Section 1: 10-Q (FORM 10-Q)

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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, 2019

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: 000-51904

HOME BANCSHARES, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

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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**	**NASDAQGlobal Select Market**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-acceleratedfiler, 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-2of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐

Non-acceleratedfiler	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2of 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 practical date.

Common Stock Issued and Outstanding: 167,467,975shares as of August 2, 2019.

HOME BANCSHARES, INC.
FORM 10-Q
June 30, 2019

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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 future events or our future financial performance 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;

- the effect of any mergers, acquisitions or other transactions to which we or our bank subsidiary may from time to time be a party, including our ability to successfully integrate any businesses that we acquire;

- the risk that expected cost savings and other benefits from acquisitions may not be fully realized or may take longer to realize than expected;

- the possibility that an acquisition does not close when expected or at all because required regulatory, shareholder or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all;

- the reaction to a proposed acquisition transaction of the respective companies' customers, employees and counterparties;

- diversion of management time on acquisition-related issues;

- the ability to enter into and/or close additional acquisitions;

- the availability of and access to capital on terms acceptable to us;

- increased regulatory requirements and supervision that applies as a result of our exceeding $10 billion in total assets;

- legislation and regulation affecting the financial services industry as a whole, and the Company and its subsidiaries in particular, including the effects resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), recent reforms to the Dodd-Frank Act and other future legislative and regulatory changes;

- governmental monetary and fiscal policies;

- the effects of terrorism and efforts to combat it;

- political instability;

- risks associated with our customer relationship with the Cuban government and our correspondent banking relationship with Banco Internacional de Comercio, S.A. (BICSA), a Cuban commercial bank;

- adverse weather events, including hurricanes, and other natural disasters;

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- the ability to keep pace with technological changes, including changes regarding cybersecurity;

- an increase in the incidence or severity 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;

- the effect of changes in accounting policies and practices and auditing requirements, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board, and other accounting standard setters;

- higher defaults on our loan portfolio than we expect; and

- the failure of assumptions underlying the establishment of our allowance for loan losses or changes in our estimate of the adequacy of the allowance for loan 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" sections of our Form 10-Kfiled with the Securities and Exchange Commission (the "SEC") on February 26, 2019.

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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, 2019 (Unaudited)	December 31, 2018
Assets		
Cash and due from banks	$ 183,745	$ 175,024
Interest-bearing deposits with other banks	373,557	482,915
Cash and cash equivalents	557,302	657,939
Federal funds sold	1,075	325
Investment securities – available-for-sale	2,053,939	1,785,862
Investment securities – held-to-maturity	—	192,776
Loans receivable	11,053,129	11,071,879
Allowance for loan losses	(106,066)	(108,791)
Loans receivable, net	10,947,063	10,963,088
Bank premises and equipment, net	278,821	233,261
Foreclosed assets held for sale	13,734	13,236

Cash value of life insurance	149,708	148,621
Accrued interest receivable	48,992	48,945
Deferred tax asset, net	58,517	73,275
Goodwill	958,408	958,408
Core deposit and other intangibles	39,723	42,896
Other assets	180,293	183,806
Total assets	$ 15,287,575	$ 15,302,438
Liabilities and Stockholders' Equity		
Deposits:		
Demand and non-interest-bearing	$ 2,575,696	$ 2,401,232
Savings and interest-bearing transaction accounts	6,774,162	6,624,407
Time deposits	1,997,458	1,874,139
Total deposits	11,347,316	10,899,778
Securities sold under agreements to repurchase	142,541	143,679
FHLB and other borrowed funds	899,447	1,472,393
Accrued interest payable and other liabilities	107,695	67,912
Subordinated debentures	369,170	368,790
Total liabilities	12,866,169	12,952,552
Stockholders' equity:		
Common stock, par value $0.01; shares authorized 300,000,000 in 2019 and 200,000,000 in 2018; shares issued and outstanding 167,465,975 in 2019 and 170,720,072 in 2018	1,675	1,707
Capital surplus	1,550,999	1,609,810
Retained earnings	853,964	752,184
Accumulated other comprehensive income (loss)	14,768	(13,815)
Total stockholders' equity	2,421,406	2,349,886
Total liabilities and stockholders' equity	$ 15,287,575	$ 15,302,438

See Condensed Notes to Consolidated Financial Statements.

