

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 June 30, 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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: 199,681,791 shares as of August 1, 2024.

HOME BANCSHARES, INC.  
FORM 10-Q  
June 30, 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
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- 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.

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**PART I: FINANCIAL INFORMATION**
**Item 1: Financial Statements**

**Home BancShares, Inc.**  
**Consolidated Balance Sheets**

(In thousands, except share data)	June 30, 2024	December 31, 2023
	(Unaudited)	
<b>Assets</b>		
Cash and due from banks	\$ 229,209	\$ 226,363
Interest-bearing deposits with other banks	829,507	773,850
Cash and cash equivalents	1,058,716	1,000,213
Fed funds sold	—	5,100
Investment securities — available-for-sale, net of allowance for credit losses of \$2,525 at both June 30, 2024 and December 31, 2023 (amortized cost of \$3,691,868 and \$3,840,927 at June 30, 2024 and December 31, 2023, respectively)	3,344,539	3,507,841
Investment securities — held-to-maturity, net of allowance for credit losses of \$2,005 at both June 30, 2024 and December 31, 2023	1,278,853	1,281,982
Total investment securities	4,623,392	4,789,823
Loans receivable	14,781,457	14,424,728
Allowance for credit losses	(295,856)	(288,234)
Loans receivable, net	14,485,601	14,136,494
Bank premises and equipment, net	383,691	393,300
Foreclosed assets held for sale	41,347	30,486
Cash value of life insurance	218,198	214,516
Accrued interest receivable	120,984	118,966
Deferred tax asset, net	195,041	197,164
Goodwill	1,398,253	1,398,253
Core deposit intangibles	44,490	48,770
Other assets	350,192	323,573
<b>Total assets</b>	<b>\$ 22,919,905</b>	<b>\$ 22,656,658</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Demand and non-interest-bearing	\$ 4,068,302	\$ 4,085,501
Savings and interest-bearing transaction accounts	11,150,516	11,050,347
Time deposits	1,736,985	1,651,863
Total deposits	16,955,803	16,787,711
Securities sold under agreements to repurchase	137,996	142,085
FHLB and other borrowed funds	1,301,050	1,301,300
Accrued interest payable and other liabilities	230,011	194,653
Subordinated debentures	439,542	439,834
<b>Total liabilities</b>	<b>19,064,402</b>	<b>18,865,583</b>
<b>Stockholders' equity:</b>		
Common stock, par value \$0.01; shares authorized 300,000,000 in 2024 and 2023; shares issued and outstanding 199,746,265 in 2024 and 201,526,494 in 2023	1,997	2,015
Capital surplus	2,295,893	2,348,023
Retained earnings	1,819,412	1,690,112
Accumulated other comprehensive loss	(261,799)	(249,075)
<b>Total stockholders' equity</b>	<b>3,855,503</b>	<b>3,791,075</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 22,919,905</b>	<b>\$ 22,656,658</b>

See Condensed Notes to Consolidated Financial Statements.

**Home BancShares, Inc.**  
**Consolidated Statements of Income**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(In thousands, except per share data)	2024	2023	2024	2023
	(Unaudited)			
Interest income:				
Loans	\$ 274,324	\$ 243,152	\$ 539,618	\$ 480,149
Investment securities				
Taxable	32,587	34,751	65,816	70,039
Tax-exempt	7,769	7,932	15,572	15,895
Deposits – other banks	12,564	3,729	23,092	8,414
Federal funds sold	59	68	120	74
Total interest income	327,303	289,632	644,218	574,571
Interest expense:				
Interest on deposits	95,741	70,147	188,289	129,309
Federal funds purchased	—	2	—	2
FHLB and other borrowed funds	14,255	6,596	28,531	12,786
Securities sold under agreements to repurchase	1,363	1,121	2,767	1,989
Subordinated debentures	4,122	4,123	8,219	8,247
Total interest expense	115,481	81,989	227,806	152,333
Net interest income	211,822	207,643	416,412	422,238
Provision for credit losses on loans	8,000	2,300	13,500	3,500
Recovery of credit losses on unfunded commitments	—	—	(1,000)	—
Provision for credit losses on investment securities	—	1,683	—	1,683
Total credit loss expense	8,000	3,983	12,500	5,183
Net interest income after credit loss expense	203,822	203,660	403,912	417,055
Non-interest income:				
Service charges on deposit accounts	9,714	9,231	19,400	19,073
Other service charges and fees	10,679	11,763	20,868	23,638
Trust fees	4,722	4,052	9,788	8,916
Mortgage lending income	4,276	2,650	7,834	5,221
Insurance commissions	565	518	1,073	1,044
Increase in cash value of life insurance	1,279	1,211	2,474	2,315
Dividends from FHLB, FRB, FNBB & other	2,998	2,922	6,005	5,716
Gain on sale of SBA loans	56	—	254	139
Gain on sale of branches, equipment and other assets, net	2,052	917	2,044	924
Gain on OREO, net	49	319	66	319
Fair value adjustment for marketable securities	(274)	783	729	(10,625)
Other income	6,658	15,143	14,038	26,993
Total non-interest income	42,774	49,509	84,573	83,673
Non-interest expense:				
Salaries and employee benefits	60,427	64,534	121,337	129,024
Occupancy and equipment	14,408	14,923	28,959	29,875
Data processing expense	8,935	9,151	18,082	18,119
Other operating expenses	29,415	27,674	56,303	53,908
Total non-interest expense	113,185	116,282	224,681	230,926
Income before income taxes	133,411	136,887	263,804	269,802
Income tax expense	31,881	31,616	62,165	61,569
Net income	\$ 101,530	\$ 105,271	\$ 201,639	\$ 208,233
Basic earnings per share	\$ 0.51	\$ 0.52	\$ 1.00	\$ 1.03
Diluted earnings per share	\$ 0.51	\$ 0.52	\$ 1.00	\$ 1.02



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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)			
Net income	\$ 101,530	\$ 105,271	\$ 201,639	\$ 208,233
Net unrealized gain (loss) on available-for-sale securities	15,394	(48,042)	(14,241)	16,926
Other comprehensive income (loss) before tax effect	15,394	(48,042)	(14,241)	16,926
Tax effect on other comprehensive income (loss)	(5,768)	11,665	1,517	(4,146)
Other comprehensive income (loss)	9,626	(36,377)	(12,724)	12,780
Comprehensive income	<u>\$ 111,156</u>	<u>\$ 68,894</u>	<u>\$ 188,915</u>	<u>\$ 221,013</u>

See Condensed Notes to Consolidated Financial Statements.



**Home BancShares, Inc.**  
**Consolidated Statements of Stockholders' Equity**

Three and Six Months Ended June 30, 2024

(In thousands, except share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
<b>Balances at January 1, 2024</b>	\$ 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)
<b>Balances at March 31, 2024 (unaudited)</b>	<u>\$ 2,008</u>	<u>\$ 2,326,824</u>	<u>\$ 1,753,994</u>	<u>\$ (271,425)</u>	<u>\$ 3,811,401</u>
Comprehensive income:					
Net income	—	—	101,530	—	101,530
Other comprehensive income	—	—	—	9,626	9,626
Net issuance of 149,507 shares of common stock from exercise of stock options	1	(2)	—	—	(1)
Repurchase of 1,400,094 shares of common stock	(14)	(32,590)	—	—	(32,604)
Share-based compensation net issuance of 200,000 shares of restricted common stock	2	1,946	—	—	1,948
Excise tax from repurchase of common stock	—	(285)	—	—	(285)
Cash dividends – Common Stock, \$0.18 per share	—	—	(36,112)	—	(36,112)
<b>Balances at June 30, 2024 (unaudited)</b>	<u>\$ 1,997</u>	<u>\$ 2,295,893</u>	<u>\$ 1,819,412</u>	<u>\$ (261,799)</u>	<u>\$ 3,855,503</u>

See Condensed Notes to Consolidated Financial Statements.

**Home BancShares, Inc.**  
**Consolidated Statements of Stockholders' Equity**

For the Three and Six Months Ended June 30, 2023

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
(In thousands, except share data)					
<b>Balances at January 1, 2023</b>	\$ 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)
<b>Balances at March 31, 2023 (unaudited)</b>	<u>\$ 2,032</u>	<u>\$ 2,375,754</u>	<u>\$ 1,509,400</u>	<u>\$ (256,301)</u>	<u>\$ 3,630,885</u>
Comprehensive income:					
Net Income	—	—	105,271	—	105,271
Other comprehensive loss	—	—	—	(36,377)	(36,377)
Net issuance of 15,575 shares of common stock from exercise of stock options	—	275	—	—	275
Repurchase of 560,849 shares of common stock	(5)	(11,804)	—	—	(11,809)
Share-based compensation net issuance of 50,000 shares of restricted common stock	(1)	2,335	—	—	2,334
Cash dividends – Common Stock, \$0.180 per share	—	—	(36,495)	—	(36,495)
<b>Balances at June 30, 2023 (unaudited)</b>	<u>\$ 2,026</u>	<u>\$ 2,366,560</u>	<u>\$ 1,578,176</u>	<u>\$ (292,678)</u>	<u>\$ 3,654,084</u>

See Condensed Notes to Consolidated Financial Statements.

**Home BancShares, Inc.**  
**Consolidated Statements of Cash Flows**

	Six Months Ended June 30,	
(In thousands)	2024	2023
	(Unaudited)	
Operating Activities		
Net income	\$ 201,639	\$ 208,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	14,714	14,776
(Increase) decrease in value of equity securities	(729)	10,625
Amortization of securities, net	7,572	8,219
Accretion of purchased loans	(4,645)	(5,832)
Share-based compensation	4,223	4,841
Gain on assets	(2,364)	(1,382)
Provision for credit losses - loans	13,500	3,500
Recovery of credit losses - unfunded commitments	(1,000)	—
Provision for credit losses - investment securities	—	1,683
Deferred income tax effect	3,640	(1,255)
Increase in cash value of life insurance	(2,474)	(2,315)
Originations of mortgage loans held for sale	(289,488)	(212,931)
Proceeds from sales of mortgage loans held for sale	302,018	166,921
Changes in assets and liabilities:		
Accrued interest receivable	(2,018)	2,133
Other assets	(24,022)	(8,709)
Accrued interest payable and other liabilities	36,358	(23,451)
Net cash provided by operating activities	256,924	165,056
Investing Activities		
Net decrease (increase) in federal funds sold	5,100	(1,550)
Net (increase) decrease in loans	(385,557)	270,329
Purchases of investment securities – available-for-sale	(5,100)	(3,933)
Proceeds from maturities of investment securities – available-for-sale	146,479	407,431
Proceeds from maturities of investment securities – held-to-maturity	3,239	2,658
Proceeds from sales of equity securities	—	1,522
Purchase of other investments	(1,858)	(134)
Proceeds from foreclosed assets held for sale	938	477
Proceeds from sale of SBA loans	3,586	2,337
Purchases of premises and equipment	(11,902)	(9,511)
Proceeds from sales of premises and equipment	12,829	8,081
(Purchase of) return of investment on cash value of life insurance, net	(1,218)	2,909
Net cash (used in) provided by investing activities	(233,464)	680,616
Financing Activities		
Net increase (decrease) in deposits	168,092	(941,892)
Net (decrease) increase in securities sold under agreements to repurchase	(4,089)	29,203
Decrease in FHLB and other borrowed funds	(1,400,250)	—
Increase in FHLB and other borrowed funds	1,400,000	51,550
Proceeds from exercise of stock options, net	670	361
Repurchase of common stock	(57,041)	(25,349)
Dividends paid on common stock	(72,339)	(73,144)
Net cash provided by (used in) financing activities	35,043	(959,271)
Net change in cash and cash equivalents	58,503	(113,599)
Cash and cash equivalents – beginning of year	1,000,213	724,790
Cash and cash equivalents – end of period	\$ 1,058,716	\$ 611,191

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 provides 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, FHFA housing price index 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 and curtailments 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(In thousands)				
Net income	\$ 101,530	\$ 105,271	\$ 201,639	\$ 208,233
Average shares outstanding	200,319	202,793	200,765	203,122
Effect of common stock options	146	130	144	152
Average diluted shares outstanding	200,465	202,923	200,909	203,274
Basic earnings per share	\$ 0.51	\$ 0.52	\$ 1.00	\$ 1.03
Diluted earnings per share	\$ 0.51	\$ 0.52	\$ 1.00	\$ 1.02

The impact of anti-dilutive shares to the diluted earnings per share calculation was considered immaterial for the periods ended June 30, 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:

	June 30, 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	\$ 334,736	\$ —	\$ 334,736	\$ 1,626	\$ (16,869)	\$ 319,493
U.S. government-sponsored mortgage-backed securities	1,621,192	—	1,621,192	547	(201,264)	1,420,475
Private mortgage-backed securities	188,551	—	188,551	—	(15,418)	173,133
Non-government-sponsored asset backed securities	358,968	—	358,968	700	(5,869)	353,799
State and political subdivisions	972,688	—	972,688	583	(83,006)	890,265
Other securities	215,733	(2,525)	213,208	466	(26,300)	187,374
Total	\$ 3,691,868	\$ (2,525)	\$ 3,689,343	\$ 3,922	\$ (348,726)	\$ 3,344,539



June 30, 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	\$ 43,421	\$ —	\$ 43,421	\$ —	\$ (3,146)	\$ 40,275
U.S. government-sponsored mortgage-backed securities	127,464	—	127,464	47	(6,084)	121,427
State and political subdivisions	1,109,973	(2,005)	1,107,968	80	(110,590)	997,458
Total	<u>\$ 1,280,858</u>	<u>\$ (2,005)</u>	<u>\$ 1,278,853</u>	<u>\$ 127</u>	<u>\$ (119,820)</u>	<u>\$ 1,159,160</u>
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	<u>\$ 3,840,927</u>	<u>\$ (2,525)</u>	<u>\$ 3,838,402</u>	<u>\$ 5,718</u>	<u>\$ (336,279)</u>	<u>\$ 3,507,841</u>
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	<u>\$ 1,283,987</u>	<u>\$ (2,005)</u>	<u>\$ 1,281,982</u>	<u>\$ 562</u>	<u>\$ (112,063)</u>	<u>\$ 1,170,481</u>

Assets, principally investment securities, having a carrying value of approximately \$ 3.03 billion and \$3.57 billion at June 30, 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 \$138.0 million and \$142.1 million at June 30, 2024 and December 31, 2023, respectively.

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The amortized cost and estimated fair value of securities classified as available-for-sale and held-to-maturity at June 30, 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	\$ 21,983	\$ 21,854	\$ —	\$ —
Due after one year through five years	242,321	226,640	32,900	30,933
Due after five years through ten years	406,876	364,876	319,351	289,436
Due after ten years	851,977	783,762	801,143	717,364
U.S. government-sponsored mortgage-backed securities	1,621,192	1,420,475	127,464	121,427
Private mortgage-backed securities	188,551	173,133	—	—
Non-government-sponsored asset backed securities	358,968	353,799	—	—
Total	<u>\$ 3,691,868</u>	<u>\$ 3,344,539</u>	<u>\$ 1,280,858</u>	<u>\$ 1,159,160</u>

During the three and six months ended June 30, 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 June 30, 2024 and December 31, 2023.

	June 30, 2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
<b>Available-for-sale:</b>						
U.S. government-sponsored enterprises	\$ 15,810	\$ (253)	\$ 173,941	\$ (16,616)	\$ 189,751	\$ (16,869)
U.S. government-sponsored mortgage-backed securities	4,890	(159)	1,363,467	(201,105)	1,368,357	(201,264)
Private mortgage-backed securities	—	—	173,133	(15,418)	173,133	(15,418)
Non-government-sponsored asset backed securities	—	—	145,821	(5,869)	145,821	(5,869)
State and political subdivisions	43,265	(1,163)	776,764	(81,843)	820,029	(83,006)
Other securities	6,733	(1,309)	167,350	(24,991)	174,083	(26,300)
Total	<u>\$ 70,698</u>	<u>\$ (2,884)</u>	<u>\$ 2,800,476</u>	<u>\$ (345,842)</u>	<u>\$ 2,871,174</u>	<u>\$ (348,726)</u>
<b>Held-to-maturity:</b>						
U.S. government-sponsored enterprises	\$ —	\$ —	\$ 40,275	\$ (3,146)	\$ 40,275	\$ (3,146)
U.S. government-sponsored mortgage-backed securities	6,202	(188)	10,954	(5,896)	17,156	(6,084)
State and political subdivisions	30,525	(799)	963,658	(109,791)	994,183	(110,590)
Total	<u>\$ 36,727</u>	<u>\$ (987)</u>	<u>\$ 1,014,887</u>	<u>\$ (118,833)</u>	<u>\$ 1,051,614</u>	<u>\$ (119,820)</u>

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)						
<b>Available-for-sale:</b>						
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	<u>\$ 143,467</u>	<u>\$ (2,794)</u>	<u>\$ 2,887,122</u>	<u>\$ (333,485)</u>	<u>\$ 3,030,589</u>	<u>\$ (336,279)</u>
<b>Held-to-maturity:</b>						
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	<u>\$ 69,991</u>	<u>\$ (1,158)</u>	<u>\$ 1,062,828</u>	<u>\$ (110,905)</u>	<u>\$ 1,132,819</u>	<u>\$ (112,063)</u>

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 period ended June 30, 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

	June 30, 2024	December 31, 2023
<b>Allowance for credit losses:</b>	<b>(In thousands)</b>	
Beginning balance	\$ 2,525	\$ 842
Provision for credit loss	—	1,683
Balance, June 30	\$ 2,525	\$ 2,525
Provision for credit loss	—	—
Balance, December 31, 2023		\$ 2,525

#### Held-to-Maturity Investment Securities

	June 30, 2024	December 31, 2023
<b>Allowance for credit losses:</b>	<b>(In thousands)</b>	
Beginning balance	\$ 2,005	\$ 2,005
Provision for credit loss	—	—
Balance, June 30	\$ 2,005	\$ 2,005
Provision for credit loss	—	—
Balance, December 31, 2023		\$ 2,005

For the six months ended June 30, 2024, the Company had available-for-sale investment securities with approximately \$ 348.7 million in unrealized losses, of which \$345.8 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, 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 29.6% 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 June 30, 2024, the Company's available-for-sale securities portfolio consisted of 1,559 investment securities, 1,317 of which were in an unrealized loss position. As noted in the table above, the total amount of the unrealized loss was \$348.7 million. The U.S. government-sponsored enterprises portfolio contained unrealized losses of \$16.9 million on 56 securities. The U.S. government-sponsored mortgage-backed securities portfolio contained \$201.3 million of unrealized losses on 656 securities, and the private mortgage-backed securities portfolio contained \$ 15.4 million of unrealized losses on 32 securities. The non-government-sponsored asset backed securities portfolio contained \$ 5.9 million of unrealized losses on 27 securities. The state and political subdivisions portfolio contained \$83.0 million of unrealized losses on 483 securities. In addition, the other securities portfolio contained \$26.3 million of unrealized losses on 63 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 June 30, 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 June 30, 2024, the Company's held-to-maturity securities portfolio consisted of 508 investment securities, 501 of which were in an unrealized loss position. As noted in the table above, the total amount of the unrealized loss was \$119.8 million. The U.S. government-sponsored enterprises portfolio contained unrealized losses of \$3.1 million on 5 securities. The U.S. government-sponsored mortgage-backed securities portfolio contained unrealized losses of \$6.1 million on 19 securities. The state and political subdivisions portfolio contained \$110.6 million of unrealized losses on 477 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 June 30, 2024.

