a specific allocation increased from $10.5 million to $18.5 million, and the specific allocation for impaired loans increased by approximately $690,000 at March 31, 2024 compared to December 31, 2023.

Past Due and Non-Accrual Loans

Table 11 shows the summary of non-accrual loans as of March 31, 2024 and December 31, 2023:

Table 11: Total Non-Accrual Loans

	As of March 31, 2024	As of December 31, 2023
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 12,887	$ 13,178
Construction/land development	15,782	12,094
Agricultural	414	431
Residential real estate loans		
Residential 1-4 family	22,037	20,351
Total real estate	51,120	46,054
Consumer	4,639	3,423
Commercial and industrial	10,969	9,982
Agricultural & other	327	512
Total non-accrual loans	$ 67,055	$ 59,971

If non-accrual loans had been accruing interest in accordance with the original terms of their respective agreements, interest income of approximately $1.4 million would have been recorded for both of the three-month periods ended March 31, 2024 and 2023. The interest income recognized on non-accrual loans for the three months ended March 31, 2024 and 2023 was considered immaterial.

Table 12 shows the summary of accruing past due loans 90 days or more as of March 31, 2024 and December 31, 2023:

Table 12: Loans Accruing Past Due 90 Days or More

	As of March 31, 2024	As of December 31, 2023
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 9,377	$ 2,177
Construction/land development	603	255
Residential real estate loans		
Residential 1-4 family	543	84
Total real estate	10,523	2,516
Consumer	48	79
Commercial and industrial	2,311	1,535
Other	46	—
Total loans accruing past due 90 days or more	$ 12,928	$ 4,130

Our ratio of total loans accruing past due 90 days or more and non-accrual loans to total loans was 0.55% and 0.44% at March 31, 2024 and December 31, 2023, respectively.

Allowance for Credit Losses

Overview. The allowance for credit losses on loans receivable is a valuation account that is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The Company uses the DCF method to estimate expected losses for all of the Company's loan pools. These pools are as follows: construction & land development; other commercial real estate; residential real estate; commercial & industrial; and consumer & other. The loan portfolio pools were selected in order to generally align with the loan categories specified in the quarterly call reports required to be filed with the Federal Financial Institutions Examination Council. For each of these loan pools, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, probability of default, and loss given default. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical internal data. The Company uses regression analysis of historical internal and peer data to determine suitable loss drivers to utilize when modeling lifetime probability of default and loss given default. This analysis also determines how expected probability of default and loss given default will react to forecasted levels of the loss drivers.

For all DCF models, management has determined that four quarters represents a reasonable and supportable forecast period and reverts to a historical loss rate over four quarters on a straight-line basis. Management leverages economic projections from a reputable and independent third party to inform its loss driver forecasts over the four-quarter forecast period. Other internal and external indicators of economic forecasts are also considered by management when developing the forecast metrics.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in the national unemployment rate, gross domestic product, national retail sales index, housing price indices and rental vacancy rate index.

The allowance for credit losses is measured based on call report segment as these types of loan exhibit similar risk characteristics. The identified loan segments are as follows:

- 1-4 family construction
- All other construction
- 1-4 family revolving home equity lines of credit ("HELOC") & junior liens
- 1-4 family senior liens
- Multifamily
- Owner occupies commercial real estate
- Non-owner occupied commercial real estate
- Commercial & industrial, agricultural, non-depository financial institutions, purchase/carry securities, other
- Consumer auto
- Other consumer
- Other consumer - SPF

The combination of adjustments for credit expectations (default and loss) and time expectations prepayment, curtailment, and time to recovery) produces an expected cash flow stream at the instrument level. Instrument effective yield is calculated, net of the impacts of prepayment assumptions, and the instrument expected cash flows are then discounted at that effective yield to produce an instrument-level net present value of expected cash flows ("NPV"). An allowance for credit loss is established for the difference between the instrument's NPV and amortized cost basis.

The allowance for credit losses for each segment is measured through the use of the discounted cash flow method. Loans evaluated individually that are considered to be impaired are not included in the collective evaluation. For those loans that are classified as impaired, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. For loans for which a specific reserve is not recorded, an allowance is recorded based on the loss rate for the respective pool within the collective evaluation if a specific reserve is not recorded.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless either of the following applies:

- Management has a reasonable expectation at the reporting date that restructured loans made to borrowers experiencing financial difficulty will be executed with an individual borrower.
- The extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Management qualitatively adjusts model results for risk factors ("Q-Factors") that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. These Q-Factors and other qualitative adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making Q-Factor and other qualitative adjustments include, among other things, the impact of (i) changes in lending policies, procedures and strategies; (ii) changes in nature and volume of the portfolio; (iii) staff experience; (iv) changes in volume and trends in classified loans, delinquencies and nonaccruals; (v) concentration risk; (vi) trends in underlying collateral values; (vii) external factors such as competition, legal and regulatory environment; (viii) changes in the quality of the loan review system; and (ix) economic conditions.

Loans considered to be collateral dependent, according to ASC 326, are loans for which, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. The aggregate amount of collateral shortfall on such loans is utilized in evaluating the adequacy of the allowance for credit losses and amount of provisions thereto. Losses on collateral dependent loans are charged against the allowance for credit losses when in the process of collection, it appears likely that such losses will be realized. The accrual of interest on collateral dependent loans is discontinued when, in management’s opinion the collection of interest is doubtful or generally when loans are 90 days or more past due. When accrual of interest is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans are placed on non-accrual status when management believes that the borrower’s financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful, or generally when loans are 90 days or more past due. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. Accrued interest related to non-accrual loans is generally charged against the allowance for credit losses when accrued in prior years and reversed from interest income if accrued in the current year. Interest income on non-accrual loans may be recognized to the extent cash payments are received, although the majority of payments received are usually applied to principal. Non-accrual loans are generally returned to accrual status when principal and interest payments are less than 90 days past due, the customer has made required payments for at least six months, and we reasonably expect to collect all principal and interest.

Acquisition Accounting and Acquired Loans. We account for our acquisitions under FASB ASC Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. In accordance with ASC 326, the Company records both a discount and an allowance for credit losses on acquired loans. All purchased loans are recorded at fair value in accordance with the fair value methodology prescribed in FASB ASC Topic 820, *Fair Value Measurements*. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

Purchased loans that have experienced more than insignificant credit deterioration since origination are PCD loans. An allowance for credit losses is determined using the same methodology as other loans. For PCD loans not individually analyzed for impairment, the Company develops separate PCD models for each loan segment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan’s purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a non-credit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through the provision for credit losses.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Specific Allocations. As a general rule, if a specific allocation is warranted, it is the result of a credit loss analysis of a previously classified credit or relationship. Typically, when it becomes evident through the payment history or a financial statement review that a loan or relationship is no longer supported by the cash flows of the asset and/or borrower and has become collateral dependent, we will use appraisals or other collateral analysis to determine if a specific allocation is needed. The amount or likelihood of loss on this credit may not yet be evident, so a charge-off would not be prudent. However, if the analysis indicates that a specific allocation is needed, then a specific allocation will be determined for this loan. This analysis is performed each quarter in connection with the preparation of the analysis of the adequacy of the allowance for credit losses, and if necessary, adjustments are made to the specific allocation provided for a particular loan.