Home BancShares, Inc.
Consolidated Statements of Income

(In thousands, except per share data)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(Unaudited)			

Interest income:				
Loans	$165,816	$152,996	$329,664	$301,061
Investment securities				
Taxable	10,650	8,979	21,356	17,949
Tax-exempt	3,183	3,368	6,562	6,374
Deposits – other banks	1,628	1,206	3,171	2,135
Federal funds sold	10	12	21	18
Total interest income	181,287	166,561	360,774	327,537
Interest expense:				
Interest on deposits	29,709	18,164	57,715	32,970
Federal funds purchased	—	—	—	1
FHLB and other borrowed funds	4,722	4,245	10,840	8,825
Securities sold under agreements to repurchase	630	372	1,264	748
Subordinated debentures	5,239	5,168	10,498	10,172
Total interest expense	40,300	27,949	80,317	52,716
Net interest income	140,987	138,612	280,457	274,821
Provision for loan losses	1,325	2,722	1,325	4,322
Net interest income after provision for loan losses	139,662	135,890	279,132	270,499
Non-interestincome:				
Service charges on deposit accounts	6,259	6,780	12,660	12,855
Other service charges and fees	8,177	9,797	14,740	19,952
Trust fees	391	379	794	825
Mortgage lending income	3,457	3,477	5,892	6,134
Insurance commissions	515	526	1,124	1,205
Increase in cash value of life insurance	740	730	1,476	1,384
Dividends from FHLB, FRB, FNBB & other	1,149	1,600	4,654	2,477
Gain on sale of SBA loans	355	262	596	444
(Loss) gain on sale of branches, equipment and other assets, net	(129)	—	(50)	7
Gain on OREO, net	58	1,046	264	1,451
Other income	2,094	3,076	4,588	6,744
Total non-interestincome	23,066	27,673	46,738	53,478
Non-interestexpense:				
Salaries and employee benefits	37,976	34,476	75,812	69,490
Occupancy and equipment	8,853	8,519	17,676	17,502
Data processing expense	3,838	3,339	7,808	7,325
Other operating expenses	16,957	16,894	35,385	32,291
Total non-interestexpense	67,624	63,228	136,681	126,608
Income before income taxes	95,104	100,335	189,189	197,369
Income tax expense	22,940	24,310	45,675	48,280
Net income	$ 72,164	$ 76,025	$143,514	$149,089
Basic earnings per share	$ 0.43	$ 0.44	$ 0.85	$ 0.86
Diluted earnings per share	$ 0.43	$ 0.44	$ 0.85	$ 0.86

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Comprehensive Income

(In thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(Unaudited)			
Net income	$ 72,164	$ 76,025	$143,514	$149,089
Net unrealized gain (loss) on available-for-salesecurities	26,520	(4,345)	39,317	(25,978)
Other comprehensive income (loss), before tax effect	26,520	(4,345)	39,317	(25,978)
Tax effect on other comprehensive (loss)income	(6,931)	1,018	(10,275)	6,780
Other comprehensive income (loss)	19,589	(3,327)	29,042	(19,198)
Comprehensive income	$ 91,753	$ 72,698	$172,556	$129,891

Home BancShares, Inc.
Consolidated Statements of Stockholders' Equity
Three and Six Months Ended June 30, 2019 and 2018

For the three and six months ended June 30, 2019

(In thousands, except share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at January 1, 2019	$ 1,707	$1,609,810	$ 752,184	$ (13,815)	$2,349,886
Comprehensive income:					
Net income	—	—	71,350	—	71,350
Other comprehensive income	—	—	—	9,453	9,453
Impact of adoption of new accounting standards (1)	—	—	459	(459)	—
Repurchase of 2,716,359 shares of common stock	(27)	(51,658)	—	—	(51,685)
Share-based compensation net issuance of 169,125 shares of restricted common stock	2	2,842	—	—	2,844
Cash dividends – Common Stock, $0.12 per share	—	—	(20,364)	—	(20,364)

Balances at March 31, 2019 (unaudited)	$ 1,682	$1,560,994	$ 803,629	$ (4,821)	$2,361,484
Comprehensive income:					
Net Income	—	—	72,164	—	72,164
Other comprehensive income	—	—	—	19,589	19,589
Repurchase of 700,363 shares of common stock	(7)	(12,680)	—	—	(12,687)
Share-based compensation net forfeiture of 6,500 shares of restricted stock	—	2,685	—	—	2,685
Cash dividends – Common Stock, $0.13 per share	—	—	(21,829)	—	(21,829)
Balances at June 30, 2019 (unaudited)	$ 1,675	$1,550,999	$ 853,964	$ 14,768	$2,421,406

(1) Represents the impact of adopting Accounting Standard Update ("ASU") 2018-02.See Note 1 to the consolidated financial statements for more information.