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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 June 30, 2024:

	State and political subdivisions	U.S. government- sponsored enterprises	U.S. government- sponsored mortgage- backed securities	Total
(In thousands)				
Aaa/AAA	\$ 234,801	\$ 43,421	\$ —	\$ 278,222
Aa/AA	850,072	—	—	850,072
A	23,191	—	—	23,191
Not rated	1,909	—	—	1,909
Agency Backed	—	—	127,464	127,464
Total	<u>\$ 1,109,973</u>	<u>\$ 43,421</u>	<u>\$ 127,464</u>	<u>\$ 1,280,858</u>

Income earned on securities for the three months ended June 30, 2024 and 2023, is as follows:

	Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
(In thousands)				
Taxable				
Available-for-sale	\$ 25,127	\$ 27,254	\$ 50,889	\$ 55,052
Held-to-maturity	7,460	7,497	14,927	14,987
Non-taxable				
Available-for-sale	4,664	4,798	9,359	9,623
Held-to-maturity	3,105	3,134	6,213	6,272
Total	<u>\$ 40,356</u>	<u>\$ 42,683</u>	<u>\$ 81,388</u>	<u>\$ 85,934</u>

#### 4. Loans Receivable

The various categories of loans receivable are summarized as follows:

	June 30, 2024	December 31, 2023
(In thousands)		
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	\$ 5,599,925	\$ 5,549,954
Construction/land development	2,511,817	2,293,047
Agricultural	345,461	325,156
Residential real estate loans		
Residential 1-4 family	1,910,143	1,844,260
Multifamily residential	509,091	435,736
Total real estate	10,876,437	10,448,153
Consumer	1,189,386	1,153,690
Commercial and industrial	2,242,072	2,324,991
Agricultural	314,600	307,327
Other	158,962	190,567
Total loans receivable	14,781,457	14,424,728
Allowance for credit losses	(295,856)	(288,234)
Loans receivable, net	<u>\$ 14,485,601</u>	<u>\$ 14,136,494</u>

During the three months ended June 30, 2024, the Company sold \$ 576,469 of the guaranteed portions of certain SBA loans, which resulted in a gain of approximately \$56,000. During the six months ended June 30, 2024, the Company sold \$ 3.3 million of the guaranteed portions of certain SBA loans, which resulted in a gain of approximately \$254,000. During the three months ended June 30, 2023, the Company did not sell any guaranteed portions of certain SBA loans. During the six months ended June 30, 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 \$ 89.3 million and \$123.4 million at June 30, 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 June 30, 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 \$85.2 million and \$130.7 million in PCD loans, as of June 30, 2024 and December 31, 2023, respectively. The balance, as of June 30, 2024, results entirely from the acquisition of Happy.

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.

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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. Based on this analysis, management determined that changes to several of the economic factors for the loss driver segments, along with other model improvements and updates, were necessary, and updated models were implemented for the June 30, 2024 allowance for credit losses calculation. The identified loss drivers by segment are included below as of both June 30, 2024 and December 31, 2023.

#### June 30, 2024

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 (%)
Farmland & Agriculture	1b, 3	National Unemployment (%)
Residential 1-4 Family	1c1, 1c2a, 1c2b	National Unemployment (%) & Housing Price Index
Multifamily	1d	Rental Vacancy Rate (%) & Housing Price Index (%)
Non-Farm/ Non-Residential CRE	1e1, 1e2	National Unemployment (%) & Gross Domestic Product (%)
Commercial & Industrial, Non-Depository Financial Institutions, Purchase/Carry Securities, Leases, Other	4a, 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 (%)
Obligations of States and Political Subdivisions	8	National Unemployment (%) & Gross Domestic Product (%)

#### 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 and six months ended June 30, 2024, the Company recorded \$ 8.0 million and \$13.5 million in provision for credit losses on loans, respectively. In addition, during the six months ended June 30, 2024, the Company recovered \$1.0 million in provision for unfunded commitments. During the three and six months ended June 30, 2023, the Company recorded \$2.3 million and \$3.5 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 and six months ended June 30, 2024:

Three Months Ended June 30, 2024							
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Total	
(In thousands)							
Allowance for credit losses:							
Beginning balance	\$ 35,921	\$ 79,128	\$ 56,903	\$ 91,008	\$ 27,334	\$	290,294
Loans charged off	(80)	(62)	(59)	(2,013)	(884)		(3,098)
Recoveries of loans previously charged off	82	5	76	259	238		660
Net loans recovered (charged off)	2	(57)	17	(1,754)	(646)		(2,438)
Provision for credit losses	22,750	7,771	(5,566)	(19,619)	2,664		8,000
Balance, June 30	\$ 58,673	\$ 86,842	\$ 51,354	\$ 69,635	\$ 29,352	\$	295,856
Six Months Ended June 30, 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	(81)	(1,164)	(218)	(3,759)	(1,854)		(7,076)
Recoveries of loans previously charged off	89	25	95	360	629		1,198
Net loans recovered (charged off)	8	(1,139)	(123)	(3,399)	(1,225)		(5,878)
Provision for credit losses	24,788	9,346	(4,383)	(19,776)	3,525		13,500
Balance, June 30	\$ 58,673	\$ 86,842	\$ 51,354	\$ 69,635	\$ 29,352	\$	295,856

During the second quarter of 2024, the Company implemented updated allowance for credit loss models as part of the annual model review and challenge process. In light of the current commercial real estate ("CRE") environment, the allowance calculation called for a higher level of reserves for the CRE portfolio and a corresponding reduction in reserves for the commercial and industrial portfolio.

The following table presents the activity in the allowance for credit losses for the three and six months ended June 30, 2023 and the year ended December 31, 2023:

	Three Months Ended June 30, 2023						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Total	
	(In thousands)						
Allowance for credit losses:							
Beginning balance	\$ 31,172	\$ 86,978	\$ 51,433	\$ 92,396	\$ 25,190	\$ 287,169	
Loans charged off	—	—	(30)	(3,826)	(870)	(4,726)	
Recoveries of loans previously charged off	63	473	13	147	244	940	
Net loans recovered (charged off)	63	473	(17)	(3,679)	(626)	(3,786)	
Provision for credit losses	1,040	(2,293)	316	1,757	1,480	2,300	
Balance, June 30	\$ 32,275	\$ 85,158	\$ 51,732	\$ 90,474	\$ 26,044	\$ 285,683	

**Six Months Ended June 30, 2023 and Year Ended December 31, 2023**

	<b>Construction/ Land Development</b>	<b>Other Commercial Real Estate</b>	<b>Residential Real Estate</b>	<b>Commercial &amp; Industrial</b>	<b>Consumer &amp; Other</b>	<b>Total</b>
<b>(In thousands)</b>						
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 32,243	\$ 93,848	\$ 50,963	\$ 89,354	\$ 23,261	\$ 289,669
Loans charged off	(25)	(73)	(89)	(6,832)	(1,995)	(9,014)
Recoveries of loans previously charged off	70	492	139	256	571	1,528
Net loans (charged off) recovered	45	419	50	(6,576)	(1,424)	(7,486)
Provision for credit loss - loans	(13)	(9,109)	719	7,696	4,207	3,500
Balance, June 30	32,275	85,158	51,732	90,474	26,044	285,683
Loans charged off	(238)	(2,262)	(180)	(2,325)	(2,036)	(7,041)
Recoveries of loans previously charged off	43	41	190	327	541	1,142
Net loans (charged off) recovered	(195)	(2,221)	10	(1,998)	(1,495)	(5,899)
Provision for credit loss - loans	1,797	(4,302)	4,118	4,334	2,503	8,450
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 June 30, 2024 and December 31, 2023:

	<b>June 30, 2024</b>		
	<b>Nonaccrual</b>	<b>Nonaccrual with Reserve</b>	<b>Loans Past Due Over 90 Days Still Accruing</b>
<b>(In thousands)</b>			
<b>Real estate:</b>			
Commercial real estate loans			
Non-farm/non-residential	\$ 35,621	\$ —	\$ 4,387
Construction/land development	5,516	—	603
Agricultural	612	—	—
Residential real estate loans			
Residential 1-4 family	23,051	—	716
Total real estate	64,800	—	5,706
Consumer	3,908	—	10
Commercial and industrial	9,226	2,252	2,463
Agricultural & other	156	—	72
Total	\$ 78,090	\$ 2,252	\$ 8,251

	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 \$78.1 million and \$60.0 million in nonaccrual loans for the periods ended June 30, 2024 and December 31, 2023, respectively. In addition, the Company had \$8.3 million and \$4.1 million in loans past due 90 days or more and still accruing for the periods ended June 30, 2024 and December 31, 2023, respectively.

The Company had \$2.3 million and \$2.5 million in nonaccrual loans with a specific reserve as of June 30, 2024 and December 31, 2023, respectively. Interest income recognized on the non-accrual loans for the periods ended June 30, 2024 and June 30, 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 June 30, 2024 and December 31, 2023:

	June 30, 2024		
	Commercial Real Estate	Residential Real Estate	Other
	(In thousands)		
Real estate:			
Commercial real estate loans			
Non-farm/non-residential	\$ 45,660	\$ —	\$ —
Construction/land development	6,119	—	—
Agricultural	612	—	—
Residential real estate loans			
Residential 1-4 family	—	25,149	—
Multifamily residential	—	—	—
Total real estate	52,391	25,149	—
Consumer	—	—	3,928
Commercial and industrial	—	—	13,969
Agricultural & other	—	—	228
Total	\$ 52,391	\$ 25,149	\$ 18,125

	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 \$95.7 million and \$94.9 million in impaired loans for the periods ended June 30, 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.

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The following is an aging analysis for loans receivable as of June 30, 2024 and December 31, 2023:

June 30, 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	\$ 3,136	\$ 1,268	\$ 40,008	\$ 44,412	\$ 5,555,513	\$ 5,599,925	\$ 4,387	
Construction/land development	237	499	6,119	6,855	2,504,962	2,511,817	603	
Agricultural	352	—	612	964	344,497	345,461	—	
Residential real estate loans								
Residential 1-4 family	7,207	2,556	23,767	33,530	1,876,613	1,910,143	716	
Multifamily residential	20,893	150	—	21,043	488,048	509,091	—	
Total real estate	31,825	4,473	70,506	106,804	10,769,633	10,876,437	5,706	
Consumer	6,426	1,370	3,918	11,714	1,177,672	1,189,386	10	
Commercial and industrial	3,622	413	11,689	15,724	2,226,348	2,242,072	2,463	
Agricultural & other	1,331	33	228	1,592	471,970	473,562	72	
Total	\$ 43,204	\$ 6,289	\$ 86,341	\$ 135,834	\$ 14,645,623	\$ 14,781,457	\$ 8,251	
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 June 30, 2024 and December 31, 2023 were \$ 78.1 million and \$60.0 million, respectively.

Interest recognized on impaired loans during the three and six months ended June 30, 2024 was approximately \$ 368,000 and \$737,000, respectively. Interest recognized on impaired loans during the three and six months ended June 30, 2023 was approximately \$1.5 million and \$3.0 million, respectively. 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 June 30, 2024 and December 31, 2023 is as follows:

June 30, 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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 337	\$ 100	\$ 437
Risk rating 2	—	—	—	—	—	107	—	107
Risk rating 3	159,400	333,618	586,086	571,400	234,210	1,062,803	251,992	3,199,509
Risk rating 4	86,980	162,414	407,638	266,750	149,629	706,573	343,145	2,123,129
Risk rating 5	—	—	—	10,006	—	23,751	320	34,077
Risk rating 6	—	—	8,167	1,330	24,000	209,074	95	242,666
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total non-farm/non-residential	246,380	496,032	1,001,891	849,486	407,839	2,002,645	595,652	5,599,925
Construction/land development								
Risk rating 1	\$ —	\$ —	\$ —	\$ 10	\$ —	\$ —	\$ —	\$ 10
Risk rating 2	—	137	—	—	—	172	—	309
Risk rating 3	248,129	376,645	440,356	97,052	48,293	69,645	55,009	1,335,129
Risk rating 4	67,335	182,148	502,703	178,296	11,237	23,070	204,026	1,168,815
Risk rating 5	—	629	—	—	—	—	—	629
Risk rating 6	—	74	2,624	1,340	896	976	943	6,853
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	72	—	—	—	72
Total construction/land development	315,464	559,633	945,683	276,770	60,426	93,863	259,978	2,511,817
Agricultural								
Risk rating 1	\$ 700	\$ —	\$ 1,514	\$ —	\$ —	\$ —	\$ —	\$ 2,214
Risk rating 2	280	—	—	1,881	—	—	—	2,161
Risk rating 3	25,657	244	41,696	19,434	23,432	47,780	26,501	184,744
Risk rating 4	10,015	35,580	22,759	17,951	13,272	38,084	4,640	142,301
Risk rating 5	—	9,364	—	—	—	571	—	9,935
Risk rating 6	—	—	—	1,621	1,084	1,401	—	4,106
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	—	—	—
Total agricultural	36,652	45,188	65,969	40,887	37,788	87,836	31,141	345,461
Total commercial real estate loans	\$ 598,496	\$ 1,100,853	\$ 2,013,543	\$ 1,167,143	\$ 506,053	\$ 2,184,344	\$ 886,771	\$ 8,457,203
Residential real estate loans								
Residential 1-4 family								
Risk rating 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 94	\$ 2	\$ 96
Risk rating 2	—	243	—	—	—	12	6	261
Risk rating 3	121,211	223,643	379,047	238,461	137,141	379,860	122,666	1,602,029
Risk rating 4	6,082	19,129	43,260	26,204	20,053	74,332	80,322	269,382
Risk rating 5	—	1,018	999	148	534	1,057	778	4,534
Risk rating 6	—	1,456	7,359	3,561	4,390	16,302	771	33,839
Risk rating 7	—	—	—	—	—	—	—	—
Risk rating 8	—	—	—	—	—	2	—	2
Total residential 1-4 family	127,293	245,489	430,665	268,374	162,118	471,659	204,545	1,910,143





June 30, 2024										
Term Loans Amortized Cost Basis by Origination Year								Revolving Loans Amortized Cost Basis	Total	
2024	2023	2022	2021	2020	Prior					
(In thousands)										
Multifamily residential										
Risk rating 1	\$	—	\$	—	\$	—	\$	—	\$	—
Risk rating 2		—		—		—		—		—
Risk rating 3		56,867		3,289		20,471		37,276		42,392
Risk rating 4		—		693		127,076		37,964		59,143
Risk rating 5		—		—		—		—		—
Risk rating 6		—		—		150		—		—
Risk rating 7		—		—		—		—		—
Risk rating 8		—		—		—		—		—
Total multifamily residential		56,867		3,982		147,697		75,240		101,535
Total real estate	\$	782,656	\$	1,350,324	\$	2,591,905	\$	1,510,757	\$	769,706
Consumer										
Risk rating 1	\$	3,316	\$	3,156	\$	2,208	\$	1,597	\$	711
Risk rating 2		—		—		—		—		160
Risk rating 3		135,047		216,100		228,339		191,597		97,199
Risk rating 4		2,241		7,435		7,726		836		32
Risk rating 5		—		5,058		5		222		158
Risk rating 6		8		270		1,470		374		693
Risk rating 7		—		11		—		—		—
Risk rating 8		—		—		—		6		—
Total consumer		140,612		232,030		239,748		194,632		98,793
Commercial and industrial										
Risk rating 1	\$	2,809	\$	1,653	\$	825	\$	723	\$	225
Risk rating 2		50		146		1,148		197		7
Risk rating 3		51,250		529,271		247,437		67,550		55,698
Risk rating 4		59,084		32,995		32,387		43,482		19,359
Risk rating 5		—		73		229		15,677		3,394
Risk rating 6		23		12,313		71,800		5,582		568
Risk rating 7		—		—		—		—		1
Risk rating 8		—		1		—		—		—
Total commercial and industrial		113,216		576,452		353,826		133,211		79,251
Agricultural and other										
Risk rating 1	\$	818	\$	397	\$	120	\$	16	\$	105
Risk rating 2		340		306		28		—		—
Risk rating 3		35,973		51,607		39,854		29,392		24,999
Risk rating 4		11,999		6,638		9,705		6,137		592
Risk rating 5		—		—		312		46		61
Risk rating 6		—		4		28		—		97
Risk rating 7		—		—		—		—		—
Risk rating 8		—		—		—		—		—
Total agricultural and other		49,130		58,952		50,047		35,591		25,854
Total	\$	1,085,614	\$	2,217,758	\$	3,235,526	\$	1,874,191	\$	973,604

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									
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

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	

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The following table presents gross write-offs by origination date as of June 30, 2024 and December 31, 2023.

June 30, 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	\$ —	\$ —	\$ —	\$ 780	\$ 1	\$ 383	\$ —	\$ 1,164
Construction/land development	—	—	—	48	1	32	—	81
Agricultural	—	—	—	—	—	—	—	—
Residential real estate loans								
Residential 1-4 family	—	1	101	—	26	90	—	218
Total real estate	—	1	101	828	28	505	—	1,463
Consumer	4	57	56	36	105	139	—	397
Commercial and industrial	—	557	71	258	5	102	2,766	3,759
Agricultural & other	1,386 *	71	—	—	—	—	—	1,457
Total	\$ 1,390	\$ 686	\$ 228	\$ 1,122	\$ 138	\$ 746	\$ 2,766	\$ 7,076

\*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 consist entirely of overdrafts.

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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 June 30, 2024 and December 31, 2023.

	June 30, 2024								
	Term Loans Amortized Cost Basis 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									
Performing	\$ 246,380	\$ 496,032	\$ 1,001,833	\$ 848,885	\$ 406,448	\$ 1,959,115	\$ 595,572	\$ 5,554,265	
Non-performing	—	—	58	601	1,391	43,530	80	45,660	
Total non-farm/non-residential	246,380	496,032	1,001,891	849,486	407,839	2,002,645	595,652	5,599,925	
Construction/land development									
Performing	\$ 315,464	\$ 559,633	\$ 943,476	\$ 275,358	\$ 59,649	\$ 93,082	\$ 259,036	\$ 2,505,698	
Non-performing	—	—	2,207	1,412	777	781	942	6,119	
Total construction/ land development	315,464	559,633	945,683	276,770	60,426	93,863	259,978	2,511,817	
Agricultural									
Performing	\$ 36,652	\$ 45,188	\$ 65,969	\$ 40,821	\$ 37,788	\$ 87,290	\$ 31,141	\$ 344,849	
Non-performing	—	—	—	66	—	546	—	612	
Total agricultural	36,652	45,188	65,969	40,887	37,788	87,836	31,141	345,461	
Total commercial real estate loans	\$ 598,496	\$ 1,100,853	\$ 2,013,543	\$ 1,167,143	\$ 506,053	\$ 2,184,344	\$ 886,771	\$ 8,457,203	
Residential real estate loans									
Residential 1-4 family									
Performing	\$ 127,293	\$ 244,414	\$ 426,495	\$ 264,868	\$ 158,533	\$ 459,240	\$ 204,151	\$ 1,884,994	
Non-performing	—	1,075	4,170	3,506	3,585	12,419	394	25,149	
Total residential 1-4 family	127,293	245,489	430,665	268,374	162,118	471,659	204,545	1,910,143	
Multifamily residential									
Performing	\$ 56,867	\$ 3,982	\$ 147,697	\$ 75,240	\$ 101,535	\$ 101,928	\$ 21,842	\$ 509,091	
Non-performing	—	—	—	—	—	—	—	—	
Total multifamily residential	56,867	3,982	147,697	75,240	101,535	101,928	21,842	509,091	
Total real estate	\$ 782,656	\$ 1,350,324	\$ 2,591,905	\$ 1,510,757	\$ 769,706	\$ 2,757,931	\$ 1,113,158	\$ 10,876,437	
Consumer									
Performing	\$ 140,604	\$ 231,803	\$ 239,118	\$ 194,331	\$ 98,132	\$ 278,684	\$ 2,786	\$ 1,185,458	
Non-performing	8	227	630	301	661	2,081	20	3,928	
Total consumer	140,612	232,030	239,748	194,632	98,793	280,765	2,806	1,189,386	
Commercial and industrial									
Performing	\$ 113,216	\$ 573,528	\$ 350,689	\$ 132,118	\$ 78,770	\$ 316,636	\$ 663,146	\$ 2,228,103	
Non-performing	—	2,924	3,137	1,093	481	5,184	1,150	13,969	
Total commercial and industrial	113,216	576,452	353,826	133,211	79,251	321,820	664,296	2,242,072	
Agricultural and other									
Performing	\$ 49,130	\$ 58,948	\$ 50,019	\$ 35,545	\$ 25,854	\$ 55,739	\$ 198,099	\$ 473,334	
Non-performing	—	4	28	46	—	29	121	228	
Total agricultural and other	49,130	58,952	50,047	35,591	25,854	55,768	198,220	473,562	
Total	\$ 1,085,614	\$ 2,217,758	\$ 3,235,526	\$ 1,874,191	\$ 973,604	\$ 3,416,284	\$ 1,978,480	\$ 14,781,457	



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 \$27.3 million or 114 total revolving loans convert to term loans for the six months ended June 30, 2024 compared to \$21.8 million or 120 total revolving loans convert to term loans for the six months ended June 30, 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 June 30, 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.