For collateral dependent loans, we do not consider an appraisal outdated simply due to the passage of time. However, if an appraisal is older than 13 months and if market or other conditions have deteriorated and we believe that the current market value of the property is not within approximately 20% of the appraised value, we will consider the appraisal outdated and order either a new appraisal or an internal valuation report for the credit loss analysis. The recognition of any provision or related charge-off on a collateral dependent loan is either through annual credit analysis or, many times, when the relationship becomes delinquent. If the borrower is not current, we will update our credit and cash flow analysis to determine the borrower's repayment ability. If we determine this ability does not exist and it appears that the collection of the entire principal and interest is not likely, then the loan could be placed on non-accrual status. In any case, loans are classified as non-accrual no later than 105 days past due. If the loan requires a quarterly credit loss analysis, this analysis is completed in conjunction with the completion of the analysis of the adequacy of the allowance for credit losses. Any exposure identified through the credit loss analysis is shown as a specific reserve. If it is determined that a new appraisal or internal validation report is required, it is ordered and will be taken into consideration during completion of the next credit loss analysis.

In estimating the net realizable value of the collateral, management may deem it appropriate to discount the appraisal based on the applicable circumstances. In such case, the amount charged off may result in loan principal outstanding being below fair value as presented in the appraisal.

Between the receipt of the original appraisal and the updated appraisal, we monitor the loan's repayment history. If the loan is $3.0 million or greater or the total loan relationship is $5.0 million or greater, our policy requires an annual credit review. Our policy requires financial statements from the borrowers and guarantors at least annually. In addition, we calculate the global repayment ability of the borrower/guarantors at least annually.

As a general rule, when it becomes evident that the full principal and accrued interest of a loan may not be collected, or by law at 105 days past due, we will reflect that loan as non-performing. It will remain non-performing until it performs in a manner that it is reasonable to expect that we will collect the full principal and accrued interest.

When the amount or likelihood of a loss on a loan has been determined, a charge-off should be taken in the period it is determined. If a partial charge-off occurs, the quarterly credit loss analysis will determine if the loan is still collateral dependent, and thus continues to require a specific allocation.

The Company had $105.3 million and $94.9 million in impaired loans (which includes loans individually analyzed for credit losses for which a specific reserve has been recorded, non-accrual loans, loans past due 90 days or more and restructured loans made to borrowers experiencing financial difficulty) for the periods ended March 31, 2024 and December 31, 2023, respectively.

Loans Collectively Evaluated for Credit Loss. Loans receivable collectively evaluated for credit loss increased by approximately $100.9 million from $14.25 billion at December 31, 2023 to $14.35 billion at March 31, 2024. The percentage of the allowance for credit losses allocated to loans receivable collectively evaluated for credit loss to the total loans collectively evaluated for credit loss was 1.97% and 1.98% at March 31, 2024 and December 31, 2023, respectively.

Charge-offs and Recoveries. Total charge-offs decreased to $4.0 million for the three months ended March 31, 2024, compared to $4.3 million for the same period in 2023. Total recoveries were $538,000 and $588,000 for the three months ended March 31, 2024 and 2023, respectively. For the three months ended March 31, 2024, net charge-offs were $1.4 million for Arkansas, $390,000 for Florida, $1.5 million for Texas, $14,000 for Alabama and $78,000 for SPF. These equal a net charge-off position of $3.4 million.

We have not charged off an amount less than what was determined to be the fair value of the collateral as presented in the appraisal, less estimated costs to sell (for collateral dependent loans), for any period presented. Loans partially charged-off are placed on non-accrual status until it is proven that the borrower's repayment ability with respect to the remaining principal balance can be reasonably assured. This is usually established over a period of 6-12 months of timely payment performance.

Table 13 shows the allowance for credit losses, charge-offs and recoveries as of and for the three months ended March 31, 2024 and 2023.

Table 13: Analysis of Allowance for Credit Losses

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Balance, beginning of period	$ 288,234	$ 289,669
Loans charged off		
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	1,102	71
Construction/land development	1	25
Agricultural	—	2
Residential real estate loans:		
Residential 1-4 family	159	59
Total real estate	1,262	157
Consumer	198	221
Commercial and industrial	1,746	3,006
Other	772	904
Total loans charged off	3,978	4,288
Recoveries of loans previously charged off		
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	20	19
Construction/land development	7	7
Residential real estate loans:		
Residential 1-4 family	19	118
Multifamily residential	—	8
Total real estate	46	152
Consumer	39	41
Commercial and industrial	101	109
Other	352	286
Total recoveries	538	588
Net loans charged off	3,440	3,700
Provision for credit loss	5,500	1,200
Balance, March 31	$ 290,294	$ 287,169
Net charge-offs to average loans receivable	0.10 %	0.10 %
Allowance for credit losses to total loans	2.00	2.00
Allowance for credit losses to net charge-offs	2,098.17	1,913.75

Table 14 presents the allocation of allowance for credit losses as of March 31, 2024 and December 31, 2023.

Table 14: Allocation of Allowance for Credit Losses

	As of March 31, 2024		As of December 31, 2023	
	Allowance Amount	% of loans(1)	Allowance Amount	% of loans(1)
	(Dollars in thousands)			
Real estate:				
Commercial real estate loans:				
Non-farm/non- residential	$ 77,696	38.7 %	$ 77,194	38.5 %
Construction/land development	35,921	16.1	33,877	15.9
Agricultural residential real estate loans	1,432	2.3	1,441	2.3
Residential real estate loans:				
Residential 1-4 family	52,647	13.1	51,313	12.8
Multifamily residential	4,256	2.9	4,547	3.0
Total real estate	171,952	73.1	168,372	72.5
Consumer	25,055	8.0	24,728	8.0
Commercial and industrial	89,759	15.7	91,551	16.1
Agricultural	1,249	1.9	1,259	2.1
Other	2,279	1.3	2,324	1.3
Total	$ 290,294	100.0 %	$ 288,234	100.0 %

(1) Percentage of loans in each category to total loans receivable.

Investment Securities

Our securities portfolio is the second largest component of earning assets and provides a significant source of revenue. Securities within the portfolio are classified as held-to-maturity, available-for-sale, or trading based on the intent and objective of the investment and the ability to hold to maturity. Fair values of securities are based on quoted market prices where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities. The estimated effective duration of our securities portfolio was 4.9 years as of March 31, 2024.