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Stockholders' Equity
Three and Six Months Ended June 30, 2019 and 2018

For the three and six months ended June 30, 2018

(In thousands, except share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at January 1, 2018	$ 1,736	$1,675,318	$ 530,658	$ (3,421)	$2,204,291
Comprehensive income:					
Net income	—	—	73,064	—	73,064
Other comprehensive loss	—	—	—	(15,871)	(15,871)
Net issuance of 142,116 shares of common stock from exercise of stock options	1	899	—	—	900
Impact of adoption of new accounting standards(2)	—	—	990	(990)	—
Repurchase of 303,637 shares of common stock	(3)	(7,111)	—	—	(7,114)
Share-based compensation net issuance of 147,000 shares of restricted common stock	2	2,035	—	—	2,037
Cash dividends – Common Stock, $0.11 per share	—	—	(19,126)	—	(19,126)
Balances at March 31, 2018 (unaudited)	$ 1,736	$1,671,141	$ 585,586	$ (20,282)	$2,238,181
Comprehensive income:					
Net income	—	—	76,025	—	76,025
Other comprehensive loss	—	—	—	(3,327)	(3,327)
Issuance of common stock - 3,424stock options	—	38	—	—	38
Issuance 1,250,000 shares of common stock from acquisition of Shore Premier Finance	13	28,188	—	—	28,201
Repurchase of 345,683 shares of common stock	(3)	(7,878)	—	—	(7,881)
Share-based compensation	(1)	1,848			1,847
Cash dividends – Common Stock, $0.11 per share	—	—	(19,071)	—	(19,071)
Balances at June 30, 2018 (unaudited)	$ 1,745	$1,693,337	$ 642,540	$ (23,609)	$2,314,013

(2) Represents the impact of adopting Accounting Standard Update ("ASU") 2016-01.

See Condensed Notes to Consolidated Financial Statements.

Home BancShares, Inc.
Consolidated Statements of Cash Flows

(In thousands)	Six Months Ended June 30, 2019	2018
	(Unaudited)	
Operating Activities		
Net income	$ 143,514	$ 149,089
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation & amortization	9,847	9,863
Amortization of securities, net	7,165	6,781
Accretion of purchased loans	(18,295)	(21,276)
Share-based compensation	5,529	3,884
Gain on assets	(423)	(2,268)
Provision for loan losses	1,325	4,322
Deferred income tax effect	14,760	13,200
Increase in cash value of life insurance	(1,476)	(1,384)
Originations of mortgage loans held for sale	(194,982)	(171,616)
Proceeds from sales of mortgage loans held for sale	175,418	176,029
Changes in assets and liabilities:		
Accrued interest receivable	(47)	850
Other assets	(15,931)	(21,692)
Accrued interest payable and other liabilities	(6,839)	14,012
Net cash provided by operating activities	119,565	159,794
Investing Activities		
Net (increase) decrease in federal funds sold	(750)	23,609
Net decrease (increase) in loans, excluding purchased loans	38,130	(183,630)
Purchases of investment securities – available-for-sale	(258,735)	(254,851)
Proceeds from maturities of investment securities – available-for-sale	215,586	166,403
Proceeds from sale of investment securities – available-for-sale	—	809
Proceeds from maturities of investment securities – held-to-maturity	—	20,048
Redemptions (purchases) of other investments	9,174	(731)
Proceeds from foreclosed assets held for sale	5,530	10,384
Proceeds from sale of SBA loans	9,261	7,055
Purchases of premises and equipment, net	(5,287)	(3,422)
Return of investment on cash value of life insurance	—	1,325
Net cash paid – market acquisitions	—	(384,983)
Net cash provided by (used in) investing activities	12,909	(597,984)
Financing Activities		
Net increase in deposits	447,538	347,531

Net decrease in securities sold under agreements to repurchase	(1,138)	(8,039)
Net (decrease) increase in FHLB and other borrowed funds	(572,946)	10,762
Proceeds from exercise of stock options	—	938
Repurchase of common stock	(64,372)	(14,995)
Dividends paid on common stock	(42,193)	(38,197)
Net cash (used in) provided by financing activities	(233,111)	298,000
Net change in cash and cash equivalents	(100,637)	(140,190)
Cash and cash equivalents – beginning of year	657,939	635,933
Cash and cash equivalents – end of period	$ 557,302	$ 495,743

See Condensed Notes to Consolidated Financial Statements.