June 30, 2024											
	<div>Combination of Modifications</div>										
	Term Extension	Interest Rate Reduction	Principal Reduction	Interest Only	Interest Rate	Principal	Term	Term	Post-	Percentage of	
					Reduction	Reduction and	Extension	Extension	Modification	Total Class of	
					and Term Extension	Interest Rate Reduction	and Interest Only	and Principal Reduction	Outstanding Balance	Loans Receivable	
(In thousands)											
Real estate:											
Commercial real estate loans											
Non-farm/non-residential	\$ 391	\$ —	\$ —	\$ 1,363	\$ 344	\$ —	\$ 16,023	\$ —	\$ 18,121	0.32	%
Construction/land development	—	—	—	117	—	—	—	—	117	—	
Residential real estate loans											
Residential 1-4 family	940	975	104	23	627	—	—	118	2,787	0.15	
Total real estate	1,331	975	104	1,503	971	—	16,023	118	21,025	0.19	
Consumer	6	11	—	10	—	3	—	—	30	—	
Commercial and industrial	2,282	—	—	1,042	74	—	—	—	3,398	0.15	
Total	\$ 3,619	\$ 986	\$ 104	\$ 2,555	\$ 1,045	\$ 3	\$ 16,023	\$ 118	\$ 24,453	0.17	%
December 31, 2023											
	<div>Combination of Modifications</div>										
	Term Extension	Interest Rate Reduction	Principal Reduction	Interest Only	Interest Rate	Principal	Term	Term	Post-	Percentage of	
					Reduction	Reduction and	Extension	Extension	Modification	Total Class of	
					and Term Extension	Interest Rate Reduction	and Interest Only	and Principal Reduction	Outstanding Balance	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 six months ended June 30, 2024, the Company restructured approximately \$ 1.0 million in loans to 8 borrowers. The ending balance of these loans as of June 30, 2024, was \$968,000. During the six months ended June 30, 2023, the Company restructured approximately \$ 18.4 million in loans to 13 borrowers. The ending balance of these loans as of June 30, 2023, was \$ 18.1 million. The Company considered the financial effect of these loan modifications to borrowers experiencing financial difficulty during the six months ended June 30, 2024 and June 30, 2023 as well as the unadvanced balances to these borrowers immaterial for tabular disclosure inclusion.



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The following table presents the amortized cost basis of loans that had a payment default during the six months ended June 30, 2024 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

	June 30, 2024			
	Term Extension	Interest Rate Reduction	Interest Only	Combination Interest Rate Reduction and Term Extension
	(Dollars in thousands)			
Real estate				
Commercial real estate loans				
Non-farm/non-residential	\$ —	\$ —	\$ —	\$ —
Residential real estate loans				
Residential 1-4 family	255	518	—	413
Total real estate	255	518	—	413
Consumer	6	11	—	—
Commercial and industrial	—	—	28	—
Total	\$ 261	\$ 529	\$ 28	\$ 413

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 16 loans over the past 12 months to borrowers experiencing financial difficulty. The pre-modification balance of the loans was \$2.1 million, and the ending balance as of June 30, 2024 was \$ 3.9 million. The \$3.9 million balance consists of \$1.2 million of non-accrual loans and \$ 2.7 million of current loans, of which \$ 77,000 were 30-59 days past due. The remaining balance of the loans was current as of June 30, 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 June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
(In thousands)		
Commercial real estate loans		
Non-farm/non-residential	\$ 29,824	\$ 29,894
Construction/land development	10,882	47
Residential real estate loans		
Residential 1-4 family	641	545
Total foreclosed assets held for sale	\$ 41,347	\$ 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 June 30, 2024 and December 31, 2023, were as follows:

	June 30, 2024	December 31, 2023
(In thousands)		
<b>Goodwill</b>		
Balance, beginning of period	\$ 1,398,253	\$ 1,398,253
Balance, end of period	\$ 1,398,253	\$ 1,398,253

	June 30, 2024	December 31, 2023
	(In thousands)	
<u>Core Deposit Intangibles</u>		
Balance, beginning of period	\$ 48,770	\$ 58,455
Amortization expense	(4,280)	(4,955)
Balance, June 30	<u>\$ 44,490</u>	53,500
Amortization expense		(4,730)
Balance, end of year		<u>\$ 48,770</u>

The carrying basis and accumulated amortization of core deposit intangibles at June 30, 2024 and December 31, 2023 were :

	June 30, 2024	December 31, 2023
	(In thousands)	
Gross carrying basis	\$ 128,888	\$ 128,888
Accumulated amortization	(84,398)	(80,118)
Net carrying amount	\$ 44,490	\$ 48,770

Core deposit intangible amortization expense was approximately \$ 2.1 million and \$ 2.5 million for the three months ended June 30, 2024 and 2023, respectively. Core deposit intangible amortization expense was approximately \$ 4.3 million and \$ 5.0 million for the six months ended June 30, 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 June 30, 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 June 30, 2024 and December 31, 2023, other assets were \$350.2 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 \$134.7 million and \$133.4 million at June 30, 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 \$92.3 million and \$90.3 million at June 30, 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 \$ 869.9 million and \$836.7 million at June 30, 2024 and December 31, 2023, respectively. The aggregate amount of time deposits with a minimum denomination of \$100,000 was \$1.13 billion and \$1.09 billion at June 30, 2024 and December 31, 2023, respectively. Interest expense applicable to certificates in excess of \$100,000 totaled \$12.2 million and \$5.2 million for the three months ended June 30, 2024 and 2023, respectively. Interest expense applicable to certificates in excess of \$100,000 totaled \$23.8 million and \$8.2 million for the six months ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and December 31, 2023, brokered deposits were \$407.3 million and \$401.0 million, respectively.

Deposits totaling approximately \$2.94 billion and \$3.05 billion at June 30, 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 June 30, 2024 and December 31, 2023, securities sold under agreements to repurchase totaled \$ 138.0 million and \$142.1 million, respectively. For the three-month periods ended June 30, 2024 and 2023, securities sold under agreements to repurchase daily weighted-average totaled \$159.9 million and \$144.0 million, respectively. For the six-month periods ended June 30, 2024 and 2023, securities sold under agreements to repurchase daily weighted-average totaled \$166.0 million and \$139.5 million, respectively.

The remaining contractual maturity of securities sold under agreements to repurchase in the consolidated balance sheets as of June 30, 2024 and December 31, 2023 is presented in the following table:

	June 30, 2024		December 31, 2023	
	Overnight and Continuous	Total	Overnight and Continuous	Total
(In thousands)				
Securities sold under agreements to repurchase:				
Mortgage-backed securities	\$ 12,421	\$ 12,421	\$ —	\$ —
Other securities	125,575	125,575	142,085	142,085
Total borrowings	<u>\$ 137,996</u>	<u>\$ 137,996</u>	<u>\$ 142,085</u>	<u>\$ 142,085</u>

## 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 June 30, 2024 and December 31, 2023. At June 30, 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 June 30, 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 June 30, 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 \$1.26 billion and \$1.33 billion at June 30, 2024 and December 31, 2023, respectively, in letters of credit under a FHLB blanket borrowing line of credit, which are used to collateralize public deposits.

## 11. Subordinated Debentures

Subordinated debentures at June 30, 2024 and December 31, 2023 consisted of the following components:

	As of June 30, 2024	As of December 31, 2023
	(In thousands)	
Subordinated debt securities		
Subordinated notes, net of issuance costs, issued in 2020, due 2030, fixed rate of 5.50% 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	\$ 141,428	\$ 142,084
Subordinated notes, net of issuance costs, issued in 2022, due 2032, fixed rate of 3.125% 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	298,114	297,750
Total	\$ 439,542	\$ 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 and six months ended June 30, 2024 and 2023:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
(In thousands)				
Current:				
Federal	\$ 24,769	\$ 27,458	\$ 48,626	\$ 52,197
State	5,042	5,590	9,899	10,627
Total current	29,811	33,048	58,525	62,824
Deferred:				
Federal	1,720	(1,190)	3,024	(1,043)
State	350	(242)	616	(212)
Total deferred	2,070	(1,432)	3,640	(1,255)
Income tax expense	\$ 31,881	\$ 31,616	\$ 62,165	\$ 61,569

The reconciliation between the statutory federal income tax rate and effective income tax rate is as follows for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Statutory federal income tax rate	21.00 %	21.00 %	21.00 %	21.00 %
Effect of non-taxable interest income	(1.24)	(0.70)	(0.84)	(0.74)
Stock compensation	0.78	0.18	0.56	0.28
State income taxes, net of federal benefit	2.47	2.70	2.64	2.60
Executive officer compensation & other	0.89	(0.08)	0.20	(0.32)
Effective income tax rate	23.90 %	23.10 %	23.56 %	22.82 %

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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:

	June 30, 2024	December 31, 2023
	(In thousands)	
Deferred tax assets:		
Allowance for credit losses	\$ 82,359	\$ 81,251
Deferred compensation	6,034	7,619
Stock compensation	5,258	6,803
Non-accrual interest income	1,627	1,463
Real estate owned	70	79
Unrealized loss on investment securities, available-for-sale	83,938	81,493
Loan discounts	4,117	5,119
Investments	23,925	25,789
Other	19,431	14,691
Gross deferred tax assets	226,759	224,307
Deferred tax liabilities:		
Accelerated depreciation on premises and equipment	288	1,477
Tax basis on acquisitions	5,814	4,061
Core deposit intangibles	10,073	11,021
FHLB dividends	2,677	2,351
Other	12,866	8,233
Gross deferred tax liabilities	31,718	27,143
Net deferred tax assets	\$ 195,041	\$ 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 six months ended June 30, 2024, the Company repurchased a total of 2,426,028 shares with a weighted-average stock price of \$23.31 per share. Shares repurchased under the program as of June 30, 2024 since its inception total 25,411,743 shares. The remaining balance available for repurchase is 14,340,257 shares at June 30, 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 June 30, 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 June 30, 2024, the Company had 2,734,345 shares of common stock available for future grants and 4,768,113 shares of common stock reserved for issuance pursuant to the Plan.

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The intrinsic value of the stock options outstanding was \$4.0 million, which includes the intrinsic value of vested stock options of \$ 3.6 million at June 30, 2024. The intrinsic value of stock options exercised during the six months ended June 30, 2024 was approximately \$4.9 million. Total unrecognized compensation cost related to non-vested stock option awards, which are expected to be recognized over the vesting periods, was approximately \$1.9 million as of June 30, 2024.

The table below summarizes the stock option transactions under the Plan at June 30, 2024 and December 31, 2023 and changes during the six-month period and year then ended:

	For the Six Months Ended June 30, 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	(29)	22.03	(10)	23.38
Exercised	(713)	17.71	(210)	14.01
Outstanding, end of period	2,034	22.07	2,776	20.95
Exercisable, end of period	1,494	21.68	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 six months ended June 30, 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 Six Months Ended June 30, 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 June 30, 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
\$16.00 to \$17.99	62	0.79	\$ 17.12	62	\$ 17.12
\$18.00 to \$19.99	336	1.41	18.50	336	18.50
\$20.00 to \$21.99	254	4.03	20.90	219	20.93
\$22.00 to \$23.99	1,291	4.15	23.22	806	23.18
\$24.00 to \$25.99	91	3.90	25.59	71	25.95
	2,034			1,494	

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The table below summarized the activity for the Company's restricted stock issued and outstanding at June 30, 2024 and December 31, 2023 and changes during the period and year then ended:

	As of June 30, 2024	As of December 31, 2023
	(In thousands)	
Beginning of year	1,429	1,381
Issued	458	261
Vested	(448)	(152)
Forfeited	(38)	(61)
End of period	1,401	1,429
Amount of expense for the six months and twelve months ended, respectively	\$ 3,708	\$ 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 \$17.8 million as of June 30, 2024.

#### 14. Non-Interest Expense

The table below shows the components of non-interest expense for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
Salaries and employee benefits	\$ 60,427	\$ 64,534	\$ 121,337	\$ 129,024
Occupancy and equipment	14,408	14,923	28,959	29,875
Data processing expense	8,935	9,151	18,082	18,119
Other operating expenses:				
Advertising	1,692	2,098	3,346	4,329
Amortization of intangibles	2,140	2,478	4,280	4,955
Electronic banking expense	3,412	3,675	6,568	7,005
Directors' fees	423	538	921	998
Due from bank service charges	282	286	558	559
FDIC and state assessment	5,494	3,220	8,812	6,720
Insurance	905	927	1,808	1,816
Legal and accounting	2,617	1,436	4,698	2,524
Other professional fees	2,108	2,774	4,344	5,058
Operating supplies	613	763	1,296	1,501
Postage	497	586	1,020	1,087
Telephone	444	573	914	1,101
Other expense	8,788	8,320	17,738	16,255
Total other operating expenses	29,415	27,674	56,303	53,908
Total non-interest expense	\$ 113,185	\$ 116,282	\$ 224,681	\$ 230,926



## 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 June 30, 2024, the balances of the ROU asset and lease liability were \$ 39.0 million and \$41.7 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 June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
2024	\$ 4,632	\$ 9,373
2025	8,611	8,549
2026	8,130	8,111
2027	7,227	7,223
2028	5,496	5,496
Thereafter	19,827	19,827
Total future minimum lease payments	\$ 53,923	\$ 58,579
Discount effect of cash flows	(12,263)	(13,551)
Present value of net future minimum lease payments	\$ 41,660	\$ 45,028

Additional information (dollar amounts in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Lease expense:</b>				
Operating lease expense	\$ 2,037	\$ 1,923	\$ 4,635	\$ 3,878
Short-term lease expense	—	—	—	—
Variable lease expense	296	260	592	520
Total lease expense	\$ 2,333	\$ 2,183	\$ 5,227	\$ 4,398
<b>Other information:</b>				
Cash paid for amounts included in the measurement of lease liabilities	\$ 2,120	\$ 1,987	\$ 4,830	\$ 4,010
Weighted-average remaining lease term (in years)	7.73	8.69	7.81	8.77
Weighted-average discount rate	3.43 %	3.39 %	3.42 %	3.44 %

The Company currently leases two properties from two related parties. Total rent expense from the leases was \$ 28,000, or 1.18% of total lease expense and \$62,000, or 1.19% of total lease expense, for the three and six months ended June 30, 2024, respectively.

## 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 June 30, 2024 and December 31, 2023, commercial real estate loans represented 57.2% and 56.7% of total loans receivable, respectively, and 219.4% and 215.5% of total stockholders' equity at June 30, 2024 and December 31, 2023, respectively. Residential real estate loans represented 16.4% and 15.8% of total loans receivable and 62.7% and 60.1% of total stockholders' equity at June 30, 2024 and December 31, 2023, respectively.

Approximately 79.6% of the Company's total loans and 83.8% of the Company's real estate loans as of June 30, 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 June 30, 2024 and December 31, 2023, commitments to extend credit of \$ 4.58 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 June 30, 2024 and December 31, 2023, was \$152.2 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 six months ended June 30, 2024, the Company requested approximately \$151.4 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 June 30, 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 June 30, 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 14.38%, 12.35%, 14.38%, and 17.99%, respectively, as of June 30, 2024.

## 19. Additional Cash Flow Information

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

	June 30,	
	2024	2023
	(In thousands)	
Interest paid	\$ 211,371	\$ 147,892
Income taxes paid	51,205	71,925
Assets acquired by foreclosure	11,580	316

## 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:

<b>Level 1</b>	Quoted prices in active markets for identical assets or liabilities
<b>Level 2</b>	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
<b>Level 3</b>	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 \$8.6 million and \$10.5 million as of June 30, 2024 and December 31, 2023, respectively. This valuation is considered Level 3, consisting of appraisals of underlying collateral. The Company reversed \$172,000 and \$420,000 of accrued interest receivable when impaired loans were put on non-accrual status during the three months ended June 30, 2024 and 2023, respectively. The Company reversed \$486,000 and \$656,000 of accrued interest receivable when impaired loans were put on non-accrual status during the six months ended June 30, 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 June 30, 2024 and December 31, 2023, the fair value of foreclosed assets held for sale, less estimated costs to sell, was \$41.3 million and \$30.5 million, respectively.

No foreclosed assets held for sale were remeasured during the six months ended June 30, 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.

	June 30, 2024		
	Carrying		
	Amount	Fair Value	Level
	(In thousands)		
Financial assets:			
Cash and cash equivalents	\$ 1,058,716	\$ 1,058,716	1
Investment securities - available for sale	3,344,539	3,344,539	2
Investment securities - held-to-maturity	1,278,853	1,159,160	2
Loans receivable, net of impaired loans and allowance	14,393,901	14,334,637	3
Accrued interest receivable	120,984	120,984	1
FHLB, FRB & FNBB Bank stock; other equity investments	227,067	227,067	3
Marketable equity securities	50,147	50,147	1
Financial liabilities:			
Deposits:			
Demand and non-interest bearing	\$ 4,068,302	\$ 4,068,302	1
Savings and interest-bearing transaction accounts	11,150,516	11,150,516	1
Time deposits	1,736,985	1,718,037	3
Securities sold under agreements to repurchase	137,996	137,996	1
FHLB and other borrowed funds	1,301,050	1,281,175	2
Accrued interest payable	35,559	35,559	1
Subordinated debentures	439,542	379,572	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 2021-01"). 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 June 30, 2024, and the related condensed consolidated statements of income, comprehensive income (loss), and stockholder's equity for the three-month and six-month periods ended June 30, 2024 and 2023, and cash flows for the six-month periods ended June 30, 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 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 Mazars, LLP**

Little Rock, Arkansas  
August 2, 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 June 30, 2024, we had, on a consolidated basis, total assets of \$22.92 billion, loans receivable, net of allowance for credit losses of \$14.49 billion, total deposits of \$16.96 billion, and stockholders' equity of \$3.86 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 June 30,		As of or for the Six Months Ended June 30,	
	2024	2023	2024	2023
(Dollars in thousands, except per share data)				
Total assets	\$ 22,919,905	\$ 22,126,429	\$ 22,919,905	\$ 22,126,429
Loans receivable	14,781,457	14,180,972	14,781,457	14,180,972
Allowance for credit losses	(295,856)	(285,683)	(295,856)	(285,683)
Total deposits	16,955,803	16,996,891	16,955,803	16,996,891
Total stockholders' equity	3,855,503	3,654,084	3,855,503	3,654,084
Net income	101,530	105,271	201,639	208,233
Basic earnings per share	0.51	0.52	1.00	1.03
Diluted earnings per share	0.51	0.52	1.00	1.02
Book value per share	19.30	18.04	19.30	18.04
Tangible book value per share (non-GAAP) <sup>(1)</sup>	12.08	10.87	12.08	10.87
Annualized net interest margin - FTE	4.27%	4.28%	4.20%	4.33%
Efficiency ratio	43.17	44.00	43.69	44.39
Efficiency ratio, as adjusted (non-GAAP) <sup>(2)</sup>	42.59	44.83	43.50	44.12
Return on average assets	1.79	1.90	1.78	1.87
Return on average common equity	10.73	11.63	10.69	11.66

(1) See Table 21 for the non-GAAP tabular reconciliation.

(2) See Table 25 for the non-GAAP tabular reconciliation.