Securities held-to-maturity, which include any security for which we have the positive intent and ability to hold until maturity, are reported at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized/accreted to the call date to interest income using the constant effective yield method over the estimated life of the security. We had $1.28 billion of held-to-maturity securities at both March 31, 2024 and December 31, 2023.

At both March 31, 2024 and December 31, 2023, $1.11 billion, or 86.5%, was invested in obligations of state and political subdivisions. At both March 31, 2024 and December 31, 2023, $43.4 million, or 3.4%, was invested in obligations of U.S. Government-sponsored enterprises. We had $129.1 million, or 10.1%, invested in U.S. government-sponsored mortgage-backed securities at March 31, 2024, compared to $130.3 million, or 10.2% at December 31, 2023.

Securities available-for-sale are reported at fair value with unrealized holding gains and losses reported as a separate component of stockholders' equity as other comprehensive (loss) income. Securities that may be sold in response to interest rate changes, changes in prepayment risk, the need to increase regulatory capital, and other similar factors are classified as available-for-sale. Available-for-sale securities were $3.40 billion and $3.51 billion as March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024, $1.45 billion, or 42.7%, of our available-for-sale securities were invested in U.S. government-sponsored mortgage-backed securities, compared to $1.52 billion, or 43.3%, of our available-for-sale securities as of December 31, 2023. To reduce our income tax burden, $899.9 million, or 26.5%, of our available-for-sale securities portfolio as of March 31, 2024, were primarily invested in tax-exempt obligations of state and political subdivisions, compared to $916.3 million, or 26.1%, of our available-for-sale securities as of December 31, 2023. We had $325.7 million, or 9.6%, invested in obligations of U.S. Government-sponsored enterprises as of March 31, 2024, compared to $346.6 million, or 9.9%, of our available-for-sale securities as of December 31, 2023. We had $361.3 million, or 10.6%, invested in non-government-sponsored asset backed securities as of March 31, 2024, compared to $363.5 million, or 10.4%, of our available-for-sale securities as of December 31, 2023. As of March 31, 2024, $173.5 million, or 5.1%, of our available-for-sale securities were invested in private mortgage-backed securities, compared to $175.4 million, or 5.0%, of our available-for-sale securities as of December 31, 2023. Also, we had approximately $187.7 million, or 5.5%, invested in other securities as of March 31, 2024, compared to $185.6 million, or 5.3% of our available-for-sale securities as of December 31, 2023.

The Company evaluates all securities quarterly to determine if any securities in a loss position require a provision for credit losses in accordance with ASC 326. The Company first assesses whether it intends to sell or if it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities that do not meet this criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of a security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

During the three months ended March 31, 2024, the Company determined the $2.5 million allowance for credit losses on the available for sale portfolio and the $2.0 million allowance for credit losses on the held-to-maturity portfolio were adequate. Therefore, no additional provision was considered necessary.

See Note 3 to the Condensed Notes to Consolidated Financial Statements for the carrying value and fair value of investment securities.

Deposits

Our deposits averaged $16.74 billion for the three months ended March 31, 2024. Total deposits were $16.87 billion as of March 31, 2024, and $16.79 billion as of December 31, 2023. Deposits are our primary source of funds. We offer a variety of products designed to attract and retain deposit customers. Those products consist of checking accounts, regular savings deposits, NOW accounts, money market accounts and certificates of deposit. Deposits are gathered from individuals, partnerships and corporations in our market areas. In addition, we obtain deposits from state and local entities and, to a lesser extent, U.S. Government and other depository institutions.

Our policy also permits the acceptance of brokered deposits. From time to time, when appropriate in order to fund strong loan demand, we accept brokered time deposits, generally in denominations of less than $250,000, from a regional brokerage firm, and other national brokerage networks. We also participate in the One-Way Buy Insured Cash Sweep ("ICS") service and similar services, which provide for one-way buy transactions among banks for the purpose of purchasing cost-effective floating-rate funding without collateralization or stock purchase requirements. Management believes these sources represent a reliable and cost-efficient alternative funding source for the Company. However, to the extent that our condition or reputation deteriorates, or to the extent that there are significant changes in market interest rates which we do not elect to match, we may experience an outflow of brokered deposits. In that event we would be required to obtain alternate sources for funding.

Table 15 reflects the classification of the brokered deposits as of March 31, 2024 and December 31, 2023.

Table 15: Brokered Deposits

	March 31, 2024	December 31, 2023
	(In thousands)	
Insured Cash Sweep and Other Transaction Accounts	$ 407,422	$ 401,004
Total Brokered Deposits	$ 407,422	$ 401,004

The interest rates paid are competitively priced for each particular deposit product and structured to meet our funding requirements. We will continue to manage interest expense through deposit pricing. We may allow higher rate deposits to run off during periods of limited loan demand. We believe that additional funds can be attracted, and deposit growth can be realized through deposit pricing if we experience increased loan demand or other liquidity needs.

The Federal Reserve Board sets various benchmark rates, including the Federal Funds rate, and thereby influences the general market rates of interest, including the deposit and loan rates offered by financial institutions. The Federal Reserve increased the target rate four times during 2023. First, on February 1, 2023, the target rate was increased to 4.50% to 4.75%, second, on March 22, 2023, the target rate was increased to 4.75% to 5.00%, third, on May 3, 2023, the target rate was increased to 5.00% to 5.25% and fourth, on July 26, 2023, the target rate was increased to 5.25% to 5.50%. As of March 31, 2024, the target rate was 5.25% to 5.50% as the Federal Reserve has left the target rate unchanged in 2024.

Table 16 reflects the classification of the average deposits and the average rate paid on each deposit category, which are in excess of 10 percent of average total deposits, for the three months ended March 31, 2024 and 2023.

Table 16: Average Deposit Balances and Rates

	Three Months Ended March 31,			
	2024		2023	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
	(Dollars in thousands)			
Non-interest-bearing transaction accounts	$ 4,017,659	— %	$ 5,043,219	— %
Interest-bearing transaction accounts	9,886,083	2.98	10,225,694	2.08
Savings deposits	1,152,827	0.85	1,353,635	0.76
Time deposits:				
$100,000 or more	1,106,311	4.23	661,623	1.81
Other time deposits	578,882	3.69	410,471	1.34
Total	$ 16,741,762	2.22 %	$ 17,694,642	1.36 %

Securities Sold Under Agreements to Repurchase

We enter into short-term purchases of securities under agreements to resell (resale agreements) and sales of securities under agreements to repurchase (repurchase agreements) of substantially identical securities. The amounts advanced under resale agreements and the amounts borrowed under repurchase agreements are carried on the balance sheet at the amount advanced. Interest incurred on repurchase agreements is reported as interest expense. Securities sold under agreements to repurchase increased $34.0 million, or 23.9%, from $142.1 million as of December 31, 2023 to $176.1 million as of March 31, 2024.