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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 and New York City. The Company is subject to competition from other financial institutions. The Company also is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

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

Operating Segments

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Bank is the only significant subsidiary upon which management makes decisions regarding how to allocate resources and assess performance. Each of the branches of the Bank provide a group of similar banking services, including such products and services as commercial, real estate and consumer loans, time deposits, checking and savings accounts. The individual bank branches have similar operating and economic characteristics. While the chief decision maker monitors the revenue streams of the various products, services and branch locations, operations are managed, and financial performance is evaluated on a Company-wide basis. Accordingly, all of the banking services and branch locations are considered by management to be aggregated into onereportable 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 loan 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 loan 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 as of June 30, 2019 and 2018 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.

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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 2018 Form 10-K,filed with the Securities and Exchange Commission.

New Accounting Pronouncements

The Company adopted ASU 2016-02, *Leases (Topic 842)*, ASU 2018-11, *Leases (Topic 842) Targeted Improvements*and ASU 2018-20*Narrow Scope Improvements for Lessors*effective January 1, 2019. In accordance with the lease standards, the Company determines if an arrangement is a lease at inception. Operating leases are included in the right-of-use("ROU") lease asset and lease liability within bank premises and equipment, net and other liabilities, respectively, on the Company's balance sheets. The ROU lease assets represent the Company's right to use an underlying asset for the lease term, and the lease liability represents the Company's obligation to make lease payments arising from the lease. The operating ROU lease asset and lease liability are recognized at the commencement date are based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. See Note 15 for additional disclosures.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities*, which amends the hedge accounting model to provide better insight to risk management activities in the financial statements, reduces the complexity in cash flow hedges of interest rate risk, eliminates the requirement to separately measure and report hedge ineffectiveness, requires the entire change in the fair value of a hedging instrument included in the assessment of the hedge effectiveness to be recorded in other comprehensive income, with amounts reclassified to earnings to be presented in the same line item used to present the earnings effect of the hedged item when the hedged item affects earnings and allows the initial prospective quantitative assessment of hedge effectiveness to be performed at any time after hedge designation, but no later than the first quarterly effectiveness testing date. This ASU is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The amendments in this standard must be applied using the modified retrospective approach for cash flow and net investment hedge relationships existing on the date of adoption. The Company adopted the guidance effective January 1, 2019, and as permitted by the ASU, the Company reclassified the prepayable held-to-maturityinvestment securities, with a fair value of $193.6 million and $834,000 in net unrealized gains as of December 31, 2018, to available-for-saleinvestment securities.

The Company adopted ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*effective January 1, 2019. In accordance with the standard, the Company made an election to reclassify the income tax effects of the Tax Cuts and Jobs Act ("TCJA") from accumulated other comprehensive income ("AOCI") to retained earnings. The stranded tax effects were a result of the decrease in the corporate tax rate from 35% to 21% on deferred tax liabilities and assets for available-for-saleand equity securities which had been recognized as an adjustment to income tax expense and included in income from continuing operations, with the tax effects initially recognized directly in other comprehensive income which caused the stranded tax effects to remain in AOCI. The Company adopted the guidance effective January 1, 2019, and its adoption resulted in a $459,000 reclassification between retained earnings and accumulated other comprehensive income. The Company's policy for future tax rate changes is to release the future disproportionate income tax effects from AOCI using the aggregate portfolio approach.

Revenue Recognition

Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*("ASC Topic 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. The majority of our revenue-generating transactions are not subject to ASC Topic 606, including revenue generated from financial instruments, such as our loans, letters of credit, investment securities and mortgage lending income, as these activities are subject to other GAAP discussed elsewhere within our disclosures. Descriptions of our significant revenue-generating activities that are within the scope of ASC Topic 606, which are presented in our income statements as components of non-interestincome are as follows:

- Service charges on deposit accounts – These represent general service fees for monthly account maintenance and activity or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when our performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

- Other service charges and fees – These represent credit card interchange fees and Centennial Commercial Finance Group ("Centennial CFG") loan fees. The interchange fees are recorded in the period the performance obligation is satisfied which is generally the cash basis based on agreed upon contracts. The Centennial CFG loan fees are based on loan or other negotiated agreements with customers and are accounted for under ASC Topic 310.