## Overview

### **Results of Operations for the Three Months Ended June 30, 2024 and 2023**

Our net income decreased \$3.7 million, or 3.6%, to \$101.5 million for the three-month period ended June 30, 2024, from \$105.3 million for the same period in 2023. On a diluted earnings per share basis, our earnings were \$0.51 per share for the three-month period ended June 30, 2024 compared to \$0.52 per share for the three-month period ended June 30, 2023. The Company recorded \$8.0 million in credit loss expense for the quarter ended June 30, 2024. During the three months ended June 30, 2024, the Company recorded \$2.3 million in Federal Deposit Insurance Corporation ("FDIC") special assessment expense, a \$274,000 decrease in the fair value of marketable securities and a \$2.0 million deferred tax asset write-down, which was partially offset by a \$2.1 million gain on sale of a building in our Texas region.

Total interest income increased by \$37.7 million, or 13.0%, and non-interest expense decreased \$3.1 million, or 2.7%. This was offset by a \$33.5 million, or 40.8% increase in total interest expense and a \$6.7 million, or 13.6%, decrease in non-interest income. These fluctuations are primarily due to the high interest rate environment. The increase in interest income resulted from a \$31.2 million, or 12.8%, increase in loan interest income and an \$8.8 million, or 236.9%, increase in interest income on deposits at other banks, which was partially offset by a \$2.3 million, or 5.5%, decrease in investment interest income. The decrease in non-interest expense was due to a decrease of \$4.1 million, or 6.4%, in salaries and employee benefits and a decrease of \$515,000, or 3.5%, in occupancy and equipment expense, and an decrease of \$216,000, or 2.4%, in data processing expense, which was partially offset by an increase of \$1.7 million, or 6.3%, in other operating expenses. The increase in interest expense was primarily due to a \$25.6 million, or 36.5%, increase in interest on deposits, a \$7.7 million, or 116.1%, increase in interest on FHLB and other borrowed funds and a \$242,000, or 21.6%, increase in interest on securities sold under agreements to repurchase. The decrease in non-interest income was primarily due to an \$8.5 million, or 56.0%, decrease in other income, a \$1.1 million, or 135.0%, decrease in the fair value adjustment for marketable securities and a \$1.1 million, or 9.2%, decrease in other service charges and fees, which was partially offset by a \$1.6 million, or 61.4%, increase in mortgage lending income and a \$1.1 million, or 123.77%, increase in gain on sale of branches, equipment and other assets, net.

Our net interest margin decreased from 4.28% for the three-month period ended June 30, 2023 to 4.27% for the three-month period ended June 30, 2024. The yield on interest earning assets was 6.56% and 5.96% for the three months ended June 30, 2024 and 2023, respectively, while average interest earning assets increased from \$19.58 billion to \$20.21 billion. The increase in average interest earning assets is primarily due to a \$609.9 million increase in average interest-bearing balances due from banks and a \$388.9 million increase in average loans receivable, partially offset by a \$368.3 million decrease in average investment securities. During the second 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 June 30, 2024 and 2023, we recognized \$1.9 million and \$2.7 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 \$1.7 million in event income for the three-months ended June 30, 2024 compared to \$1.3 million for the three-months ended June 30, 2023. The remaining increase in the net interest margin was due to an increase in interest income resulting from an increase in average interest-bearing assets at higher interest rates primarily as a result of the high interest rate environment.

Our efficiency ratio was 43.17% for the three months ended June 30, 2024, compared to 44.00% for the same period in 2023. For the second quarter of 2024, our efficiency ratio, as adjusted (non-GAAP), was 42.59%, compared to 44.83% reported for the second quarter of 2023. (See Table 25 for the non-GAAP tabular reconciliation).

Our annualized return on average assets was 1.79% for the three months ended June 30, 2024, compared to 1.90% for the same period in 2023. (See Table 22 for the related non-GAAP financial measures and tabular reconciliation). Our annualized return on average common equity was 10.73% and 11.63% for the three months ended June 30, 2024, and 2023, respectively. (See Table 23 for the related non-GAAP financial measures and tabular reconciliation).

**Results of Operations for the Six Months Ended June 30, 2024 and 2023**

Our net income decreased \$6.6 million, or 3.17%, to \$201.6 million for the six-month period ended June 30, 2024, from \$208.2 million for the same period in 2023. On a diluted earnings per share basis, our earnings were \$1.00 per share for the six-month period ended June 30, 2024 compared to \$1.02 per share for the six-month period ended June 30, 2023. The Company recorded \$12.5 million in credit loss expense for the six-month period ended June 30, 2024. This consisted of a \$13.5 million provision for credit losses on loans and a reversal of \$1.0 million provision for unfunded commitments. During the six months ended June 30, 2024, the Company recorded a \$2.1 million gain on sale of building from our Texas region, a \$729,000 increase in the fair value of marketable securities and \$162,000 in bank owned life insurance ("BOLI") death benefits, partially offset by \$2.3 million of FDIC special assessment and a \$2.0 million deferred tax asset write-down.

Total interest expense increased by \$75.5 million, or 49.5%. This was partially offset by a \$69.6 million, or 12.1%, increase in total interest income, a \$900,000, or 1.1%, increase in non-interest income and a \$6.2 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 \$59.0 million, or 45.6%, increase in interest on deposits, a \$15.7 million, or 123.1%, increase in interest on FHLB and other borrowed funds and a \$778,000, or 39.1%, increase in interest on securities sold under agreements to repurchase. The increase in interest income resulted from a \$59.5 million, or 12.4%, increase in loan interest income and a \$14.7 million, or 174.4%, increase in interest income on deposits at other banks, partially offset by a \$4.5 million, or 5.3%, decrease in investment income. The increase in non-interest income was primarily due to an \$11.4 million, or 106.9%, increase in the fair value adjustment for marketable securities, a \$2.6 million, or 50.0%, increase in mortgage lending income, and a \$1.1 million, or 121.2%, increase in gain on sale of branches, equipment and other assets, net, which was partially offset by a \$13.0 million, or 48.0%, decrease in other income and a \$2.8 million, or 11.7%, decrease in other service charges and fees. The decrease in non-interest expense was due to a decrease of \$7.7 million, or 6.0%, in salaries and employee benefits and a decrease of \$916,000, or 3.1%, in occupancy and equipment expense, which was partially offset by an increase of \$2.4 million, or 4.4%, in other operating expenses.

Our net interest margin decreased from 4.33% for the six-month period ended June 30, 2023 to 4.20% for the six-month period ended June 30, 2024. The yield on interest earning assets was 6.47% and 5.88% for the three months ended June 30, 2024 and 2023, respectively, as average interest earning assets increased from \$19.82 billion to \$20.12 billion. The increase in average interest earning assets is primarily due to a \$492.9 million increase in average interest-bearing balances due from banks, a \$201.8 million increase in average loans receivable and a \$1.8 million increase in average federal funds sold, partially offset by a \$396.0 million decrease in average investment securities. During the six-month period ended June 30, 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 six months ended June 30, 2024 and 2023, we recognized \$4.6 million and \$5.8 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 \$2.8 million in event income for the six-months ended June 30, 2024 compared to \$3.4 million for the six-months ended June 30, 2023.

Our efficiency ratio was 43.69% for the six months ended June 30, 2024, compared to 44.39% for the same period in 2023. For the second quarter of 2024, our efficiency ratio, as adjusted (non-GAAP), was 43.50%, compared to 44.12% reported for the second quarter of 2023. (See Table 25 for the non-GAAP tabular reconciliation).

Our annualized return on average assets was 1.78% for the six months ended June 30, 2024, compared to 1.87% for the same period in 2023. (See Table 22 for the related non-GAAP financial measures and tabular reconciliation). Our annualized return on average common equity was 10.69% and 11.66% for the six months ended June 30, 2024, and 2023, respectively. (See Table 23 for the related non-GAAP financial measures and tabular reconciliation).

**Financial Condition as of and for the Period Ended June 30, 2024 and December 31, 2023**

Our total assets as of June 30, 2024 increased \$263.2 million to \$22.92 billion from \$22.66 billion reported as of December 31, 2023. Cash and cash equivalents increased \$58.5 million for the six months ended June 30, 2024. Our loan portfolio balance increased to \$14.78 billion as of June 30, 2024 from \$14.42 billion at December 31, 2023. The increase in loans was primarily due to \$218.8 million of organic loan growth in our community banking footprint and \$137.9 million of organic loan growth from our Centennial Commercial Finance Group ("CFG") franchise. These increases were partially offset by a \$166.4 million decrease in investment securities resulting from paydowns and maturities during the first six months of 2024. Total deposits increased \$168.1 million to \$16.96 billion as of June 30, 2024 from \$16.79 billion as of December 31, 2023. Stockholders' equity increased \$64.4 million to \$3.86 billion as of June 30, 2024, compared to \$3.79 billion as of December 31, 2023. The \$64.4 million increase in stockholders' equity is primarily associated with the \$201.6 million in net income for the six months ended June 30, 2024, partially offset by the \$72.3 million of shareholder dividends paid, stock repurchases of \$56.6 million and the \$12.7 million in other comprehensive loss.

Our non-performing loans were \$86.3 million, or 0.58% of total loans as of June 30, 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 342.66% as of June 30, 2024, from 449.66% as of December 31, 2023. Non-performing loans from our Arkansas franchise were \$16.2 million at June 30, 2024 compared to \$15.4 million as of December 31, 2023. Non-performing loans from our Florida franchise were \$39.1 million at June 30, 2024 compared to \$9.3 million as of December 31, 2023. Non-performing loans from our Texas franchise were \$24.7 million at June 30, 2024 compared to \$33.5 million as of December 31, 2023. Non-performing loans from our Alabama franchise were \$399,000 at June 30, 2024 compared to \$413,000 as of December 31, 2023. Non-performing loans from our Shore Premier Finance ("SPF") franchise were \$3.2 million at June 30, 2024 compared to \$2.8 million as of December 31, 2023. Non-performing loans from our Centennial CFG franchise were \$2.8 million at June 30, 2024 compared to \$2.7 million as of December 31, 2023.

As of June 30, 2024, our non-performing assets increased to \$127.8 million, or 0.56% 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 \$16.3 million at June 30, 2024 compared to \$15.5 million as of December 31, 2023. Non-performing assets from our Florida franchise were \$46.6 million at June 30, 2024 compared to \$17.3 million as of December 31, 2023. Non-performing assets from our Texas franchise were \$35.8 million at June 30, 2024 compared to \$33.8 million as of December 31, 2023. Non-performing assets from our Alabama franchise were \$399,000 at June 30, 2024 compared to \$413,000 as of December 31, 2023. Non-performing assets from our SPF franchise were \$3.2 million at June 30, 2024 compared to \$2.8 million as of December 31, 2023. Non-performing assets from our Centennial CFG franchise were \$25.5 million at June 30, 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 \$41.3 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 index 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 or reversal of 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 June 30, 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 and six months ended June 30, 2024 and 2023***

Our net income decreased \$3.7 million, or 3.6%, to \$101.5 million for the three-month period ended June 30, 2024, from \$105.3 million for the same period in 2023. On a diluted earnings per share basis, our earnings were \$0.51 per share for the three-month period ended June 30, 2024 compared to \$0.52 per share for the three-month period ended June 30, 2023. The Company recorded \$8.0 million in credit loss expense for the quarter ended June 30, 2024. During the three months ended June 30, 2024, the Company recorded \$2.3 million in FDIC special assessment expense, a \$274,000 decrease in the fair value of marketable securities and a \$2.0 million deferred tax asset write-down, which was partially offset by a \$2.1 million gain on sale of a building in our Texas region.

Our net income decreased \$6.6 million, or 3.17%, to \$201.6 million for the six-month period ended June 30, 2024, from \$208.2 million for the same period in 2023. On a diluted earnings per share basis, our earnings were \$1.00 per share for the six-month period ended June 30, 2024 compared to \$1.02 per share for the six-month period ended June 30, 2023. The Company recorded \$12.5 million in credit loss expense for the six-month period ended June 30, 2024. This consisted of a \$13.5 million provision for credit losses on loans and a reversal of \$1.0 million provision for unfunded commitments. During the six months ended June 30, 2024, the Company recorded a \$2.1 million gain on sale of building from our Texas region, a \$729,000 increase in the fair value of marketable securities and \$162,000 in BOLI death benefits, partially offset by \$2.3 million of FDIC special assessment and a \$2.0 million deferred tax asset write-down.

### ***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 June 30, 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 4.28% for the three-month period ended June 30, 2023 to 4.27% for the three-month period ended June 30, 2024. The yield on interest earning assets was 6.56% and 5.96% for the three months ended June 30, 2024 and 2023, respectively, while average interest earning assets increased from \$19.58 billion to \$20.21 billion. The increase in average interest earning assets is primarily due to a \$609.9 million increase in average interest-bearing balances due from banks and a \$388.9 million increase in average loans receivable, partially offset by a \$368.3 million decrease in average investment securities. During the second 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 June 30, 2024 and 2023, we recognized \$1.9 million and \$2.7 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 \$1.7 million in event income for the three-months ended June 30, 2024 compared to \$1.3 million for the three-months ended June 30, 2023. The remaining increase in the net interest margin was due to an increase in interest income resulting from an increase in average interest-bearing assets at higher interest rates primarily as a result of the high interest rate environment.

Our net interest margin decreased from 4.33% for the six-month period ended June 30, 2023 to 4.20% for the six-month period ended June 30, 2024. The yield on interest earning assets was 6.47% and 5.88% for the three months ended June 30, 2024 and 2023, respectively, as average interest earning assets increased from \$19.82 billion to \$20.12 billion. The increase in average interest earning assets is primarily due to a \$492.9 million increase in average interest-bearing balances due from banks, a \$201.8 million increase in average loans receivable and a \$1.8 million increase in average federal funds sold, partially offset by a \$396.0 million decrease in average investment securities. During the six-month period ended June 30, 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 six months ended June 30, 2024 and 2023, we recognized \$4.6 million and \$5.8 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 \$2.8 million in event income for the six-months ended June 30, 2024 compared to \$3.4 million for the six-months ended June 30, 2023.

Net interest income on a fully taxable equivalent basis increased \$5.3 million, or 2.5%, to \$214.5 million for the three-month period ended June 30, 2024, from \$209.1 million for the same period in 2023. This increase in net interest income for the three-month period ended June 30, 2024 was the result of a \$38.8 million increase in interest income, which was partially offset by a \$33.5 million increase in interest expense, on a fully taxable equivalent basis. The \$38.8 million increase in interest income was primarily the result of the high interest rate environment. The higher yield on earning assets resulted in an increase in interest income of approximately \$27.2 million, in addition to an increase of \$11.6 million in interest income due to the change in average interest earning asset balances. The \$33.5 million increase in interest expense is also 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 \$22.8 million, in addition to an increase in average interest bearing liabilities which increased interest expense by approximately \$10.7 million.

Net interest income on a fully taxable equivalent basis decreased \$5.4 million, or 1.3%, to \$419.9 million for the six-month period ended June 30, 2024, from \$425.4 million for the same period in 2023. This decrease in net interest income for the six-month period ended June 30, 2024 was the result of a \$75.5 million increase in interest expense, which was partially offset by a \$70.0 million increase in interest income, on a fully taxable equivalent basis. The \$75.5 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 \$56.7 million, in addition to an increase in average interest bearing liabilities which increased interest expense by approximately \$18.8 million. The \$70.0 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 \$57.5 million, in addition to an increase of \$12.6 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 and six months ended June 30, 2024 and 2023, as well as changes in the fully taxable equivalent net interest margin for the three and six months ended June 30, 2024 compared to the same period in 2023.

**Table 2: Analysis of Net Interest Income**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(Dollars in thousands)				
Interest income	\$ 327,303	\$ 289,632	\$ 644,218	\$ 574,571
Fully taxable equivalent adjustment	2,628	1,494	3,520	3,122
Interest income – fully taxable equivalent	329,931	291,126	647,738	577,693
Interest expense	115,481	81,989	227,806	152,333
Net interest income – fully taxable equivalent	<u>\$ 214,450</u>	<u>\$ 209,137</u>	<u>\$ 419,932</u>	<u>\$ 425,360</u>
Yield on earning assets – fully taxable equivalent	6.56 %	5.96 %	6.47 %	5.88 %
Cost of interest-bearing liabilities	3.15	2.40	3.12	2.23
Net interest spread – fully taxable equivalent	3.41	3.56	3.35	3.65
Net interest margin – fully taxable equivalent	4.27	4.28	4.20	4.33

**Table 3: Changes in Fully Taxable Equivalent Net Interest Margin**

	Three Months Ended June 30,	Six Months Ended June 30,
	2024 vs. 2023	2024 vs. 2023
(In thousands)		
Increase in interest income due to change in earning assets	\$ 11,608	\$ 12,550
Increase in interest income due to change in earning asset yields	27,197	57,495
Increase in interest expense due to change in interest-bearing liabilities	(10,653)	(18,822)
Increase in interest expense due to change in interest rates paid on interest-bearing liabilities	(22,839)	(56,651)
Decrease in net interest income	<u>\$ 5,313</u>	<u>\$ (5,428)</u>

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 and six months ended June 30, 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 June 30,					
	2024			2023		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
(Dollars in thousands)						
<b>ASSETS</b>						
Earnings assets						
Interest-bearing balances due from banks	\$ 929,916	\$ 12,564	5.43 %	\$ 320,039	\$ 3,729	4.67 %
Federal funds sold	4,424	59	5.36	5,350	68	5.10
Investment securities – taxable	3,445,769	32,587	3.80	3,718,320	34,751	3.75
Investment securities – non-taxable	1,185,001	10,254	3.48	1,280,781	9,332	2.92
Loans receivable	14,648,564	274,467	7.54	14,259,647	243,246	6.84
Total interest-earning assets	20,213,674	329,931	6.56 %	19,584,137	291,126	5.96 %
Non-earning assets	2,662,275			2,643,267		
Total assets	<u>\$ 22,875,949</u>			<u>\$ 22,227,404</u>		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	\$ 11,118,587	\$ 77,928	2.82 %	\$ 11,242,988	62,637	2.23 %
Time deposits	1,732,610	17,813	4.14	1,174,925	7,510	2.56
Total interest-bearing deposits	12,851,197	95,741	3.00	12,417,913	70,147	2.27
Federal funds purchased	33	—	—	123	2	6.52
Securities sold under agreement to repurchase	159,899	1,363	3.43	143,969	1,121	3.12
FHLB and other borrowed funds	1,301,050	14,255	4.41	679,445	6,596	3.89
Subordinated debentures	439,613	4,122	3.77	440,201	4,123	3.76
Total interest-bearing liabilities	14,751,792	115,481	3.15 %	13,681,651	81,989	2.40 %
Non-interest-bearing liabilities						
Non-interest-bearing deposits	4,083,916			4,717,623		
Other liabilities	234,441			197,936		
Total liabilities	19,070,149			18,597,210		
Stockholders' equity	3,805,800			3,630,194		
Total liabilities and stockholders' equity	<u>\$ 22,875,949</u>			<u>\$ 22,227,404</u>		
Net interest spread			3.41 %			3.56 %
Net interest income and margin		<u>\$ 214,450</u>	4.27 %		<u>\$ 209,137</u>	4.28 %

Six Months Ended June 30,						
	2024			2023		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
(Dollars in thousands)						
<b>ASSETS</b>						
Earnings assets						
Interest-bearing balances due from banks	\$ 865,686	\$ 23,092	5.36 %	\$ 372,752	\$ 8,414	4.55 %
Federal funds sold	4,718	120	5.11	2,926	74	5.10
Investment securities – taxable	3,459,639	65,816	3.83	3,791,872	70,039	3.72
Investment securities – non-taxable	1,221,431	18,896	3.11	1,285,148	18,814	2.95
Loans receivable	14,568,029	539,814	7.45	14,366,267	480,352	6.74
Total interest-earning assets	20,119,503	647,738	6.47 %	19,818,965	577,693	5.88 %
Non-earning assets	2,660,101			2,641,370		
Total assets	<u>\$ 22,779,604</u>			<u>\$ 22,460,335</u>		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	\$ 11,078,749	\$ 153,525	2.79 %	\$ 11,410,230	117,493	2.08 %
Time deposits	1,708,902	34,764	4.09	1,123,793	11,816	2.12
Total interest-bearing deposits	12,787,651	188,289	2.96	12,534,023	129,309	2.08
Federal funds purchased	17	—	—	62	2	6.51
Securities sold under agreement to repurchase	165,962	2,767	3.35	139,477	1,989	2.88
FHLB and other borrowed funds	1,301,071	28,531	4.41	665,356	12,786	3.88
Subordinated debentures	439,686	8,219	3.76	440,273	8,247	3.78
Total interest-bearing liabilities	14,694,387	227,806	3.12 %	13,779,191	152,333	2.23 %
Non-interest-bearing liabilities						
Non-interest-bearing deposits	4,050,787			4,879,521		
Other liabilities	239,704			201,562		
Total liabilities	18,984,878			18,860,274		
Stockholders' equity	3,794,726			3,600,061		
Total liabilities and stockholders' equity	<u>\$ 22,779,604</u>			<u>\$ 22,460,335</u>		
Net interest spread			3.35 %			3.65 %
Net interest income and margin		<u>\$ 419,932</u>	4.20 %		<u>\$ 425,360</u>	4.33 %

Table 5 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three and six months ended June 30, 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 June 30,			Six Months Ended June 30,		
	2024 over 2023			2024 over 2023		
	Volume	Yield / Rate	Total	Volume	Yield / Rate	Total
(In thousands)						
Increase (decrease) in:						
Interest income:						
Interest-bearing balances due from banks	\$ 8,152	\$ 683	\$ 8,835	\$ 12,905	\$ 1,773	\$ 14,678
Federal funds sold	(12)	3	(9)	46	—	46
Investment securities – taxable	(2,573)	409	(2,164)	(6,274)	2,051	(4,223)
Investment securities – non-taxable	(735)	1,657	922	(957)	1,039	82
Loans receivable	6,776	24,445	31,221	6,830	52,632	59,462
Total interest income	11,608	27,197	38,805	12,550	57,495	70,045
Interest expense:						
Interest-bearing transaction and savings deposits	(700)	15,991	15,291	(3,505)	39,537	36,032
Time deposits	4,515	5,788	10,303	8,209	14,739	22,948
Federal funds purchased	(1)	(1)	(2)	(1)	(1)	(2)
Securities sold under agreement to repurchase	130	112	242	411	367	778
FHLB and other borrowed funds	6,715	944	7,659	13,719	2,026	15,745
Subordinated debentures	(6)	5	(1)	(11)	(17)	(28)
Total interest expense	10,653	22,839	33,492	18,822	56,651	75,473
Increase (decrease) in net interest income	\$ 955	\$ 4,358	\$ 5,313	\$ (6,272)	\$ 844	\$ (5,428)

#### **Provision for Credit Losses**

*Credit Loss Expense:* During the three months ended June 30, 2024, the Company recorded an \$8.0 million provision for credit losses on loans. However, the Company determined no additional provision, or reversal of provision, was necessary for unfunded commitments as the current level of the reserve was considered adequate. During the six months ended June 30, 2024, the Company recorded a \$13.5 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 0.07% and 0.11% for the three months ended June 30, 2024 and 2023, respectively, and net charge-offs to average total loans was 0.08% and 0.11% for the six months ended June 30, 2024 and 2023, respectively.