FHLB and Other Borrowed Funds

The Company’s FHLB borrowed funds, which are secured by our loan portfolio, were $600.0 million at March 31, 2024 and December 31, 2023. At March 31, 2024 and December 31, 2023, the entire $600.0 million of the outstanding balances were classified as long-term advances. The FHLB advances mature from 2025 to 2037 with fixed interest rates ranging from 3.37% to 4.84%. Expected maturities could differ from contractual maturities because FHLB may have the right to call, or the Company may have the right to prepay certain obligations.

Other borrowed funds were $701.1 million as of March 31, 2024 and were classified as short-term advances. The Company had $701.3 million in other borrowed funds as of December 31, 2023. As of both March 31, 2024 and December 31, 2023, the Company had drawn $700.0 million from the Bank Term Funding Program in the ordinary course of business, and these advances mature on January 16, 2025.

Additionally, the Company had $1.59 billion and $1.33 billion at March 31, 2024 and December 31, 2023, in letters of credit under a FHLB blanket borrowing line of credit, which are used to collateralize public deposits at March 31, 2024 and December 31, 2023, respectively.

Subordinated Debentures

Subordinated debentures were $439.7 million and $439.8 million as of March 31, 2024 and December 31, 2023, respectively.

On April 1, 2022, the Company acquired $140.0 million in aggregate principal amount of 5.500% Fixed-to-Floating Rate Subordinated Notes due 2030 (the “2030 Notes”) from Happy, and the Company recorded approximately $144.4 million which included fair value adjustments. The 2030 Notes are unsecured, subordinated debt obligations of the Company and will mature on July 31, 2030. From and including the date of issuance to, but excluding July 31, 2025 or the date of earlier redemption, the 2030 Notes will bear interest at an initial rate of 5.50% per annum, payable in arrears on January 31 and July 31 of each year. From and including July 31, 2025 to, but excluding, the maturity date or earlier redemption, the 2030 Notes will bear interest at a floating rate equal to the Benchmark rate (which is expected to be 3-month Secured Overnight Funding Rate (SOFR)), each as defined in and subject to the provisions of the applicable supplemental indenture for the 2030 Notes, plus 5.345%, payable quarterly in arrears on January 31, April 30, July 31, and October 31 of each year, commencing on October 31, 2025.

The Company may, beginning with the interest payment date of July 31, 2025, and on any interest payment date thereafter, redeem the 2030 Notes, in whole or in part, subject to prior approval of the Federal Reserve if then required, at a redemption price equal to 100% of the principal amount of the 2030 Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. The Company may also redeem the 2030 Notes at any time, including prior to July 31, 2025, at the Company’s option, in whole but not in part, subject to prior approval of the Federal Reserve if then required, if certain events occur that could impact the Company’s ability to deduct interest payable on the 2030 Notes for U.S. federal income tax purposes or preclude the 2030 Notes from being recognized as Tier 2 capital for regulatory capital purposes, or if the Company is required to register as an investment company under the Investment Company Act of 1940, as amended. In each case, the redemption would be at a redemption price equal to 100% of the principal amount of the 2030 Notes plus any accrued and unpaid interest to, but excluding, the redemption date.

On January 18, 2022, the Company completed an underwritten public offering of $300.0 million in aggregate principal amount of its 3.125% Fixed-to-Floating Rate Subordinated Notes due 2032 (the “2032 Notes”) for net proceeds, after underwriting discounts and issuance costs, of approximately $296.4 million. The 2032 Notes are unsecured, subordinated debt obligations of the Company and will mature on January 30, 2032. From and including the date of issuance to, but excluding January 30, 2027 or the date of earlier redemption, the 2032 Notes will bear interest at an initial rate of 3.125% per annum, payable in arrears on January 30 and July 30 of each year. From and including January 30, 2027 to, but excluding the maturity date or earlier redemption, the 2032 Notes will bear interest at a floating rate equal to the Benchmark rate (which is expected to be Three-Month Term SOFR), each as defined in and subject to the provisions of the applicable supplemental indenture for the 2032 Notes, plus 182 basis points, payable quarterly in arrears on January 30, April 30, July 30, and October 30 of each year, commencing on April 30, 2027.

The Company may, beginning with the interest payment date of January 30, 2027, and on any interest payment date thereafter, redeem the 2032 Notes, in whole or in part, subject to prior approval of the Federal Reserve if then required, at a redemption price equal to 100% of the principal amount of the 2032 Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. The Company may also redeem the 2032 Notes at any time, including prior to January 30, 2027, at the Company’s option, in whole but not in part, subject to prior approval of the Federal Reserve if then required, if certain events occur that could impact the Company’s ability to deduct interest payable on the 2032 Notes for U.S. federal income tax purposes or preclude the 2032 Notes from being recognized as Tier 2 capital for regulatory capital purposes, or if the Company is required to register as an investment company under the Investment Company Act of 1940, as amended. In each case, the redemption would be at a redemption price equal to 100% of the principal amount of the 2032 Notes plus any accrued and unpaid interest to, but excluding, the redemption date.

Stockholders' Equity

Stockholders' equity increased $20.3 million to $3.81 billion as of March 31, 2024, compared to $3.79 billion as of December 31, 2023. The $20.3 million increase in stockholders' equity is primarily associated with the $100.1 million in net income for the three months ended March 31, 2024, partially offset by the $36.2 million of shareholder dividends paid, the $22.4 million in other comprehensive loss and stock repurchases of $24.0 million in 2024. As of March 31, 2024 and December 31, 2023, our equity to asset ratio was 16.69% and 16.73%, respectively. Book value per share was $18.98 as of March 31, 2024, compared to $18.81 as of December 31, 2023, a 3.6% annualized increase.

Common Stock Cash Dividends. We declared cash dividends on our common stock of $0.18 per share for both the three months ended March 31, 2024 and 2023. The common stock dividend payout ratio for the three months ended March 31, 2024 and 2023 was 36.2% and 35.6%, respectively. On April 18, 2024, the Board of Directors declared a regular $0.18 per share quarterly cash dividend payable June 5, 2024, to shareholders of record May 15, 2024.

Stock Repurchase Program. During the first three months of 2024, the Company repurchased a total of 1,025,934 shares with a weighted-average stock price of $23.38 per share. Shares repurchased under the program as of March 31, 2024 since its inception total 24,011,649 shares. The remaining balance available for repurchase is 15,740,351 shares at March 31, 2024.

Liquidity and Capital Adequacy Requirements

Risk-Based Capital. We, as well as our bank subsidiary, are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and other discretionary actions by regulators that, if enforced, could have a direct material effect on our financial statements. 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 classifications are also subject to qualitative judgments by the regulators as to components, risk weightings and other factors.

In July 2013, the Federal Reserve Board and the other federal bank regulatory agencies issued a final rule to revise their risk-based and leverage capital requirements and their method for calculating risk-weighted assets to make them consistent with the agreements that were reached by the Basel Committee on Banking Supervision in “Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems” and certain provisions of the Dodd-Frank Act (“Basel III”). Basel III applies to all depository institutions, bank holding companies with total consolidated assets of $500 million or more, and savings and loan holding companies. Basel III became effective for the Company and its bank subsidiary on January 1, 2015. Basel III limits a banking organization’s capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” of 2.5% of common equity Tier 1 capital to risk-weighted assets, which is in addition to the amount necessary to meet its minimum risk-based capital requirements.

Basel III amended the prompt corrective action rules to incorporate a common equity Tier 1 ("CET1") capital requirement and to raise the capital requirements for certain capital categories. In order to be adequately capitalized for purposes of the prompt corrective action rules, a banking organization is required to have at least a 4.5% CET1 risk-based capital ratio, a 4% Tier 1 leverage ratio, a 6% Tier 1 risk-based capital ratio and an 8% total risk-based capital ratio.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Management believes that, as of March 31, 2024 and December 31, 2023, we met all regulatory capital adequacy requirements to which we were subject.

On January 18, 2022, the Company completed an underwritten public offering of the 2032 Notes in aggregate principal amount of $300.0 million. The 2032 Notes are unsecured, subordinated debt obligations of the Company and will mature on January 30, 2032. The Company may, beginning with the interest payment date of January 30, 2027, and on any interest payment date thereafter, redeem the 2032 Notes, in whole or in part, subject to prior approval of the Federal Reserve if then required, at a redemption price equal to 100% of the principal amount of the 2032 Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. The Company may also redeem the 2032 Notes at any time, including prior to January 30, 2027, at the Company’s option, in whole but not in part, subject to prior approval of the Federal Reserve if then required, if certain events occur that could impact the Company’s ability to deduct interest payable on the 2032 Notes for U.S. federal income tax purposes or preclude the 2032 Notes from being recognized as Tier 2 capital for regulatory capital purposes, or if the Company is required to register as an investment company under the Investment Company Act of 1940, as amended. In each case, the redemption would be at a redemption price equal to 100% of the principal amount of the 2032 Notes plus any accrued and unpaid interest to, but excluding, the redemption date.

On April 1, 2022, the Company acquired $140.0 million in aggregate principal amount of 5.500% Fixed-to-Floating Rate Subordinated Notes due 2030 from Happy, and the Company recorded approximately $144.4 million which included fair value adjustments. The 2030 Notes are unsecured, subordinated debt obligations of the Company and will mature on July 31, 2030. The Company may, beginning with the interest payment date of July 31, 2025, and on any interest payment date thereafter, redeem the 2030 Notes, in whole or in part, subject to prior approval of the Federal Reserve if then required, at a redemption price equal to 100% of the principal amount of the 2030 Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. The Company may also redeem the 2030 Notes at any time, including prior to July 31, 2025, at the Company's option, in whole but not in part, subject to prior approval of the Federal Reserve if then required, if certain events occur that could impact the Company's ability to deduct interest payable on the 2030 Notes for U.S. federal income tax purposes or preclude the 2030 Notes from being recognized as Tier 2 capital for regulatory capital purposes, or if the Company is required to register as an investment company under the Investment Company Act of 1940, as amended. In each case, the redemption would be at a redemption price equal to 100% of the principal amount of the 2030 Notes plus any accrued and unpaid interest to, but excluding, the redemption.

On December 21, 2018, the federal banking agencies issued a joint final rule to revise their regulatory capital rules to permit bank holding companies and banks to phase-in, for regulatory capital purposes, the day-one impact of the new CECL accounting rule on retained earnings over a period of three years. As part of its response to the impact of COVID-19, on March 27, 2020, the federal banking regulatory agencies issued an interim final rule that provided the option to temporarily delay certain effects of CECL on regulatory capital for two years, followed by a three-year transition period. The interim final rule allows bank holding companies and banks to delay for two years 100% of the day-one impact of adopting CECL and 25% of the cumulative change in the reported allowance for credit losses since adopting CECL. The Company has elected to adopt the interim final rule, which is reflected in the risk-based capital ratios presented below.

Table 17 presents our risk-based capital ratios on a consolidated basis as of March 31, 2024 and December 31, 2023.

Table 17: Risk-Based Capital

	As of March 31, 2024	As of December 31, 2023
	(Dollars in thousands)	
Tier 1 capital		
Stockholders' equity	$ 3,811,401	$ 3,791,075
ASC 326 transitional period adjustment	8,122	16,246
Goodwill and core deposit intangibles, net	(1,444,433)	(1,446,573)
Unrealized loss on available-for-sale securities	271,425	249,075
Total common equity Tier 1 capital	2,646,515	2,609,823
Total Tier 1 capital	2,646,515	2,609,823
Tier 2 capital		
Allowance for credit losses	290,294	288,234
ASC 326 transitional period adjustment	(8,122)	(16,246)
Disallowed allowance for credit losses (limited to 1.25% of risk weighted assets)	(49,802)	(40,509)
Qualifying allowance for credit losses	232,370	231,479
Qualifying subordinated notes	439,688	439,834
Total Tier 2 capital	672,058	671,313
Total risk-based capital	$ 3,318,573	$ 3,281,136
Average total assets for leverage ratio	$ 21,515,408	$ 20,981,774
Risk weighted assets	$ 18,492,561	$ 18,440,964
Ratios at end of period		
Common equity Tier 1 capital	14.31 %	14.15 %
Leverage ratio	12.30	12.44
Tier 1 risk-based capital	14.31	14.15
Total risk-based capital	17.95	17.79
Minimum guidelines – Basel III		
Common equity Tier 1 capital	7.00 %	7.00 %
Leverage ratio	4.00	4.00
Tier 1 risk-based capital	8.50	8.50
Total risk-based capital	10.50	10.50
Well-capitalized guidelines		
Common equity Tier 1 capital	6.50 %	6.50 %
Leverage ratio	5.00	5.00
Tier 1 risk-based capital	8.00	8.00
Total risk-based capital	10.00	10.00

As of the most recent notification from regulatory agencies, our bank subsidiary was "well-capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well-capitalized," we, as well as our banking subsidiary, must maintain minimum CET1 capital, leverage, Tier 1 risk-based capital, and total risk-based capital ratios as set forth in the table. There are no conditions or events since that notification that we believe have changed the bank subsidiary's category.