During both the three and six months ended June 30, 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 \$42.8 million and \$84.6 million for the three and six months ended June 30, 2024, compared to \$49.5 million and \$83.7 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 and six months ended June 30, 2024 and 2023.

**Table 6: Non-Interest Income**

	Three Months Ended				Six Months Ended June				
	June 30,		2024 Change from 2023		30,		2024 Change from 2023		
	2024	2023			2024	2023			
(Dollars in thousands)									
Service charges on deposit accounts	\$ 9,714	\$ 9,231	\$ 483	5.2 %	\$ 19,400	\$ 19,073	\$ 327	1.7 %	
Other service charges and fees	10,679	11,763	(1,084)	(9.2)	20,868	23,638	(2,770)	(11.7)	
Trust fees	4,722	4,052	670	16.5	9,788	8,916	872	9.8	
Mortgage lending income	4,276	2,650	1,626	61.4	7,834	5,221	2,613	50.0	
Insurance commissions	565	518	47	9.1	1,073	1,044	29	2.8	
Increase in cash value of life insurance	1,279	1,211	68	5.6	2,474	2,315	159	6.9	
Dividends from FHLB, FRB, FNBB & other	2,998	2,922	76	2.6	6,005	5,716	289	5.1	
Gain on sale of SBA loans	56	—	56	100.0	254	139	115	82.7	
Gain on sale of branches, equipment and other assets, net	2,052	917	1,135	123.8	2,044	924	1,120	121.2	
Gain on OREO, net	49	319	(270)	(84.6)	66	319	(253)	(79.3)	
Fair value adjustment for marketable securities	(274)	783	(1,057)	(135.0)	729	(10,625)	11,354	106.9	
Other income	6,658	15,143	(8,485)	(56.0)	14,038	26,993	(12,955)	(48.0)	
Total non-interest income	\$ 42,774	\$ 49,509	\$ (6,735)	(13.6)%	\$ 84,573	\$ 83,673	\$ 900	1.1 %	

Non-interest income decreased \$6.7 million, or 13.6%, to \$42.8 million for the three months ended June 30, 2024 from \$49.5 million for the same period in 2023. The primary factors that resulted in this decrease were the decreases in other service charges and fees, fair value adjustment for marketable securities and other income, which was partially offset by increases in mortgage lending income and the gain on sale of branches, equipment and other assets, net.

Additional details for the three months ended June 30, 2024 on some of the more significant changes are as follows:

- The \$483,000 increase in service charges on deposit accounts is primarily related to an increase in overdraft fees.
- The \$1.1 million decrease in other service charges and fees is primarily related to decreases in Centennial CFG property finance loan fees and Mastercard income and incentives.
- The \$670,000 increase in trust fees is primarily related to increases in IRA fees and retirement fees.
- The \$1.6 million 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 \$1.1 million increase in gain on sale of branches, equipment and other assets, net is primarily due to the sale of a building from our Texas region.
- The \$1.1 million decrease 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 \$8.5 million decrease in other income is primarily due to a \$7.0 million reduction in income for equity method investments, a \$2.8 million reduction in BOLI death benefit income and a \$398,000 decrease in recoveries on historic losses, partially offset by an \$852,000 increase in rental income from other real estate owned ("OREO") and a \$689,000 increase in investment brokerage fee income.

Non-interest income increased \$900,000, or 1.1%, to \$84.6 million for the six months ended June 30, 2024 from \$83.7 million for the same period in 2023. The primary factors that resulted in this increase were the increases in fair value adjustment for marketable securities, trust fees, mortgage lending income and the gain on sale of branches, equipment and other assets, net, which was partially offset by decreases in other service charges and fees and other income.

Additional details for the six months ended June 30, 2024 on some of the more significant changes are as follows:

- The \$2.8 million decrease in other service charges and fees is primarily related to decreases in Centennial CFG property finance loan fees and Mastercard income, partially offset by an increase in merchant service income.
- The \$871,000 increase in trust fees is primarily related to increases in IRA fees, retirement fees and other fees.
- The \$2.6 million 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 \$1.1 million increase in gain on sale of branches, equipment and other assets, net is primarily due to the sale of a building from our Texas region.
- The \$11.4 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 \$13.0 million decrease in other income is primarily due to a \$9.9 million reduction of income for equity method investments, a \$2.8 million reduction in BOLI death benefit income and a \$4.2 million decrease in recoveries on historic losses, partially offset by a \$2.1 million increase in rental income from OREO, a \$1.3 million increase in investment brokerage fee income and a \$372,000 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, amortization of intangibles, electronic banking expense, FDIC and state assessment, insurance, legal and accounting fees, other professional fees and other expenses.

Table 7 below sets forth a summary of non-interest expense for the three and six months ended June 30, 2024 and 2023.

**Table 7: Non-Interest Expense**

	Three Months Ended				Six Months Ended June			
	June 30,		2024 Change from 2023		30,		2024 Change from 2023	
	2024	2023			2024	2023		
(Dollars in thousands)								
Salaries and employee benefits	\$ 60,427	\$ 64,534	\$ (4,107)	(6.4)%	\$ 121,337	\$ 129,024	\$ (7,687)	(6.0)%
Occupancy and equipment	14,408	14,923	(515)	(3.5)	28,959	29,875	(916)	(3.1)
Data processing expense	8,935	9,151	(216)	(2.4)	18,082	18,119	(37)	(0.2)
Other operating expenses:								
Advertising	1,692	2,098	(406)	(19.4)	3,346	4,329	(983)	(22.7)
Amortization of intangibles	2,140	2,478	(338)	(13.6)	4,280	4,955	(675)	(13.6)
Electronic banking expense	3,412	3,675	(263)	(7.2)	6,568	7,005	(437)	(6.2)
Directors' fees	423	538	(115)	(21.4)	921	998	(77)	(7.7)
Due from bank service charges	282	286	(4)	(1.4)	558	559	(1)	(0.2)
FDIC and state assessment	5,494	3,220	2,274	70.6	8,812	6,720	2,092	31.1
Insurance	905	927	(22)	(2.4)	1,808	1,816	(8)	(0.4)
Legal and accounting	2,617	1,436	1,181	82.2	4,698	2,524	2,174	86.1
Other professional fees	2,108	2,774	(666)	(24.0)	4,344	5,058	(714)	(14.1)
Operating supplies	613	763	(150)	(19.7)	1,296	1,501	(205)	(13.7)
Postage	497	586	(89)	(15.2)	1,020	1,087	(67)	(6.2)
Telephone	444	573	(129)	(22.5)	914	1,101	(187)	(17.0)
Other expense	8,788	8,320	468	5.6	17,738	16,255	1,483	9.1
Total non-interest expense	\$ 113,185	\$ 116,282	\$ (3,097)	(2.7)%	\$ 224,681	\$ 230,926	\$ (6,245)	(2.7)%

Non-interest expense decreased \$3.1 million, or 2.7%, to \$113.2 million for the three months ended June 30, 2024 from \$116.3 million for the same period in 2023. The primary factors that resulted in this decrease were the decrease in salaries and employee benefits, occupancy and equipment expense, advertising expense, amortization of intangibles and other professional fees, which were partially offset by an increase in FDIC and state assessment expense, other expense and legal and accounting expense.

Additional details for the three months ended June 30, 2024 on some of the more significant changes are as follows:

- The \$4.1 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 \$515,000 decrease in occupancy and equipment expense is primarily due to decreased lease, utility and maintenance expenses.
- The \$406,000 decrease in advertising expense is primarily due to a decreased volume of advertising.
- The \$338,000 decrease in amortization of intangibles is due to the core deposit intangible ("CDI") from the acquisition of Liberty Bank being fully amortized in 2023.
- The \$2.3 million increase in FDIC and state assessment expense is primarily due to the remaining portion of the FDIC special assessment expense being incurred during the second quarter of 2024. The FDIC special assessment was levied in order to recover the losses to the Deposit Insurance Fund associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank.
- The \$1.2 million increase in legal and accounting expense is primarily due to ongoing legal matters.
- The \$666,000 decrease in other professional fees is primarily due to cost saving measures following the acquisition of Happy.



- The \$468,000 million increase in other expense is primarily due to an increase in OREO expense, partially offset by decreases in travel expenses, insurance claims paid and other losses.

Non-interest expense decreased \$6.2 million, or 2.7%, to \$224.7 million for the six months ended June 30, 2024 from \$230.9 million for the same period in 2023. The primary factors that resulted in this decrease were the decrease in salaries and employee benefits, occupancy and equipment expense, advertising expense, amortization of intangibles, electronic banking expense and other professional fees, which were partially offset by an increase in FDIC and state assessment, legal and accounting expense and other expense.

Additional details for the six months ended June 30, 2024 on some of the more significant changes are as follows:

- The \$7.7 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 \$916,000 decrease in occupancy and equipment expense is primarily due to lease, utility and maintenance expenses.
- The \$983,000 decrease in advertising expense is primarily due to a decreased volume of advertising.
- The \$675,000 decrease in amortization of intangibles is primarily due to the CDI from the acquisition of Liberty Bank being fully amortized in 2023.
- The \$437,000 decrease in electronic banking expense is primarily due to a decrease in debit card processing fees and interchange network expenses.
- The \$2.1 million increase in FDIC and state assessment expense is primarily due to the remaining portion of the FDIC special assessment expense being incurred during the second quarter of 2024.
- The \$2.2 million increase in legal and accounting expense is primarily due to ongoing legal matters.
- The \$714,000 decrease in other professional fees is primarily due to cost saving measures following the acquisition of Happy.
- The \$1.4 million increase in other expense is primarily due to an increase in OREO expense and miscellaneous loan costs, partially offset by decreases in travel expenses, insurance claims paid and other losses.

#### **Income Taxes**

Income tax expense increased \$265,000, or 0.8%, to \$31.9 million for the three-month period ended June 30, 2024, from \$31.6 million for the same period in 2023. Income tax expense increased \$596,000, or 1.0%, to \$62.2 million for the six-month period ended June 30, 2024, from \$61.6 million for the same period in 2023. The effective income tax rate was 23.90% and 23.56% for the three and six months ended June 30, 2024, respectively, compared to 23.10% and 22.82% for the same periods in 2023, respectively. The marginal tax rate was 24.989% and 24.6735% for 2024 and 2023, respectively.

#### **Financial Condition as of and for the Period Ended June 30, 2024 and December 31, 2023**

Our total assets as of June 30, 2024 increased \$263.2 million to \$22.92 billion from \$22.66 billion reported as of December 31, 2023. Cash and cash equivalents increased \$58.5 million for the six months ended June 30, 2024. Our loan portfolio balance increased to \$14.78 billion as of June 30, 2024 from \$14.42 billion at December 31, 2023. The increase in loans was primarily due to \$218.8 million of organic loan growth in our community banking footprint and \$137.9 million of organic loan growth from our Centennial CFG franchise. These increases were partially offset by a \$166.4 million decrease in investment securities resulting from paydowns and maturities during the first six months of 2024. Total deposits increased \$168.1 million to \$16.96 billion as of June 30, 2024 from \$16.79 billion as of December 31, 2023. Stockholders' equity increased \$64.4 million to \$3.86 billion as of June 30, 2024, compared to \$3.79 billion as of December 31, 2023. The \$64.4 million increase in stockholders' equity is primarily associated with the \$201.6 million in net income for the six months ended June 30, 2024, partially offset by the \$72.3 million of shareholder dividends paid, stock repurchases of \$56.6 million and the \$12.7 million in other comprehensive loss.

## Loan Portfolio

### Loans Receivable

Our loan portfolio averaged \$14.65 billion and \$14.26 billion during the three months ended June 30, 2024 and 2023, respectively. Our loan portfolio averaged \$14.57 billion and \$14.37 billion during the six months ended June 30, 2024 and 2023, respectively. Loans receivable were \$14.78 billion and \$14.42 billion as of June 30, 2024 and December 31, 2023, respectively.

From December 31, 2023 to June 30, 2024, the Company experienced an increase of approximately \$356.7 million in loans. The increase in loans was primarily due to \$218.8 million of organic loan growth in our community banking footprint and \$137.9 million of organic loan growth from our Centennial CFG franchise.

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 \$3.35 billion, \$4.12 billion, \$3.83 billion, \$120.6 million, \$1.27 billion and \$2.09 billion as of June 30, 2024 in Arkansas, Florida, Texas, Alabama, SPF and Centennial CFG, respectively.

Table 8 presents our loans receivable balances by category as of June 30, 2024 and December 31, 2023.

**Table 8: Loans Receivable**

	June 30, 2024	December 31, 2023
	(In thousands)	
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	\$ 5,599,925	\$ 5,549,954
Construction/land development	2,511,817	2,293,047
Agricultural	345,461	325,156
Residential real estate loans:		
Residential 1-4 family	1,910,143	1,844,260
Multifamily residential	509,091	435,736
Total real estate	10,876,437	10,448,153
Consumer	1,189,386	1,153,690
Commercial and industrial	2,242,072	2,324,991
Agricultural	314,600	307,327
Other	158,962	190,567
Total loans receivable	\$ 14,781,457	\$ 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 June 30, 2024, we had approximately \$911.9 million of construction/land development loans which were collateralized by land. This consisted of approximately \$107.4 million for raw land and approximately \$804.5 million for land with commercial and/or residential lots.

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As of June 30, 2024, commercial real estate ("CRE") loans totaled \$8.46 billion, or 57.2%, 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 \$2.16 billion, \$2.53 billion, \$2.16 billion, \$48.4 million, zero and \$1.57 billion at June 30, 2024, respectively.

Table 9 presents the composition of the funded and unfunded balances of our CRE portfolio by loan type, as of June 30, 2024 and December 31, 2023, and their respective percentages of our total CRE portfolio.

**Table 9: CRE Loan Concentrations**

	June 30, 2024			
	Funded Balance	% of CRE Loans	Unfunded Balance	% of CRE Loans
(Dollars in thousands)				
Non-Farm/Non-Residential:				
Single Purpose Building	\$ 891,742	10.6 %	\$ 71,211	2.7 %
Office Building	991,461	11.7	67,903	2.6
Hotel	1,103,308	13.0	25,406	1.0
Industrial	447,232	5.3	42,046	1.6
Retail	568,582	6.7	18,568	0.7
Owner-Occupied <sup>(1)</sup>	1,597,600	18.9	77,359	2.9
Construction/Land Development:				
Construction Residential-Spec	446,924	5.3	401,008	15.2
Residential Land Development	439,771	5.2	113,046	4.3
Construction Commercial	437,489	5.2	404,262	15.3
Construction Multi Family	404,488	4.8	956,440	36.2
Commercial Land Development	364,768	4.3	50,734	1.9
Construction Residential-Presold	172,927	2.0	138,944	5.3
Construction Hotel	138,064	1.6	238,867	9.1
Raw Land	107,386	1.3	10,827	0.4
Agricultural <sup>(1)</sup>	345,461	4.1	20,583	0.8
Total Commercial Real Estate <sup>(2)</sup>	<u>\$ 8,457,203</u>	<u>100.0 %</u>	<u>\$ 2,637,204</u>	<u>100.0 %</u>

December 31, 2023				
	Funded Balance	% of CRE Loans	Unfunded Balance	% of CRE Loans
(Dollars in thousands)				
Non-Farm/Non-Residential:				
Single Purpose Building	\$ 979,802	12.0 %	\$ 79,598	3.2 %
Office Building	1,023,917	12.5	89,464	3.6
Hotel	1,067,028	13.1	34,374	1.4
Industrial	401,125	4.9	37,342	1.5
Retail	579,886	7.1	19,744	0.8
Owner-Occupied <sup>(1)</sup>	1,498,196	18.4	98,681	4.0
Construction/Land Development:				
Construction Residential-Spec	408,023	5.0	427,563	17.2
Residential Land Development	475,615	5.8	88,856	3.6
Construction Commercial	492,421	6.0	388,486	15.7
Construction Multi Family	189,711	2.3	753,285	30.3
Commercial Land Development	327,194	4.0	51,303	2.1
Construction Residential-Presold	200,114	2.4	160,809	6.5
Construction Hotel	127,784	1.6	227,530	9.2
Raw Land	72,185	0.9	1,119	—
Agricultural <sup>(1)</sup>	325,156	4.0	21,640	0.9
Total Commercial Real Estate <sup>(2)</sup>	\$ 8,168,157	100.0 %	\$ 2,479,794	100.0 %

Table 10 presents the composition of our CRE loan portfolio by the ten largest geographical locations of the collateral as of June 30, 2024 and December 31, 2023.