Non-GAAP Financial Measurements

Our accounting and reporting policies conform to generally accepted accounting principles in the United States ("GAAP") and the prevailing practices in the banking industry. However, this report contains financial information determined by methods other than in accordance with GAAP, including earnings, as adjusted; diluted earnings per common share, as adjusted; tangible book value per share; return on average assets, excluding intangible amortization; return on average assets, as adjusted; return on average common equity, as adjusted; return on average tangible equity, excluding intangible amortization; return on average tangible equity, as adjusted; tangible equity to tangible assets; and efficiency ratio, as adjusted.

We believe these non-GAAP measures and ratios, when taken together with the corresponding GAAP measures and ratios, provide meaningful supplemental information regarding our performance. We believe investors benefit from referring to these non-GAAP measures and ratios in assessing our operating results and related trends, and when planning and forecasting future periods. However, these non-GAAP measures and ratios should be considered in addition to, and not as a substitute for or preferable to, ratios prepared in accordance with GAAP.

The tables below present non-GAAP reconciliations of earnings, as adjusted, and diluted earnings per share, as adjusted, as well as the non-GAAP computations of tangible book value per share; return on average assets, excluding intangible amortization; return on average assets, as adjusted; return on average common equity, as adjusted; return on average tangible equity excluding intangible amortization; return on average tangible equity, as adjusted; tangible equity to tangible assets; and efficiency ratio, as adjusted. The items used in these calculations are included in financial results presented in accordance with GAAP.

Earnings, as adjusted, and diluted earnings per common share, as adjusted, are meaningful non-GAAP financial measures for management, as they exclude certain items such as merger expenses and/or certain gains and losses. Management believes the exclusion of these items in expressing earnings provides a meaningful foundation for period-to-period and company-to-company comparisons, which management believes will aid both investors and analysts in analyzing our financial measures and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of our business, because management does not consider these items to be relevant to ongoing financial performance.

In Table 18 below, we have provided a reconciliation of the non-GAAP calculation of the financial measure for the periods indicated.

Table 18: Earnings, As Adjusted

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
GAAP net income available to common shareholders (A)	$ 100,109	$ 102,962
Pre-tax adjustments:		
Fair value adjustment for marketable securities	(1,003)	11,408
Recoveries on historic losses	—	(3,461)
BOLI death benefits	(162)	—
Total pre-tax adjustments	(1,165)	7,947
Tax-effect of adjustments (1)	(251)	1,961
Total adjustments after-tax (B)	(914)	5,986
Earnings, as adjusted (C)	$ 99,195	$ 108,948
Average diluted shares outstanding (D)	201,390	203,625
GAAP diluted earnings per share: A/D	$ 0.50	$ 0.51
Adjustments after-tax: B/D	(0.01)	0.03
Diluted earnings per common share excluding adjustments: C/D	$ 0.49	$ 0.54

(1) Blended statutory rate of 24.989% for 2024 and 24.6735% for 2023.

We had $1.44 billion, $1.45 billion, and $1.45 billion in total goodwill and core deposit intangibles as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively. Because of our level of intangible assets and related amortization expenses, management believes tangible book value per share, return on average assets excluding intangible amortization, return on average tangible equity, return on average tangible equity excluding intangible amortization, and tangible equity to tangible assets are useful in evaluating our company. Management also believes return on average assets, as adjusted, return on average equity, as adjusted, and return on average tangible equity, as adjusted, are meaningful non-GAAP financial measures, as they exclude items such as certain non-interest income and expenses that management believes are not indicative of our primary business operating results. These calculations, which are similar to the GAAP calculations of book value per share, return on average assets, return on average equity, and equity to assets, are presented in Tables 19 through 22, respectively.

Table 19: Tangible Book Value Per Share

	As of March 31, 2024	As of December 31, 2023
	(In thousands, except per share data)	
Book value per share: A/B	$ 18.98	$ 18.81
Tangible book value per share: (A-C-D)/B	11.79	11.63
(A) Total equity	$ 3,811,401	$ 3,791,075
(B) Shares outstanding	200,797	201,526
(C) Goodwill	1,398,253	1,398,253
(D) Core deposit intangibles	46,630	48,770

Table 20: Return on Average Assets, As Adjusted

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Return on average assets: A/D	1.78 %	1.84 %
Return on average assets, as adjusted: (A+C)/D	1.76	1.95
Return on average assets excluding intangible amortization: B/(D-E)	1.93	2.00
(A) Net income	$ 100,109	$ 102,962
Intangible amortization after-tax	1,605	1,866
(B) Earnings excluding intangible amortization	$ 101,714	$ 104,828
(C) Adjustments after-tax	$ (914)	$ 5,986
(D) Average assets	22,683,259	22,695,855
(E) Average goodwill, core deposits and other intangible assets	1,445,902	1,455,423

Table 21: Return on Average Equity, As Adjusted

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Return on average equity: A/D	10.64 %	11.70 %
Return on average common equity, as adjusted: (A+C)/D	10.54	12.38
Return on average tangible common equity: A/(D-E)	17.22	19.75
Return on average tangible equity excluding intangible amortization: B/(D-E)	17.50	20.11
Return on average tangible common equity, as adjusted: (A+C)/(D-E)	17.07	20.90
(A) Net income	$ 100,109	$ 102,962
(B) Earnings excluding intangible amortization	101,714	104,828
(C) Adjustments after-tax	(914)	5,986
(D) Average equity	3,783,652	3,569,592
(E) Average goodwill, core deposits and other intangible assets	1,445,902	1,455,423

Table 22: Tangible Equity to Tangible Assets

	As of March 31, 2024	As of December 31, 2023
	(Dollars in thousands)	
Equity to assets: B/A	16.69 %	16.73 %
Tangible equity to tangible assets: (B-C-D)/(A-C-D)	11.06	11.05
(A) Total assets	$ 22,835,721	$ 22,656,658
(B) Total equity	3,811,401	3,791,075
(C) Goodwill	1,398,253	1,398,253
(D) Core deposit intangibles	46,630	48,770

The efficiency ratio is a standard measure used in the banking industry and is calculated by dividing non-interest expense less amortization of core deposit intangibles by the sum of net interest income on a tax equivalent basis and non-interest income. The efficiency ratio, as adjusted, is a meaningful non-GAAP measure for management, as it excludes certain items and is calculated by dividing non-interest expense less amortization of core deposit intangibles by the sum of net interest income on a tax equivalent basis and non-interest income excluding items such as merger expenses and/or certain gains, losses and other non-interest income and expenses. In Table 23 below, we have provided a reconciliation of the non-GAAP calculation of the financial measure for the periods indicated.

Table 23: Efficiency Ratio, As Adjusted

	Three Months Ended March 31,	
	2024	2023
	(Dollars in thousands)	
Net interest income (A)	$ 204,590	$ 214,595
Non-interest income (B)	41,799	34,164
Non-interest expense (C)	111,496	114,644
FTE Adjustment (D)	892	1,628
Amortization of intangibles (E)	2,140	2,477
Adjustments:		
Non-interest income:		
Fair value adjustment for marketable securities	$ 1,003	$ (11,408)
Gain on OREO, net	17	—
Gain (loss) on branches, equipment and other assets, net	(8)	7
BOLI death benefits	162	—
Recoveries on historic losses	—	3,461
Total non-interest income adjustments (F)	$ 1,174	$ (7,940)
Non-interest expense:		
Total non-interest expense adjustments (G)	$ —	$ —
Efficiency ratio (reported): ((C-E)/(A+B+D))	44.22 %	44.80 %
Efficiency ratio, as adjusted (non-GAAP): ((C-E-G)/(A+B+D-F))	44.43	43.42

Recently Issued Accounting Pronouncements

See Note 21 to the Condensed Notes to Consolidated Financial Statements for a discussion of certain recently issued and recently adopted accounting pronouncements.

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Liquidity and Market Risk Management

At March 31, 2024, we held $2.67 billion in assets that could be used for liquidity purposes, which we refer to as net available internal liquidity. This balance consisted of $1.58 billion in unpledged investment securities which could be used for additional secured borrowing capacity, $924.1 million in cash on deposit with the Federal Reserve Bank ("FRB") and $160.7 million in other liquid cash accounts.

Consistent with our practice of maintaining access to significant external liquidity, we had $3.11 billion in net available sources of borrowed funds, which we refer to as net available external liquidity, as of March 31, 2024. This included $4.75 billion in total borrowing capacity with the Federal Home Loan Bank ("FHLB"), of which $1.84 billion has been drawn upon in the ordinary course of business, resulting in $2.91 billion in net available liquidity with the FHLB as of March 31, 2024. The $1.84 billion consisted of $600.0 million in outstanding FHLB advances and $1.24 billion used for pledging purposes. We also had access to approximately $798.3 million in liquidity with the FRB as of March 31, 2024, of which $700.0 million has been drawn upon in the ordinary course of business, resulting in $98.3 million in net available liquidity with the FRB as of March 31, 2024. As of March 31, 2024, the Company also had access to $55.0 million from First National Bankers’ Bank ("FNBB"), and $45.0 million from other various external sources.

Overall, we had $5.77 billion net available liquidity as of March 31, 2024, which consisted of $2.67 billion of net available internal liquidity and $3.11 billion in net available external liquidity. Details on our available liquidity as of March 31, 2024 is available below.

(in thousands)	Total Available	Amount Used	Net Availability
Internal Sources			
Unpledged investment securities (market value)	$ 1,581,821	$ —	$ 1,581,821
Cash at FRB	924,148	—	924,148
Other liquid cash accounts	160,738	—	160,738
Total Internal Liquidity	2,666,707	—	2,666,707
External Sources			
FHLB	4,746,613	1,837,367	2,909,246
FRB Discount Window	98,307	—	98,307
BTFP (par value)	700,000	700,000	—
FNBB	55,000	—	55,000
Other	45,000	—	45,000
Total External Liquidity	5,644,920	2,537,367	3,107,553
Total Available Liquidity	$ 8,311,627	$ 2,537,367	$ 5,774,260

We have continued to limit our exposure to uninsured deposits and have been actively monitoring this exposure in light of the current banking environment. As of March 31, 2024, we held approximately $8.42 billion in uninsured deposits of which $602.4 million were intercompany subsidiary deposit balances and $3.03 billion were collateralized deposits, for a net position of $4.79 billion. This represented approximately 28.4% of total deposits. In addition, net available liquidity exceeded uninsured and uncollateralized deposits by $987.0 million as of March 31, 2024.

(in thousands)	As of March 31, 2024
Uninsured Deposits	$ 8,415,764
Intercompany Subsidiary and Affiliate Balances	602,351
Collateralized Deposits	3,026,129
Net Uninsured Position	$ 4,787,284
Total Available Liquidity	$ 5,774,260
Net Uninsured Position	4,787,284
Net Available Liquidity in Excess of Uninsured Deposits	$ 986,976

Asset/Liability Management. Our management actively measures and manages interest rate risk. The asset/liability committees of the boards of directors of our holding company and bank subsidiary are also responsible for approving our asset/liability management policies, overseeing the formulation and implementation of strategies to improve balance sheet positioning and earnings, and reviewing our interest rate sensitivity position.

Our objective is to manage liquidity in a way that ensures cash flow requirements of depositors and borrowers are met in a timely and orderly fashion while ensuring the reliance on various funding sources does not become so heavily weighted to any one source that it causes undue risk to the bank. Our liquidity sources are prioritized based on availability and ease of activation. Our current liquidity condition is a primary driver in determining our funding needs and is a key component of our asset and liability management.

Various sources of liquidity are available to meet the cash flow needs of depositors and borrowers. Our principal source of funds is core deposits, including checking, savings, money market accounts and certificates of deposit. We may also from time to time obtain wholesale funding through brokered deposits. Secondary sources of funding include advances from the Federal Home Loan Bank of Dallas, the Federal Reserve Bank Discount Window and other borrowings, such as through correspondent banking relationships. These secondary sources enable us to borrow funds at rates and terms which, at times, are more beneficial to us. Additionally, as needed, we can liquidate or utilize our available for sale investment portfolio as collateral to provide funds for an intermediate source of liquidity.

Interest Rate Sensitivity. Our primary business is banking and the resulting earnings, primarily net interest income, are susceptible to changes in market interest rates. It is management's goal to maximize net interest income within acceptable levels of interest rate and liquidity risks.

A key element in the financial performance of financial institutions is the level and type of interest rate risk assumed. The single most significant measure of interest rate risk is the relationship of the repricing periods of earning assets and interest-bearing liabilities. The more closely the repricing periods are correlated, the less interest rate risk we assume. We use net interest income simulation modeling and economic value of equity as the primary methods in analyzing and managing interest rate risk.

One of the tools that our management uses to measure short-term interest rate risk is a net interest income simulation model. This analysis calculates the difference between net interest income forecasted using base market rates and using a rising and a falling interest rate scenario. The income simulation model includes various assumptions regarding the re-pricing relationships for each of our products. Many of our assets are floating rate loans, which are assumed to re-price immediately, and proportional to the change in market rates, depending on their contracted index. Some loans and investments include the opportunity of prepayment (embedded options), and accordingly, the simulation model uses indexes to estimate these prepayments and reinvest their proceeds at current yields. Our non-term deposit products re-price overnight in the model while we project certain other deposits by product type to have stable balances based on our deposit history. This accounts for the portion of our portfolio that moves more slowly than market rates and changes at our discretion.