**Table 10: Geographical Locations of CRE Loans**

Top 10 Geographical States for CRE Loan Collateral Concentrations												
	Florida	Texas	Arkansas	New York	California	Alabama	Georgia	Utah	Pennsylvania	Tennessee	All Other	Total
As of June 30, 2024												
Non-Farm/Non-Residential:												
Single Purpose Building	\$ 286,840	\$ 267,516	\$ 163,474	\$ 52,919	\$ (1)	\$ 11,995	\$ 17,048	\$ —	\$ 2,904	\$ 1,701	\$ 87,346	\$ 891,742
Office Building	330,582	262,488	80,680	50,251	—	19,432	94,984	—	25,615	—	127,429	991,461
Hotel	548,437	279,358	102,394	14,135	—	18,974	23,590	—	—	7,276	109,144	1,103,308
Industrial	41,706	88,283	34,277	57,481	24,452	68,222	—	—	—	—	132,811	447,232
Retail	156,727	258,223	57,423	7,313	15,722	12,321	—	—	—	449	60,404	568,582
Owner-Occupied <sup>(1)</sup>	500,595	427,659	350,279	—	36,156	28,369	22,546	9,281	85,204	7,054	130,457	1,597,600
Construction/Land Development:												
Construction Residential-Spec	138,443	83,869	36,445	107,802	69,949	1,068	—	—	—	—	9,348	446,924
Residential Land Development	88,813	97,400	53,139	—	—	2,936	219	172,134	—	2,090	23,040	439,771
Construction Commercial	131,010	186,256	49,829	—	(257)	5,702	1,203	—	—	8,898	54,848	437,489
Construction Multi Family	140,119	44,323	60,342	118,977	21,399	—	—	—	208	13,649	5,471	404,488
Commercial Land Development	72,929	49,627	33,532	79,079	19,564	7,999	17,781	—	—	44,253	40,004	364,768
Construction Residential-Presold	92,776	57,612	20,149	—	—	1,378	—	—	—	—	1,012	172,927
Construction Hotel	68,701	43,315	12,813	—	—	1,156	6,094	—	—	—	5,985	138,064
Raw Land	7,664	9,140	30,426	—	35,343	1,931	—	—	—	—	22,882	107,386
Agricultural <sup>(1)</sup>	32,716	183,897	110,057	—	—	4,021	—	—	—	—	14,770	345,461
Total Commercial Real Estate <sup>(2)</sup>	\$ 2,638,058	\$ 2,338,966	\$ 1,195,259	\$ 487,957	\$ 222,327	\$ 185,504	\$ 183,465	\$ 181,415	\$ 113,931	\$ 85,370	\$ 824,951	\$ 8,457,203

### Top 10 Geographical States for CRE Loan Collateral Concentrations

	Florida	Texas	Arkansas	New York	Utah	Alabama	Georgia	California	Pennsylvania	Oklahoma	All Other	Total
<b>As of December 31, 2023</b>												
Non-Farm/Non-Residential:												
Single Purpose Building	\$ 301,505	\$ 330,203	\$ 183,961	\$ 52,945	\$ —	\$ 11,810	\$ 5,228	\$ 1,396	\$ 2,317	\$ 5,200	\$ 85,237	\$ 979,802
Office Building	323,320	276,425	86,951	50,294	—	19,686	95,457	—	28,501	42,885	100,398	1,023,917
Hotel	518,592	223,750	106,975	59,910	—	19,374	23,760	—	—	24,254	90,413	1,067,028
Industrial	41,138	64,060	39,517	93,323	—	71,465	—	24,796	—	—	66,826	401,125
Retail	177,569	243,364	64,049	7,285	—	11,977	—	23,372	—	319	51,951	579,886
Owner-Occupied <sup>(1)</sup>	476,507	429,440	309,584	—	9,376	15,654	23,991	4,617	86,874	18,993	123,160	1,498,196
Construction/Land Development:												
Construction Residential-Spec	124,019	103,483	35,461	88,670	—	2,763	497	40,624	—	—	12,506	408,023
Residential Land Development	93,644	123,284	47,952	—	189,435	2,868	226	—	—	—	18,206	475,615
Construction Commercial	115,757	226,684	31,964	—	—	4,293	11,248	—	—	—	102,475	492,421
Construction Multi Family	44,179	26,082	48,485	53,711	—	—	—	8,376	189	—	8,689	189,711
Commercial Land Development	71,670	35,647	33,294	81,004	—	5,764	—	19,029	—	—	80,786	327,194
Construction Residential-Presold	125,004	49,654	23,248	—	—	1,184	—	—	—	125	899	200,114
Construction Hotel	70,781	50,346	3,208	—	—	(208)	(130)	—	—	—	3,787	127,784
Raw Land	8,283	15,334	23,649	—	—	2,837	—	20,894	—	—	1,188	72,185
Agricultural <sup>(1)</sup>	23,637	182,495	99,243	—	—	3,104	360	—	—	1,227	15,090	325,156
<b>Total Commercial Real Estate <sup>(2)</sup></b>	<b>\$ 2,515,605</b>	<b>\$ 2,380,251</b>	<b>\$ 1,137,541</b>	<b>\$ 487,142</b>	<b>\$ 198,811</b>	<b>\$ 172,571</b>	<b>\$ 160,637</b>	<b>\$ 143,104</b>	<b>\$ 117,881</b>	<b>\$ 93,003</b>	<b>\$ 761,611</b>	<b>\$ 8,168,157</b>

(1) Agriculture real estate loans and owner-occupied non-farm non-residential loans are not included within CRE for regulatory reporting purposes.

(2) Excludes multi-family residential loans of \$509.1 million and \$435.7 million as of June 30, 2024 and December 31, 2023, respectively, which are included in the residential real estate loans throughout the filing. Multi-family residential loans are included in CRE for regulatory purposes.

Our loan policy states that in order to achieve a well-balanced, diversified credit portfolio, concentrations containing inappropriate or excessive risk are to be avoided. It is the goal of the Company to maintain a prudent diversification of loans. We define a concentration of credit as direct or indirect obligations according to the following guidelines: (i) concentrations of 25% or more of total risk-based capital by individual borrower, small, interrelated group of individuals, single repayment source or individual project; (ii) concentrations of 100% or more of total risk-based capital by industry or product line. As of June 30, 2024, we have not met the threshold for the concentration limits. In addition, the Bank's Board of Directors monitors the CRE loan portfolio for concentrations related to geography, industry, and collateral type and determines applicable guidelines. The Chief Lending Officer also reviews the portfolio periodically to determine if any concentrations exist and makes recommendations with respect to setting internal guidelines.

The Company also monitors key risk indicators ("KRIs") on a quarterly basis for the overall loan portfolio as well as specific KRIs for the CRE portfolio. The KRIs are tied to the Bank's appetite for credit risk which is reflected in the Bank's credit policy and underwriting criteria. The KRIs related to underwriting include loan downgrades by loan review, loan downgrades to classified levels and loan policy exceptions (loan to value, debt coverage ratio and credit score). The KRIs related to CRE loans include concentrations of construction and land loans, concentrations of total commercial real estate loans, commercial real estate loans in excess of loan to value guidelines and total real estate loans in excess of loan to value guidelines. The results of the KRI analysis are presented to the Bank's Asset Quality Committee on a quarterly basis. Any exceptions to established limits and thresholds are monitored and addressed in a timely manner as required by the Asset Quality Committee.

The Company has a CRE strategy and contingency plan which outlines the principles required to adequately manage our CRE exposures. It discusses the inherent risks within CRE lending, as well as the risks unique to specific lending activities and property taxes. In addition, the plan outlines internal limits related to CRE lending, reasoning for operating outside those limits, and provides for a contingency plan to reduce the CRE exposures under adverse economic conditions or other situations where it is deemed necessary to do so. The responsibility for monitoring the CRE Strategy and Contingency Plan, and subsequent reporting to Management and the Board of Directors lies with the Chief Lending Officer and the Asset Quality Committee of the Board of Directors. Within the CRE Strategy and Contingency Plan, we established four adverse economic triggers to measure on an ongoing basis to attempt to determine when a change in CRE strategy might be warranted, at least from an external economic perspective. If one or a combination of these triggers have exceeded Board approved thresholds, the Executive Risk Committee will determine which action or combination of actions to take based on the specific situation. The required actions are likely to focus on tightening/loosening of underwriting criteria, potential capital raises or loan distribution actions such as selling or participating loans. However, other action steps may be considered necessary depending upon the specific situation. As of June 30, 2024, none of the triggers exceeded our internal guidelines, and we have not recommended any additional changes to our underwriting standards because the Company considers the current standards to be adequate in addressing the risks to our CRE portfolio.

**Residential Real Estate Loans.** We originate one to four family, residential mortgage loans generally secured by property located in our primary market areas. Approximately 54.7% and 38.6% 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 June 30, 2024, with the remaining 6.7% relating to condominiums 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 June 30, 2024, residential real estate loans totaled \$2.42 billion, or 16.4%, 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 \$536.4 million, \$1.06 billion, \$608.4 million, \$38.6 million, zero and \$177.9 million at June 30, 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 June 30, 2024, consumer loans totaled \$1.19 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 \$23.1 million, \$7.3 million, \$13.3 million, \$526,000, \$1.15 billion and zero at June 30, 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 June 30, 2024, commercial and industrial loans totaled \$2.24 billion, or 15.2%, 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 \$457.3 million, \$477.8 million, \$810.9 million, \$27.4 million, \$129.8 million and \$338.9 million at June 30, 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 \$85.2 million and \$130.7 million in PCD loans, as of June 30, 2024 and December 31, 2023, respectively.

Table 11 sets forth information with respect to our non-performing assets as of June 30, 2024 and December 31, 2023. As of these dates, all non-performing restructured loans are included in non-accrual loans.

**Table 11: Non-performing Assets**

	As of June 30, 2024	As of December 31, 2023
	(Dollars in thousands)	
Non-accrual loans	\$ 78,090	\$ 59,971
Loans past due 90 days or more (principal or interest payments)	8,251	4,130
Total non-performing loans	86,341	64,101
Other non-performing assets		
Foreclosed assets held for sale, net	41,347	30,486
Other non-performing assets	63	785
Total other non-performing assets	41,410	31,271
Total non-performing assets	\$ 127,751	\$ 95,372
Allowance for credit losses to non-accrual loans	378.87 %	480.62 %
Allowance for credit losses to non-performing loans	342.66	449.66
Non-accrual loans to total loans	0.53	0.42
Non-performing loans to total loans	0.58	0.44
Non-performing assets to total assets	0.56	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 \$86.3 million and \$64.1 million as of June 30, 2024 and December 31, 2023, respectively. Non-performing loans at June 30, 2024 were \$16.2 million, \$39.1 million, \$24.7 million, \$399,000, \$3.2 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 \$41.3 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 June 30, 2024, we had \$6.6 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 \$17.9 million of restructured loans that are not in compliance with the modified terms and are reported as non-accrual. Of the \$6.6 million of restructured loans that are in compliance with the modified terms, our Arkansas market contained \$1.5 million, our Florida market contained \$1.2 million, our Texas market contained \$1.6 million and our New York region contained \$2.2 million of these restructured loans. Of the \$17.9 million of restructured loans not in compliance with the modified terms, our Arkansas market contained \$1.4 million, our Florida market contained \$16.1 million and our Texas market contained \$471,000.

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 June 30, 2024, the amount of restructured loans was \$24.5 million. As of June 30, 2024, 26.8% of all restructured loans were performing to the terms of the restructure.

Total foreclosed assets held for sale were \$41.3 million as of June 30, 2024, compared to \$30.5 million as of December 31, 2023, for an increase of \$10.9 million. The foreclosed assets held for sale as of June 30, 2024 are comprised of \$69,000 assets located in Arkansas, \$7.5 million located in Florida, \$11.0 million 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 three properties. The first is an office building located in Santa Monica, California with a carrying value of \$22.8 million. The second is an apartment complex which is under construction in Gunter, Texas with a carrying value of \$10.9 million, and the third is an office building located in Miami, Florida with a carrying value of \$7.0 million. These three properties account for \$40.7 million of the balance of foreclosed assets held for sale at June 30, 2024.

Table 12 shows the summary of foreclosed assets held for sale as of June 30, 2024 and December 31, 2023.

**Table 12: Foreclosed Assets Held For Sale**

	As of December 31,	
	As of June 30, 2024	2023
	(In thousands)	
Commercial real estate loans		
Non-farm/non-residential	\$ 29,824	\$ 29,894
Construction/land development	10,882	47
Residential real estate loans		
Residential 1-4 family	641	545
Total foreclosed assets held for sale	<u>\$ 41,347</u>	<u>\$ 30,486</u>

The Company had \$95.7 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 June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024, our Arkansas, Florida, Texas, Alabama, SPF and Centennial CFG markets accounted for approximately \$21.6 million, \$40.4 million, \$25.2 million, \$399,000, \$3.2 million and \$5.0 million of the impaired loans, respectively.



The amortized cost balance for loans with a specific allocation decreased from \$10.5 million to \$8.6 million, and the specific allocation for impaired loans decreased by approximately \$2.4 million at June 30, 2024 compared to December 31, 2023.

#### Past Due and Non-Accrual Loans

Table 13 shows the summary of non-accrual loans as of June 30, 2024 and December 31, 2023:

**Table 13: Total Non-Accrual Loans**

	As of June 30, 2024	As of December 31, 2023
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	\$ 35,621	\$ 13,178
Construction/land development	5,516	12,094
Agricultural	612	431
Residential real estate loans		
Residential 1-4 family	23,051	20,351
Total real estate	64,800	46,054
Consumer	3,908	3,423
Commercial and industrial	9,226	9,982
Agricultural & other	156	512
Total non-accrual loans	\$ 78,090	\$ 59,971

If non-accrual loans had been accruing interest in accordance with the original terms of their respective agreements, interest income of approximately \$1.3 million and \$1.1 million, respectively, would have been recorded for both of the three-month periods ended June 30, 2024 and 2023. If non-accrual loans had been accruing interest in accordance with the original terms of their respective agreements, interest income of approximately \$2.5 million and \$2.1 million, respectively, would have been recorded for both of the six-month periods ended June 30, 2024 and 2023. The interest income recognized on non-accrual loans for the three months ended June 30, 2024 and 2023 was considered immaterial.

Table 14 shows the summary of accruing past due loans 90 days or more as of June 30, 2024 and December 31, 2023:

**Table 14: Loans Accruing Past Due 90 Days or More**

	As of June 30, 2024	As of December 31, 2023
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	\$ 4,387	\$ 2,177
Construction/land development	603	255
Residential real estate loans		
Residential 1-4 family	716	84
Total real estate	5,706	2,516
Consumer	10	79
Commercial and industrial	2,463	1,535
Other	72	—
Total loans accruing past due 90 days or more	\$ 8,251	\$ 4,130

Our ratio of total loans accruing past due 90 days or more and non-accrual loans to total loans was 0.58% and 0.44% at June 30, 2024 and December 31, 2023, respectively.

### **Allowance for Credit Losses**

*Overview.* The allowance for credit losses on loans receivable increased from \$288.2 million as of December 31, 2023 to \$295.9 million as of June 30, 2024. The specific reserve for loans individually analyzed for credit losses was \$4.0 million on \$134.3 million of individually analyzed loans as of June 30, 2024, compared to a reserve of \$6.4 million on \$171.7 million of individually analyzed loans as of December 31, 2023. The allowance for credit losses as a percentage of loans was 2.00% at both June 30, 2024 and December 31, 2023.

*Loans Collectively Evaluated for Credit Loss.* Loans receivable collectively evaluated for credit loss increased by approximately \$394.1 million from \$14.25 billion at December 31, 2023 to \$14.65 billion at June 30, 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 1.99% and 1.98% at June 30, 2024 and December 31, 2023, respectively.

*Charge-offs and Recoveries.* Total charge-offs decreased to \$3.1 million for the three months ended June 30, 2024, compared to \$4.7 million for the same period in 2023. Total charge-offs decreased to \$7.1 million for the six months ended June 30, 2024, compared to \$9.0 million for the same period in 2023. Total recoveries were \$660,000 and \$940,000 for the three months ended June 30, 2024 and 2023, respectively. Total recoveries were \$1.2 million and \$1.5 million for the six months ended June 30, 2024 and 2023, respectively. For the three months ended June 30, 2024, net charge-offs were \$1.1 million for Arkansas, \$135,000 for Florida, \$867,000 for Texas, \$5,000 for Alabama, \$82,000 for SPF and \$222,000 for Centennial CFG. These equal a net charge-off position of \$2.4 million. For the six months ended June 30, 2024, net charge-offs were \$2.6 million for Arkansas, \$525,000 for Florida, \$2.4 million for Texas, \$19,000 for Alabama, \$160,000 for SPF and \$222,000 for Centennial CFG. These equal a net charge-off position of \$5.9 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 15 shows the allowance for credit losses, charge-offs and recoveries as of and for the three and six months ended June 30, 2024 and 2023.

**Table 15: Analysis of Allowance for Credit Losses**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(Dollars in thousands)				
Balance, beginning of period	\$ 290,294	\$ 287,169	\$ 288,234	\$ 289,669
Loans charged off				
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	62	—	1,164	71
Construction/land development	80	—	81	25
Agricultural	—	—	—	2
Residential real estate loans:				
Residential 1-4 family	59	30	218	89
Total real estate	201	30	1,463	187
Consumer	199	141	397	362
Commercial and industrial	2,013	3,826	3,759	6,832
Other	685	729	1,457	1,633
Total loans charged off	3,098	4,726	7,076	9,014
Recoveries of loans previously charged off				
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	5	473	25	492
Construction/land development	82	63	89	70
Residential real estate loans:				
Residential 1-4 family	76	13	95	131
Multifamily residential	—	—	—	8
Total real estate	163	549	209	701
Consumer	22	16	61	57
Commercial and industrial	259	147	360	256
Other	216	228	568	514
Total recoveries	660	940	1,198	1,528
Net loans charged off	2,438	3,786	5,878	7,486
Provision for credit loss	8,000	2,300	13,500	3,500
Balance, June 30	\$ 295,856	\$ 285,683	\$ 295,856	\$ 285,683
Net charge-offs to average loans receivable	0.07 %	0.11 %	0.08 %	0.11 %
Allowance for credit losses to total loans	2.00	2.01	2.00	2.01
Allowance for credit losses to net charge-offs	3,017.22	1,881.28	2,502.89	1,892.43

Table 16 presents the allocation of allowance for credit losses as of June 30, 2024 and December 31, 2023.

**Table 16: Allocation of Allowance for Credit Losses**

	As of June 30, 2024		As of December 31, 2023	
	Allowance Amount	% of loans <sup>(1)</sup>	Allowance Amount	% of loans <sup>(1)</sup>
(Dollars in thousands)				
Real estate:				
Commercial real estate loans:				
Non-farm/non- residential	\$ 83,079	37.9 %	\$ 77,194	38.5 %
Construction/land development	58,673	17.0	33,877	15.9
Agricultural residential real estate loans	3,763	2.3	1,441	2.3
Residential real estate loans:				
Residential 1-4 family	38,461	13.0	51,313	12.8
Multifamily residential	12,893	3.4	4,547	3.0
Total real estate	196,869	73.6	168,372	72.5
Consumer	24,848	8.0	24,728	8.0
Commercial and industrial	68,173	15.2	91,551	16.1
Agricultural	1,462	2.1	1,259	2.1
Other	4,504	1.1	2,324	1.3
Total	\$ 295,856	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 4.8 years as of June 30, 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 June 30, 2024 and December 31, 2023.

At June 30, 2024, \$1.11 billion, or 86.6%, was invested in obligations of state and political subdivisions, compared to \$1.11 billion, or 86.5%, as of December 31, 2023. As of June 30, 2024, \$43.4 million, or 3.4% was invested in obligations of U.S. Government-sponsored enterprises, compared to \$43.3 million, or 3.4%, as of December 31, 2023. We had \$127.5 million, or 10.0%, invested in U.S. government-sponsored mortgage-backed securities at June 30, 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 \$3.34 billion and \$3.51 billion as June 30, 2024 and December 31, 2023, respectively.

As of June 30, 2024, \$1.42 billion, or 42.5%, 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, \$890.3 million, or 26.6%, of our available-for-sale securities portfolio as of June 30, 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 \$319.5 million, or 9.6%, invested in obligations of U.S. Government-sponsored enterprises as of June 30, 2024, compared to \$346.6 million, or 9.9%, of our available-for-sale securities as of December 31, 2023. We had \$353.8 million, or 10.6%, invested in non-government-sponsored asset backed securities as of June 30, 2024, compared to \$363.5 million, or 10.4%, of our available-for-sale securities as of December 31, 2023. As of June 30, 2024, \$173.1 million, or 5.2%, 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 \$187.4 million, or 5.6%, invested in other securities as of June 30, 2024, compared to \$185.6 million, or 5.3% of our available-for-sale securities as of December 31, 2023.

During the period ended June 30, 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 \$16.94 billion and \$16.84 billion for the three and six months ended June 30, 2024, respectively. Our deposits averaged \$17.14 billion and \$17.41 billion for the three and six months ended June 30, 2023, respectively. Total deposits were \$16.96 billion as of June 30, 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 17 reflects the classification of the brokered deposits as of June 30, 2024 and December 31, 2023.

**Table 17: Brokered Deposits**

	June 30, 2024	December 31, 2023
	(In thousands)	
Insured Cash Sweep and Other Transaction Accounts	\$ 407,306	\$ 401,004
Total Brokered Deposits	\$ 407,306	\$ 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 June 30, 2024, the target rate was 5.25% to 5.50% as the Federal Reserve has left the target rate unchanged in 2024.

Table 18 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 and six months ended June 30, 2024 and 2023.

**Table 18: Average Deposit Balances and Rates**

	Three Months Ended June 30,			
	2024		2023	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
(Dollars in thousands)				
Non-interest-bearing transaction accounts	\$ 4,083,916	— %	\$ 4,717,623	— %
Interest-bearing transaction accounts	9,977,541	3.04	9,964,379	2.42
Savings deposits	1,141,046	0.88	1,278,609	0.77
Time deposits:				
\$100,000 or more	1,135,435	4.31	740,775	2.84
Other time deposits	597,175	3.80	434,150	2.09
<b>Total</b>	<b>\$ 16,935,113</b>	<b>2.27 %</b>	<b>\$ 17,135,536</b>	<b>1.64 %</b>
	Six Months Ended June 30,			
	2024		2023	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
(Dollars in thousands)				
Non-interest-bearing transaction accounts	\$ 4,050,787	— %	\$ 4,879,521	— %
Interest-bearing transaction accounts	9,931,812	3.01	10,094,315	2.25
Savings deposits	1,146,937	0.86	1,315,915	0.76
Time deposits:				
\$100,000 or more	1,120,873	4.27	701,417	2.36
Other time deposits	588,029	3.75	422,376	1.73
<b>Total</b>	<b>\$ 16,838,438</b>	<b>2.25 %</b>	<b>\$ 17,413,544</b>	<b>1.50 %</b>

#### **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 decreased \$4.1 million, or 2.9%, from \$142.1 million as of December 31, 2023 to \$138.0 million as of June 30, 2024.

#### **FHLB and Other Borrowed Funds**

The Company's FHLB borrowed funds, which are secured by our loan portfolio, were \$600.0 million at both June 30, 2024 and December 31, 2023. At June 30, 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 June 30, 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 June 30, 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 \$1.26 billion and \$1.33 billion at June 30, 2024 and December 31, 2023, respectively, in letters of credit under a FHLB blanket borrowing line of credit, which are used to collateralize public deposits.

### ***Subordinated Debentures***

Subordinated debentures were \$439.5 million and \$439.8 million as of June 30, 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 \$64.4 million to \$3.86 billion as of June 30, 2024, compared to \$3.79 billion as of December 31, 2023. The \$64.4 million increase in stockholders' equity is primarily associated with the \$201.6 million in net income for the six months ended June 30, 2024, which was partially offset by the \$72.3 million of shareholder dividends paid, the \$12.7 million in other comprehensive loss and stock repurchases of \$56.6 million in 2024. As of June 30, 2024 and December 31, 2023, our equity to asset ratio was 16.82% and 16.73%, respectively. Book value per share was \$19.30 as of June 30, 2024, compared to \$18.81 as of December 31, 2023, a 5.2% 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 June 30, 2024 and 2023, and \$0.36 per share for the six months ended June 30, 2024 and 2023. The common stock dividend payout ratio for the three months ended June 30, 2024 and 2023 was 35.6% and 34.7%, respectively. The common stock dividend payout ratio for the six months ended June 30, 2024 and 2023 was 35.9% and 35.1%, respectively. On July 19, 2024, the Board of Directors declared a regular \$0.195 per share quarterly cash dividend payable September 4, 2024, to shareholders of record August 14, 2024.

*Stock Repurchase Program.* During the first six months of 2024, the Company repurchased a total of 2,426,028 shares with a weighted-average stock price of \$23.31 per share. Shares repurchased under the program as of June 30, 2024 since its inception total 25,411,743 shares. The remaining balance available for repurchase is 14,340,257 shares at June 30, 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 June 30, 2024 and December 31, 2023, we met all regulatory capital adequacy requirements to which we were subject.

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 19 presents our risk-based capital ratios on a consolidated basis as of June 30, 2024 and December 31, 2023.

**Table 19: Risk-Based Capital**

	As of December 31,	
	As of June 30, 2024	2023
	(Dollars in thousands)	
Tier 1 capital		
Stockholders' equity	\$ 3,855,503	\$ 3,791,075
ASC 326 transitional period adjustment	8,123	16,246
Goodwill and core deposit intangibles, net	(1,442,293)	(1,446,573)
Unrealized loss on available-for-sale securities	261,799	249,075
Total common equity Tier 1 capital	2,683,132	2,609,823
Total Tier 1 capital	2,683,132	2,609,823
Tier 2 capital		
Allowance for credit losses	295,856	288,234
ASC 326 transitional period adjustment	(8,123)	(16,246)
Disallowed allowance for credit losses (limited to 1.25% of risk weighted assets)	(53,162)	(40,509)
Qualifying allowance for credit losses	234,571	231,479
Qualifying subordinated notes	439,542	439,834
Total Tier 2 capital	674,113	671,313
Total risk-based capital	\$ 3,357,245	\$ 3,281,136
Average total assets for leverage ratio	\$ 21,728,684	\$ 20,981,774
Risk weighted assets	\$ 18,665,317	\$ 18,440,964
Ratios at end of period		
Common equity Tier 1 capital	14.37 %	14.15 %
Leverage ratio	12.35	12.44
Tier 1 risk-based capital	14.37	14.15
Total risk-based capital	17.99	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 20 below, we have provided a reconciliation of the non-GAAP calculation of the financial measure for the periods indicated.

**Table 20: Earnings, As Adjusted**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
GAAP net income available to common shareholders (A)	\$ 101,530	\$ 105,271	\$ 201,639	\$ 208,233
Pre-tax adjustments:				
FDIC special assessment	2,260	—	2,260	—
Fair value adjustment for marketable securities	274	(783)	(729)	10,625
Gain on sale of building	(2,059)	—	(2,059)	—
Recoveries on historic losses	—	—	—	(3,461)
BOLI death benefits	—	(2,779)	(162)	(2,779)
Total pre-tax adjustments	475	(3,562)	(690)	4,385
Tax-effect of adjustments <sup>(1)</sup>	119	(879)	(132)	1,082
Investment DTA write-off	2,030	—	2,030	—
Total adjustments after-tax (B)	2,386	(2,683)	1,472	3,303
Earnings, as adjusted (C)	\$ 103,916	\$ 102,588	\$ 203,111	\$ 211,536
Average diluted shares outstanding (D)	200,465	202,923	200,909	203,274
GAAP diluted earnings per share: A/D	\$ 0.51	\$ 0.52	\$ 1.00	\$ 1.02
Adjustments after-tax: B/D	0.01	(0.01)	0.01	0.02
Diluted earnings per common share excluding adjustments: C/D	\$ 0.52	\$ 0.51	\$ 1.01	\$ 1.04

(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 June 30, 2024, December 31, 2023 and June 30, 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 21 through 24, respectively.

**Table 21: Tangible Book Value Per Share**

	As of December 31,	
	As of June 30, 2024	2023
	(In thousands, except per share data)	
Book value per share: A/B	\$ 19.30	\$ 18.81
Tangible book value per share: (A-C-D)/B	12.08	11.63
(A) Total equity	\$ 3,855,503	\$ 3,791,075
(B) Shares outstanding	199,746	201,526
(C) Goodwill	1,398,253	1,398,253
(D) Core deposit intangibles	44,490	48,770

**Table 22: Return on Average Assets, As Adjusted**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Return on average assets: A/D	1.79 %	1.90 %	1.78 %	1.87 %
Return on average assets, as adjusted: (A+C)/D	1.83	1.85	1.79	1.90
Return on average assets excluding intangible amortization: B/(D-E)	1.94	2.07	1.93	2.03
(A) Net income	\$ 101,530	\$ 105,271	\$ 201,639	\$ 208,233
Intangible amortization after-tax	1,605	1,866	3,210	3,732
(B) Earnings excluding intangible amortization	\$ 103,135	\$ 107,137	\$ 204,849	\$ 211,965
(C) Adjustments after-tax	\$ 2,386	\$ (2,683)	\$ 1,472	\$ 3,303
(D) Average assets	22,875,949	22,227,404	22,779,604	22,460,335
(E) Average goodwill, core deposits and other intangible assets	1,443,778	1,452,951	1,444,840	1,454,180

**Table 23: Return on Average Equity, As Adjusted**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(Dollars in thousands)				
Return on average equity: A/D	10.73 %	11.63 %	10.69 %	11.66 %
Return on average common equity, as adjusted: (A+C)/D	10.98	11.33	10.76	11.85
Return on average tangible common equity: A/(D-E)	17.29	19.39	17.26	19.57
Return on average tangible equity excluding intangible amortization: B/(D-E)	17.56	19.74	17.53	19.92
Return on average tangible common equity, as adjusted: (A+C)/(D-E)	17.69	18.90	17.38	19.88
(A) Net income	\$ 101,530	\$ 105,271	\$ 201,639	\$ 208,233
(B) Earnings excluding intangible amortization	103,135	107,137	204,849	211,965
(C) Adjustments after-tax	2,386	(2,683)	1,472	3,303
(D) Average equity	3,805,800	3,630,194	3,794,726	3,600,061
(E) Average goodwill, core deposits and other intangible assets	1,443,778	1,452,951	1,444,840	1,454,180

**Table 24: Tangible Equity to Tangible Assets**

	As of June 30, 2024	As of December 31, 2023
	(Dollars in thousands)	
Equity to assets: B/A	16.82 %	16.73 %
Tangible equity to tangible assets: (B-C-D)/(A-C-D)	11.23	11.05
(A) Total assets	\$ 22,919,905	\$ 22,656,658
(B) Total equity	3,855,503	3,791,075
(C) Goodwill	1,398,253	1,398,253
(D) Core deposit intangibles	44,490	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 25 below, we have provided a reconciliation of the non-GAAP calculation of the financial measure for the periods indicated.

**Table 25: Efficiency Ratio, As Adjusted**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(Dollars in thousands)				
Net interest income (A)	\$ 211,822	\$ 207,643	\$ 416,412	\$ 422,238
Non-interest income (B)	42,774	49,509	84,573	83,673
Non-interest expense (C)	113,185	116,282	224,681	230,926
FTE Adjustment (D)	2,628	1,494	3,520	3,122
Amortization of intangibles (E)	2,140	2,478	4,280	4,955
Adjustments:				
Non-interest income:				
Fair value adjustment for marketable securities	\$ (274)	\$ 783	\$ 729	\$ (10,625)
Gain on OREO, net	49	319	66	319
Gain (loss) on branches, equipment and other assets, net	2,052	917	2,044	924
BOLI death benefits	—	2,779	162	2,779
Recoveries on historic losses	—	—	—	3,461
Total non-interest income adjustments (F)	\$ 1,827	\$ 4,798	\$ 3,001	\$ (3,142)
Non-interest expense:				
FDIC special assessment	\$ 2,260	\$ —	\$ 2,260	\$ —
Total non-interest expense adjustments (G)	\$ 2,260	\$ —	\$ 2,260	\$ —
Efficiency ratio (reported): ((C-E)/(A+B+D))	43.17 %	44.00 %	43.69 %	44.39 %
Efficiency ratio, as adjusted (non-GAAP): ((C-E-G)/(A+B+D-F))	42.59	44.83	43.50	44.12

#### 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 June 30, 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 \$1.63 billion in unpledged investment securities which could be used for additional secured borrowing capacity, \$797.3 million in cash on deposit with the Federal Reserve Bank ("FRB") and \$247.8 million in other liquid cash accounts.

Consistent with our practice of maintaining access to significant external liquidity, we had \$3.15 billion in net available sources of borrowed funds, which we refer to as net available external liquidity, as of June 30, 2024. This included \$4.81 billion in total borrowing capacity with the Federal Home Loan Bank ("FHLB"), of which \$1.86 billion has been drawn upon in the ordinary course of business, resulting in \$2.95 billion in net available liquidity with the FHLB as of June 30, 2024. The \$1.86 billion consisted of \$600.0 million in outstanding FHLB advances and \$1.26 billion used for pledging purposes. We also had access to approximately \$797.3 million in liquidity with the FRB as of June 30, 2024, of which \$700.0 million has been drawn upon in the ordinary course of business, resulting in \$97.3 million in net available liquidity with the FRB as of June 30, 2024. As of June 30, 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.

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Overall, we had \$5.82 billion net available liquidity as of June 30, 2024, which consisted of \$2.67 billion of net available internal liquidity and \$3.15 billion in net available external liquidity. Details on our available liquidity as of June 30, 2024 is available below.

(in thousands)	Total Available	Amount Used	Net Availability
<b>Internal Sources</b>			
Unpledged investment securities (market value)	\$ 1,627,007	\$ —	\$ 1,627,007
Cash at FRB	797,300	—	797,300
Other liquid cash accounts	247,813	—	247,813
<b>Total Internal Liquidity</b>	<b>2,672,120</b>	<b>—</b>	<b>2,672,120</b>
<b>External Sources</b>			
FHLB	4,808,671	1,859,049	2,949,622
FRB Discount Window	97,296	—	97,296
BTFP (par value)	700,000	700,000	—
FNBB	55,000	—	55,000
Other	45,000	—	45,000
<b>Total External Liquidity</b>	<b>5,705,967</b>	<b>2,559,049</b>	<b>3,146,918</b>
<b>Total Available Liquidity</b>	<b>\$ 8,378,087</b>	<b>\$ 2,559,049</b>	<b>\$ 5,819,038</b>

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 June 30, 2024, we held approximately \$8.33 billion in uninsured deposits of which \$744.9 million were intercompany subsidiary deposit balances and \$2.90 billion were collateralized deposits, for a net position of \$4.69 billion. This represented approximately 27.6% of total deposits. In addition, net available liquidity exceeded uninsured and uncollateralized deposits by \$1.13 billion as of June 30, 2024.

(in thousands)	As of June 30, 2024
Uninsured Deposits	\$ 8,327,937
Intercompany Subsidiary and Affiliate Balances	744,882
Collateralized Deposits	2,896,015
Net Uninsured Position	\$ 4,687,040
Total Available Liquidity	\$ 5,819,038
Net Uninsured Position	4,687,040
<b>Net Available Liquidity in Excess of Uninsured Deposits</b>	<b>\$ 1,131,998</b>

*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 June 30, 2024, our net interest margin exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us.

Table 26 presents our sensitivity to net interest income as of June 30, 2024 and June 30, 2023.

**Table 26: Sensitivity of Net Interest Income**

Interest Rate Scenario	Percentage Change from Base	Percentage Change from Base	June 30,
	June 30, 2024	June 30, 2023	2024 vs. 2023
Up 200 basis points	8.93 %	8.20 %	0.73 %
Up 100 basis points	4.60	4.40	0.20
Down 100 basis points	(5.41)	(5.00)	(0.41)
Down 200 basis points	(10.91)	(9.90)	(1.01)

There have been no material changes in our market risk exposure from June 30, 2023 to June 30, 2024 as the Company remains in an asset sensitive position with no significant changes to the balance sheet mix and only one target rate increase by the Federal Reserve from 5.00% to 5.25% at June 30, 2023 to 5.25% to 5.50% on July 26, 2023.

#### **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 June 30, 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**

During the three months ended June 30, 2024, the Company utilized a portion of its stock repurchase program most recently amended and approved by the Board of Directors on January 22, 2021, which authorized the repurchase of up to an additional 20,000,000 shares of the Company's common stock. 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 <sup>(1)</sup>
April 1 through April 30, 2024	468,029	\$ 23.37	468,029	15,272,322
May 1 through May 31, 2024	263,334	23.66	263,334	15,008,988
June 1 through June 30, 2024	668,731	23.02	668,731	14,340,257
Total	1,400,094		1,400,094	

(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 June 30, 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.



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### Item 6: Exhibits

Exhibit No.	Description of Exhibit
3.1	<a href="#">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)</a>
3.2	<a href="#">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)</a>
3.3	<a href="#">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)</a>
3.4	<a href="#">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)</a>
3.5	<a href="#">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)</a>
3.6	<a href="#">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))</a>
3.7	<a href="#">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)</a>
3.8	<a href="#">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)</a>
3.9	<a href="#">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)</a>
3.10	<a href="#">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)</a>
3.11	<a href="#">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))</a>
3.12	<a href="#">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)</a>
3.13	<a href="#">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)</a>
4.1	<a href="#">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))</a>
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.
10.1	<a href="#">Home BancShares, Inc. Amended and Restated Performance-Based Executive Incentive Plan*</a>
15	<a href="#">Acknowledgment of Independent Registered Public Accounting Firm*</a>
31.1	<a href="#">CEO Certification Pursuant Rule 13a-14(a)/15d-14(a)*</a>
31.2	<a href="#">CFO Certification Pursuant Rule 13a-14(a)/15d-14(a)*</a>
32.1	<a href="#">CEO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes – Oxley Act of 2002*</a>
32.2	<a href="#">CFO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes – Oxley Act of 2002*</a>

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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:	<u>August 2, 2024</u>	<u>/s/ John W. Allison</u> John W. Allison, Chairman and Chief Executive Officer
Date:	<u>August 2, 2024</u>	<u>/s/ Brian S. Davis</u> Brian S. Davis, Chief Financial Officer
Date:	<u>August 2, 2024</u>	<u>/s/ Jennifer C. Floyd</u> Jennifer C. Floyd, Chief Accounting Officer

**HOME BANCSHARES, INC.**  
**AMENDED AND RESTATED PERFORMANCE-BASED**  
**EXECUTIVE INCENTIVE PLAN**

1. Purpose; Effective Date.

1.1 General Purpose. The name of this plan is the Home BancShares, Inc. Amended and Restated Performance-Based Executive Incentive Plan (the “**Plan**”). The purposes of the Plan are to (a) enable the Company to attract and retain superior employees who will contribute to the Company's long-range success; (b) provide an opportunity for annual cash incentives to eligible officers of the Company; and (c) focus executives on achieving the strategic and performance objectives of the Company. The Plan provides award opportunities and is intended to provide rewards to the executive team for exceptional corporate performance.

1.2 Effective Date. The Plan is hereby adopted this February [•], 2024, but shall be deemed effective as of January 1, 2024 (the “**Effective Date**”) and shall remain effective until it has been terminated pursuant to Section 8.6.

2. Definitions.

“**Affiliate**” means any corporation or other entity controlled by the Company.

“**Annual Cash Bonus Amount**” has the meaning set forth in Section 5.1 of this Plan.

“**Board**” means the Board of Directors of the Company, as constituted at any time.

“**Cash Bonus Award**” means a cash incentive award granted under the Plan including without limitation an Annual Cash Bonus Amount and Deferred Cash Bonus Amount.

“**Code**” means the U.S. Internal Revenue Code of 1986, as it may be amended from time to time. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

“**Committee**” has the meaning set forth in Section 3.1 of this Plan.

“**Common Stock**” means the Company's common stock, par value \$.01 per share.

“**Company**” means Home BancShares, Inc., an Arkansas corporation, and its subsidiaries on a consolidated basis, and any respective successor thereto, including by merger, acquisition of a majority of the outstanding shares of the Company's Common Stock or acquisition of all or substantially all of the Company's assets.