This analysis indicates the impact of changes in net interest income for the given set of rate changes and assumptions. It assumes the balance sheet remains static and that its structure does not change over the course of the year. It does not account for all factors that impact this analysis, including changes by management to mitigate the impact of interest rate changes or secondary impacts such as changes to our credit risk profile as interest rates change.

Furthermore, loan prepayment rate estimates and spread relationships change regularly. Interest rate changes create changes in actual loan prepayment rates that will differ from the market estimates incorporated in this analysis. Changes that vary significantly from the assumptions may have significant effects on our net interest income.

For the rising and falling interest rate scenarios, the base market interest rate forecast was increased and decreased over twelve months by 200 and 100 basis points, respectively. At March 31, 2024, our net interest margin exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us.

Table 24 presents our sensitivity to net interest income as of March 31, 2024.

Table 24: Sensitivity of Net Interest Income

Interest Rate Scenario	Percentage Change from Base
Up 200 basis points	9.43 %
Up 100 basis points	4.84
Down 100 basis points	(5.81)
Down 200 basis points	(11.95)

Item 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Additionally, our disclosure controls and procedures were also effective in ensuring that information required to be disclosed in our Exchange Act report is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2024, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1: Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to its business, to which the Company or its subsidiaries are a party or of which any of their property is the subject.

Item 1A: Risk Factors

There were no material changes from the risk factors set forth in Part I, Item 1A, "Risk Factors," of our Form 10-K for the year ended December 31, 2023. See the discussion of our risk factors in the Form 10-K, as filed with the SEC. The risks described are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

The following table sets forth information with respect to purchases made by or on behalf of the Company of shares of the Company's common stock during the periods indicated:

Period	Number of Shares Purchased	Average Price Paid Per Share Purchased	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs[1]
January 1 through January 31, 2024	205,934	$ 23.48	205,934	16,560,351
February 1 through February 29, 2024	580,000	23.24	580,000	15,980,351
March 1 through March 31, 2024	240,000	23.63	240,000	15,740,351
Total	1,025,934		1,025,934	

(1) The above described stock repurchase program has no expiration date.

Item 3: Defaults Upon Senior Securities

Not applicable.

Item 4: Mine Safety Disclosures

Not applicable.

Item 5: Other Information

During the three months ended March 31, 2024, none of the Company's directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6: Exhibits

Exhibit No.	Description of Exhibit
3.1	Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)
3.2	Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.2 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)
3.3	Second Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.3 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)
3.4	Third Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.4 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)
3.5	Fourth Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, filed on August 8, 2007)

3.6	Fifth Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 4.6 of Home BancShares's registration statement on Form S-3 (File No. 333-157165))
3.7	Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, filed with the Secretary of State of the State of Arkansas on January 14, 2009 (incorporated by reference to Exhibit 3.1 of Home BancShares's Current Report on Form 8-K, filed on January 21, 2009)
3.8	Seventh Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's Current Report on Form 8-K filed on April 19, 2013)
3.9	Eighth Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's Current Report on Form 8-K filed on April 22, 2016)
3.10	Ninth Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's Current Report on Form 8-K filed on April 23, 2019)
3.11	Tenth Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 4.11 of Home BancShares's registration statement on Form S-8 (File No. 333-264409))
3.12	Amended and Restated Bylaws of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's Current Report on Form 8-K filed on January 28, 2021)
3.13	Amendment to the Amended and Restated Bylaws of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's Current Report on Form 8-K filed on April 22, 2022)
4.1	Specimen Stock Certificate representing Home BancShares, Inc. Common Stock (incorporated by reference to Exhibit 4.12 of the Company's registration statement on Form S-3ASR (File No. 333-261495))
4.2	Instruments defining the rights of security holders including indentures. Home BancShares hereby agrees to furnish to the SEC upon request copies of instruments defining the rights of holders of long-term debt of Home BancShares and its consolidated subsidiaries. No issuance of debt exceeds ten percent of the assets of Home BancShares and its subsidiaries on a consolidated basis.
15	Awareness of Independent Registered Public Accounting Firm*
31.1	CEO Certification Pursuant Rule 13a-14(a)/15d-14(a)*
31.2	CFO Certification Pursuant Rule 13a-14(a)/15d-14(a)*
32.1	CEO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes – Oxley Act of 2002*
32.2	CFO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes – Oxley Act of 2002*
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	InlineXBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

** The disclosure schedules referenced in the Agreement and Plan of Merger have been omitted pursuant to Item 601(a)(5) of SEC Regulation S-K. The Company hereby agrees to furnish supplementally a copy of any omitted disclosure schedule to the SEC upon request.

SIGNATURES

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.

HOME BANCSHARES, INC.
(Registrant)

Date:	May 3, 2024	/s/ John W. Allison
		John W. Allison, Chairman and Chief Executive Officer
Date:	May 3, 2024	/s/ Brian S. Davis
		Brian S. Davis, Chief Financial Officer
Date:	May 3, 2024	/s/ Jennifer C. Floyd
		Jennifer C. Floyd, Chief Accounting Officer

Exhibit 15

Awareness of Independent Registered Public Accounting Firm

We are aware that our report dated May 3, 2024, included with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, is incorporated by reference in Forms S-8 (Nos. 333-136645, 333-148763, 333-188591, 333-211116, 333-226608, 333-229805 and 333-264409) and Form S-3 (No. 333-261495). Pursuant to Rule 436(c) under the *Securities Act of 1933* (the Act), this report should not be considered a part of these registration statements prepared or certified by us within the meaning of Sections 7 and 11 of the Act.

FORVIS, LLP

Little Rock, Arkansas
May 3, 2024

Exhibit 31.1

I, John W. Allison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home BancShares, Inc. for the period ended March 31, 2024;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d) disclosed in this quarterly 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 the registrant’s board of directors (or persons performing the equivalent functions):

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

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

Date: May 3, 2024

/s/ John W. Allison

John W. Allison

Chief Executive Officer

Exhibit 31.2

I, Brian S. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home BancShares, Inc. for the period ended March 31, 2024;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
   d) disclosed in this quarterly 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 the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2024

/s/ Brian S. Davis

Brian S. Davis

Chief Financial Officer

Exhibit 32.1

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

In connection with the accompanying Quarterly Report of Home BancShares, Inc. (the Company) on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, John W. Allison, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

Date: May 3, 2024

/s/ John W. Allison

John W. Allison

Chief Executive Officer

Exhibit 32.2

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

In connection with the accompanying Quarterly Report of Home BancShares, Inc. (the Company) on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Brian S. Davis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

Date: May 3, 2024

/s/ Brian S. Davis

Brian S. Davis

Chief Financial Officer