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**"Continuous Service"** means that the Participant's service with the Company or an Affiliate, whether as an employee, consultant or director, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an employee, consultant or director or a change in the entity for which the Participant renders such service, *provided that* there is no interruption or termination of the Participant's Continuous Service; *provided further that* if any Award is subject to Section 409A of the Code, this sentence shall only be given effect to the extent consistent with Section 409A of the Code. For example, a change in status from an employee of the Company to a director of an Affiliate will not constitute an interruption of Continuous Service. The Committee or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence. The Committee or its delegate, in its sole discretion, may determine whether a Company transaction, such as a merger, sale or spin-off of a division or subsidiary that employs a Participant, shall be deemed to result in a termination of Continuous Service for purposes of affected Cash Bonus Awards, and such decision shall be final, conclusive and binding.

**"Deferred Cash Bonus Amount"** has the meaning set forth in Section 5.2 of this Plan.

**"Determination Date"** has the meaning set forth in Section 5.1 of this Plan.

**"Disability"** means that the Participant cannot substantially perform any of his or her job duties by reason of any medically determinable physical or mental impairment for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days; provided, however, that the determination of whether an individual has a Disability shall be determined under procedures established by the Committee, and the Committee may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company or any Affiliate in which a Participant participates.

**"Efficiency Ratio"** means the Company's efficiency ratio, 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.

**"Effective Date"** shall have the meaning set forth in Section 1.2.

**"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

**"Executive Chairman"** shall mean the person appointed as the Executive Chairman of the Board of the Company.

**"GAAP"** means generally accepted accounting principles then in effect in the United States.

**"Net Charge-Off Ratio"** means the percentage of net charge-offs to average loans outstanding.

**"NIM"** means the Company's annualized net interest margin on a fully taxable equivalent, or FTE, basis.

**"Participant"** means an executive officer of the Company designated by the Committee as eligible to receive a Cash Bonus Award for a particular Performance Year and whose interest in such Cash Bonus Award has not been fully paid or forfeited.

**"Peer Group"** means, as of the end of the applicable Performance Year (or such other date as of which performance is being determined pursuant to this Plan), those U.S. banks and bank holding companies (excluding banks and bank holding companies in Puerto Rico) with \$10 - \$50 billion in assets and not including banks that are not traditional banks primarily offering both depository and lending services.

**"Performance Measures"** means the consolidated financial or operational performance metrics of the Company and the performance objectives for individual Participants set forth in Section 5 of this Plan and such other Company and individual performance measures and objectives as the Committee may designate in its sole and absolute discretion.

**"Performance Year"** means the Company's fiscal year during which the services giving rise to an Award are rendered.

**"Person"** means a person as defined in Section 13(d)(3) of the Exchange Act.

**"ROA"** means the Company's return on average assets, calculated by dividing the Company's net income by average assets.

**"ROTCE"** means the Company's return on tangible common equity, calculated by dividing the Company's net income by the result of average equity minus average goodwill, core deposits and other intangible assets.

**"Total RBCR"** means the Company's total risk-based capital ratio determined in accordance with Federal Reserve Board rules and guidelines.

### 3. Administration.

3.1 Administration by the Committee. The Plan shall be administered by the Compensation and Leadership Development Committee of the Board (the **"Committee"**). The Committee will determine and approve each Cash Bonus Award as early in the calendar year as possible which shall include the following as applicable:

- (a) Each Participant;

- (b) The applicable performance goals for each Performance Measure if different from those set forth herein;
- (c) The amount of the Cash Bonus Award (including the Annual Cash Bonus Amount and the Deferred Cash Bonus Amount) as a percentage of base salary; and
- (d) Any other terms or conditions of the Cash Bonus Award.

Following the end of the Performance Year, the Committee will review the Company's performance and each Participant's individual performance for the applicable Performance Year to determine whether the applicable Performance Measures have been satisfied and to direct whether and to what extent the Cash Bonus Award shall be paid in accordance with the terms provided herein.

3.2 Authority of the Committee. Subject to the provisions of the Plan and applicable law, the Committee shall have the power, in addition to other express powers and authorizations conferred on the Committee by the Plan, to: (a) designate Participants; (b) determine the terms and conditions of any Cash Bonus Award; (c) determine whether, to what extent, and under what circumstances Cash Bonus Awards may be forfeited or suspended; (d) interpret, administer, reconcile any inconsistency, correct any defect and/or supply any omission in the Plan or any instrument or agreement relating to, or Cash Bonus Award granted under, the Plan; (e) establish, amend, suspend, or waive any rules for the administration, interpretation and application of the Plan; and (f) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

3.3 Committee Decisions Binding. All determinations and decisions made by the Committee, the Board, and any delegate of the Committee pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, and shall be given the maximum deference permitted by law.

3.4 Delegation by the Committee. The Committee, in its sole discretion, may delegate all or part of its authority and powers under the Plan to one or more directors of the Company who is independent under the applicable listing standards of the NASDAQ Stock Market.

3.5 Agents; Limitations of Liability. The Committee may appoint agents to assist in administering the Plan. The Committee and each member thereof shall be entitled to, in good faith, rely or act upon any report or other information furnished to it or him by any officer or employee of the Company, the Company's certified public accountants, consultants or any other agent assisting in the administration of the Plan. Members of the Committee and any officer or employee of the Company acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. Eligibility. The Committee shall designate each executive officer of the Company who shall be eligible to receive a Cash Bonus Award under this Plan for a particular Performance Year.

5. Determination of Award Amounts. Each Participant shall be eligible to receive a Cash Bonus Award in an amount up to 60% of his or her annual base salary for the applicable Performance Year (or up to 100% in the case of the Executive Chairman), including an Annual Cash Bonus Amount and a Deferred Cash Bonus Amount, subject to the terms and conditions of this Plan and the achievement of certain Company and individual performance objectives as described in this Section 5.

5.1 Annual Cash Bonus Amount. A portion of the Cash Bonus Award representing up to 50% of the Participant's annual base salary (or the entire Cash Bonus Award representing up to 100% of annual base salary in the case of the Executive Chairman) for the applicable Performance Year shall vest and become payable following the completion of the Performance Year upon the Committee's certification that one or more of the absolute and relative Performance Measures set forth in this Section 5.1 have been satisfied (the "**Annual Cash Bonus Amount**").

(a) Absolute Performance Measures. 50% of the Annual Cash Bonus Amount (representing up to 25% of the Participant's annual base salary for the Performance Year), or 100% of the Annual Cash Bonus Amount in the case of the Executive Chairman (representing up to 100% of the Executive Chairman's annual base salary for the Performance Year), shall be based on achievement of certain absolute Company and individual Performance Measures as of the end of the Performance Year. The applicable Performance Measures, the relative weighting of each such Performance Measure and the applicable performance goal for each such Performance Measure are set forth in the following table:

Performance Measure	Relative Weighting (as a % of Annual Cash Bonus Amount)	Performance Goal
ROA*	10% (5% of base salary)	≥ 1.20
ROTCE*	10% (5% of base salary)	≥ 10%
Efficiency Ratio*	10% (5% of base salary)	Under 47%
Net Charge-Off Ratio*	10% (5% of base salary)	≤ 1%
Individual Performance Component	10% (5% of base salary)	**
* May be adjusted to disregard or exclude unusual or infrequently occurring items and the effects of changes in applicable tax laws or accounting principles as the Committee deems appropriate including without limitation any effect or impact of CECL, other regulatory changes, changes in applicable tax laws and mergers and acquisitions.		
** The Committee shall determine in its sole discretion whether the Participant has satisfied this Performance Measure based on the individual's performance and contributions to the Company during the Performance Year.		



(b) Peer Comparison Performance Measures. 50% of the Annual Cash Bonus Amount (representing up to 25% of the Participant's annual base salary for the Performance Year) shall be based on achievement of certain Company Performance Measures relative to the performance of the Peer Group as of the end of the Performance Year (the Executive Chairman shall not receive any Annual Cash Bonus under this subsection (b)). The applicable Performance Measures, the relative weighting of each such Performance Measure and the applicable performance goal for each such Performance Measure are set forth in the following table:

<b>Performance Measure</b>	<b>Relative Weighting (as a % of Annual Cash Bonus Amount)</b>	<b>Performance Goal (Ranking among Peer Group)</b>
ROA*	12.5% (6.25% of base salary)	66 2/3 <sup>rd</sup> percentile or above
ROTCE*	12.5% (6.25% of base salary)	66 2/3 <sup>rd</sup> percentile or above
Efficiency Ratio*	12.5% (6.25% of base salary)	66 2/3 <sup>rd</sup> percentile or above
NIM*	12.5% (6.25% of base salary)	66 2/3 <sup>rd</sup> percentile or above
* May be adjusted to disregard or exclude unusual or infrequently occurring items and the effects of changes in applicable laws or accounting principles as the Committee deems appropriate including without limitation any effect or impact of CECL, other regulatory changes, changes in applicable tax laws and mergers and acquisitions.		

(c) Determination of Annual Cash Bonus Amount

(i) As soon as practicable following the end of the Performance Year, the Committee shall determine (the date of such determination being the "**Determination Date**") whether each Performance Measure has been achieved as of the end of the Performance Year and the final dollar amount, if any, of the Annual Cash Bonus Amount payable to each Participant under the Plan. The Committee may rely on the Company's internally-prepared profit and loss statements to determine whether each Performance Measure has been satisfied and the related calculations and adjustments.

(ii) If the Committee determines that any Performance Measure listed in paragraph (a) or (b) of this Section 5.1 is not satisfied for the applicable Performance Year, the corresponding portion of the Annual Cash Bonus Amount will be deemed forfeited and will result in 0% being earned and paid to the Participant for that portion of the Cash Bonus Award. In no case shall the Annual Cash Bonus Amount exceed 50% of the Participant's annual base salary for the applicable Performance Year (or 100% of annual base salary in the case of the Executive Chairman).

(iii) Notwithstanding the foregoing, if the Committee has received the Company's financial statements for the Performance Year but the Peer Group information is not yet available for determination of whether the relative Performance Measures described in paragraph (b) of this Section 5.1 have been satisfied as of the end of the Performance Year, the Committee may apply the Performance Measures set forth in paragraph (b) of this Section 5.1 based on the Company's and the Peer Group's performance as of and for the nine-month period ended September 30 of the Performance Year for purposes of determining whether each applicable performance goal has been met and the corresponding amount, if any, of the Annual Cash Bonus Amount payable to each Participant; provided, however, that any such determination is subject to clawback as provided in Section 8.18.

(iv) The Annual Cash Bonus Amount shall be paid in accordance with Section 6 of this Plan.

5.2 Deferred Cash Bonus Amount. If the Committee determines that the Participant has earned the maximum eligible Annual Cash Bonus Amount under Section 5.1 above, then subject to Section 6.3 of the Plan, the Participant (other than the Executive Chairman) shall be entitled to an additional cash bonus amount equal to 10% of the Participant's annual base salary for the Performance Year, which shall vest at the end of the second full calendar year following the completion of the Performance Year, subject to the Participant's Continuous Service with the Company as described in Section 6.3 hereto (the "**Deferred Cash Bonus Amount**"). For example, for the 2024 Performance Year, such Deferred Cash Bonus Amount would vest on December 31, 2026 and become payable in the first quarter of 2027. Such Deferred Cash Bonus Amount shall only be payable if the Participant has earned the maximum eligible Annual Cash Bonus Amount under Section 5.1 above.

## 6. Payment of Cash Bonus Awards

6.1 Form of Cash Bonus Award Payments. Subject to any withholding obligations as described in Section 7.5 hereof, all Cash Bonus Awards shall be settled and paid in full in cash.

6.2 Timing of Cash Bonus Award Payments. The Annual Cash Bonus Amount shall be paid in cash in a single lump sum as soon as reasonably practicable following the Determination Date, but in no event later than the 15<sup>th</sup> day of the third calendar month following the end of each Performance Year. Subject to Sections 5.2 and 6.3 hereof, promptly following the second anniversary of the last day of the Performance Year, but in no event later than the 15<sup>th</sup> day of the third calendar month following such anniversary date, the Company shall pay to the Participant the Deferred Cash Bonus Amount, if any, to which the Participant is entitled.

6.3 Continuous Service Requirement during Performance Year or for Deferred Cash Bonus Amount Unless otherwise determined by the Compensation Committee, a Participant shall not be entitled to any Cash Bonus Award for that Performance Year if such Participant's Continuous Service is terminated for any reason (other than for death or Disability as described herein) during such Performance Year. Except as otherwise provided in Section 7 of the Plan, in order to be eligible to receive payment for any Deferred Cash Bonus Amount, a Participant's Continuous Service must not be terminated on or before the date on which the Deferred Cash Bonus Amount vests in accordance with Sections 5.2 and 6.2 of the Plan.

## 7. Termination of Continuous Service

7.1 Termination of Continuous Service Due to Death or Disability. If the Participant's Continuous Service terminates as a result of the Participant's death or Disability during a Performance Year, the Cash Bonus Award shall be paid to or on behalf of the Participant, as the case may be, if and at such time as it would have been paid to the Participant if the death or Disability had not occurred, except that unless the Compensation Committee determines otherwise, no Deferred Cash Bonus Amount shall be payable, regardless of whether the maximum eligible Annual Cash Bonus Amount is earned pursuant to Section 5.1. Unless otherwise determined by the Compensation Committee, if the Participant's Continuous Service terminates as a result of the Participant's death or Disability after the end of a Performance Year in which a Deferred Cash Bonus Amount was earned but prior to the date the Deferred Cash Bonus Amount vests under Section 5.2 of the Plan, one-third of the Deferred Cash Bonus Amount shall vest immediately if the death or Disability occurs in the first year following the Performance Year or two-thirds of the Deferred Cash Bonus Amount shall vest immediately if the death or Disability occurs in the second year following the Performance Year, and the remaining two-thirds of the Deferred Cash Bonus Amount (in the case of death or Disability occurring in the first year following the Performance Year) or the remaining one-third of the Deferred Cash Bonus Amount (in the case of death or Disability occurring in the second year following the Performance Year) shall be forfeited. Notwithstanding the foregoing, if the Participant dies by suicide, while sane or insane, the unpaid Deferred Cash Bonus Amount shall be forfeited. For purposes of this Section 7.1, "suicide" shall include situations where the Participant (i) causes his or her own death in an obvious manner (where the Participant is clearly responsible for taking his or her own life), or (ii) dies while carrying out acts of felony.

7.2 Other Terminations of Continuous Service. If a Participant's Continuous Service terminates for any reason other than set forth in Section 7.1 following the completion of the Performance Year but prior to the date the Deferred Cash Bonus Amount vests under Section 5.2 of the Plan, then the Participant will forfeit all rights to such Deferred Cash Bonus Amount, unless otherwise determined by the Compensation Committee.

## 8. General Provisions.

8.1 Compliance with Legal Requirements. The Plan and the payment of Cash Bonus Awards shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required.

8.2 Non-Transferability. A Participant's rights and interests under the Plan, including any Cash Bonus Award previously made to such person or any amounts payable under the Plan, may not be assigned, pledged, or transferred, except in the event of the Participant's death, to a designated beneficiary in accordance with the Plan, or in the absence of such designation, by will or the laws of descent and distribution.

8.3 No Right to Employment. Nothing in the Plan shall confer upon any Participant the right to continue in the employment of the Company or any Affiliate or affect the right of the Company or any Affiliate to terminate the employment of any Participant.

8.4 No Right to Cash Bonus Award. Unless otherwise expressly set forth in an employment agreement signed by the Company and a Participant, a Participant shall not have any right to any Cash Bonus Award under the Plan until such Cash Bonus Award has vested and become payable to such Participant under the terms of this Plan, and participation in the Plan in one year does not connote any right to become a Participant in the Plan in any future year.

8.5 Withholding. The Company shall have the right to withhold from any Cash Bonus Award, any federal, state or local income and/or payroll taxes required by law to be withheld and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to a Cash Bonus Award.

8.6 Amendment or Termination of the Plan. The Board may, at any time, amend, suspend, or terminate the Plan in whole or in part.

8.7 Unfunded Status. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between the Company and any Participant, beneficiary or legal representative or any other person. To the extent that a person acquires a right to receive payments under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA).

8.8 Governing Law. The Plan shall be construed, administered, and enforced in accordance with the laws of Arkansas without regard to conflicts of law.

8.9 Beneficiaries. To the extent that the Committee permits beneficiary designations, any payment of Cash Bonus Awards due under the Plan to a deceased Participant shall be paid to the beneficiary duly designated by the Participant in accordance with the Company's practices. If no such beneficiary has been designated, or in the event no designated beneficiary is living on the date on which any amount becomes payable, payment shall be made to the Participant's estate.

8.10 Section 409A of the Code. It is intended that payments under the Plan qualify as short-term deferrals exempt from the requirements of Section 409A of the Code. In the event that any Cash Bonus Award does not qualify for treatment as an exempt short-term deferral, it is intended that such amount will be paid in a manner that satisfies the requirements of Section 409A of the Code. The Plan shall be interpreted and construed accordingly.

8.11 Expenses. All costs and expenses in connection with the administration of the Plan shall be paid by the Company.

8.12 Section Headings. The headings of the Plan have been inserted for convenience of reference only and in the event of any conflict, the text of the Plan, rather than such headings, shall control.

8.13 Severability. In the event that any provision of the Plan shall be considered illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if such illegal or invalid provision had never been contained therein.

8.14 Gender and Number. Except where otherwise indicated by the context, wherever used, the masculine pronoun includes the feminine pronoun; the plural shall include the singular, and the singular shall include the plural.

8.15 Non-Exclusive. Nothing in the Plan shall limit the authority of the Company, the Board or the Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.

8.16 Notice. Any notice to be given to the Company or the Committee pursuant to the provisions of the Plan shall be in writing and directed to the Chief Executive Officer of the Company, in the case of the Company, and to the Chairman of the Compensation Committee, in the case of the Committee, both at 719 Harkrider Street, Conway, Arkansas 72032.

8.17 Successors. All obligations of the Company under the Plan with respect to Cash Bonus Awards granted hereunder shall be binding upon any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of shares of the Company's Common Stock or of all or substantially all of the assets of the Company.

8.18 Clawback. All Cash Bonus Awards are subject to (a) any Company clawback policy as may be in effect from time to time which may require the Cash Bonus Awards to be repaid to the Company after they have been paid to the Participant, (b) the Committee's right to rescind or clawback a Cash Bonus Award in its reasonable discretion on the basis that the Cash Bonus Award would not have been paid or have vested, as applicable, had the Committee known of an action or omission of Participant, (c) clawback if the Committee makes a determination that a Performance Measure was satisfied based on Peer Comparison data that does not include fourth quarter data under Section 5.1(c)(iii) and ultimately it is determined that the Performance Measure was not satisfied once fourth quarter data is received, or (d) clawback in the event the Company restates its financial statements and the Committee determines that the Cash Bonus Award paid to the Participant would not have been paid or have vested, as applicable, had it been based on the restated results. The action permitted to be taken by the Board under this Section 8.18 is in addition to, and not in lieu of, any and all other rights of the Board and/or the Company under applicable law and shall apply notwithstanding anything to the contrary in the Plan.

**Acknowledgment of Independent Registered  
Public Accounting Firm**

We acknowledge the incorporation 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) of Home BancShares, Inc. (Company) of our report dated August 2, 2024, included with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024. Pursuant to Rule 436(c) under the *Securities Act of 1933*, this report should not be considered part of the registration statement prepared or certified by us within the meaning of Section 7 and 11 of the Act.

**Forvis Mazars, LLP**

Little Rock, Arkansas  
August 2, 2024

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 June 30, 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: August 2, 2024

/s/ John W. Allison

John W. Allison

Chief Executive Officer



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 June 30, 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: August 2, 2024

/s/ Brian S. Davis

Brian S. Davis

Chief Financial Officer

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

In connection with the accompanying Quarterly Report of Home BancShares, Inc. (the Company) on Form 10-Q for the period ended June 30, 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: August 2, 2024

/s/ John W. Allison

John W. Allison

Chief Executive Officer

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

In connection with the accompanying Quarterly Report of Home BancShares, Inc. (the Company) on Form 10-Q for the period ended June 30, 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: August 2, 2024

/s/ Brian S. Davis

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Brian S. Davis

Chief Financial Officer