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,	
	2019	2018	2019	2018
	(In thousands)			
Net income	$ 72,164	$ 76,025	$143,514	$149,089
Average shares outstanding	167,791	173,403	168,686	173,581
Effect of common stock options	—	533	—	587
Average diluted shares outstanding	167,791	173,936	168,686	174,168

Basic earnings per share	$ 0.43	$ 0.44	$ 0.85	$ 0.86
Diluted earnings per share	$ 0.43	$ 0.44	$ 0.85	$ 0.86

As of June 30, 2019, options to purchase 3.6million shares of common stock, with a weighted average exercise price of $19.57, were excluded from the computation of diluted net income per share as the majority of the options had an exercise price which was greater than the average market price of the common stock.

2. Business Combinations

Acquisition of Shore Premier Finance

On June 30, 2018, the Company completed the acquisition of Shore Premier Finance ("SPF"), a division of Union Bank & Trust of Richmond, Virginia, the bank subsidiary of Union Bankshares Corporation. The Company paid a purchase price of approximately $377.4 million in cash, subject to certain post-closing adjustments, and 1,250,000 shares of HBI common stock valued at approximately $28.2 million at the time of closing. SPF provides direct consumer financing for United States Coast Guard ("USCG") registered high-endsail and power boats. Additionally, SPF provides inventory floor plan lines of credit to marine dealers, primarily those selling USCG documented vessels.

Including the purchase accounting adjustments, as of the acquisition date, SPF had approximately $377.0 million in total assets, including $376.2 million in total loans, which resulted in goodwill of $30.5 million being recorded.

This portfolio of loans is now housed in a division of Centennial known as Shore Premier Finance. The SPF division of Centennial is responsible for servicing the acquired loan portfolio and originating new loan production. In connection with this acquisition, Centennial opened a new loan production office in Chesapeake, Virginia to house the SPF division. Through the SPF division, Centennial is working to build out a lending platform focusing on commercial and consumer marine loans.

The Company has determined that the acquisition of the net assets of SPF constitutes a business combination as defined by the ASC Topic 805. Accordingly, the assets acquired are presented at their fair values as required. Fair values were determined based on the requirements of ASC Topic 820. In many cases, the determination of these fair values required management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change.

3. Investment Securities

Effective January 1, 2019, as permitted by ASU 2017-12, *Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities*, the Company reclassified the prepayable held-to-maturity("HTM") investment securities, with a fair value of $193.6 million and $834,000 in net unrealized gains as of December 31, 2018, to available-for-saleinvestment securities. The amortized cost and estimated fair value of investment securities that are classified as available-for-saleand held-to-maturityare as follows:

June 30, 2019			
Available-for-Sale			
	Gross	Gross	

	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 415,153	$ 1,218	$ (1,899)	$ 414,472
Residential mortgage-backed securities	665,630	3,848	(2,249)	667,229
Commercial mortgage-backed securities	494,115	7,388	(682)	500,821
State and political subdivisions	425,505	12,345	(103)	437,747
Other securities	33,544	450	(324)	33,670
Total	$2,033,947	$ 25,249	$ (5,257)	$2,053,939

	December 31, 2018			
	Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 418,605	$ 504	$ (4,976)	$ 414,133
Residential mortgage-backed securities	580,183	1,230	(8,512)	572,901
Commercial mortgage-backed securities	463,084	539	(7,745)	455,878
State and political subdivisions	308,835	2,311	(2,589)	308,557
Other securities	34,336	304	(247)	34,393
Total	$1,805,043	$ 4,888	$ (24,069)	$1,785,862

	Held-to-Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(In thousands)			
U.S. government-sponsored enterprises	$ 3,261	$ 14	$ (71)	$ 3,204
Residential mortgage-backed securities	39,707	20	(689)	39,038
Commercial mortgage-backed securities	17,587	58	(267)	17,378
State and political subdivisions	132,221	1,815	(46)	133,990
Total	$ 192,776	$ 1,907	$ (1,073)	$ 193,610

Assets, principally investment securities, having a carrying value of approximately $970.1 million and $1.32 billion at June 30, 2019 and December 31, 2018, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. The decrease in investments pledged to secure public deposits is due to the Company increasing the usage of FHLB letters of credit in order to secure public deposits. Also, investment securities pledged as collateral for repurchase agreements totaled approximately $142.5 million and $143.7 million at June 30, 2019 and December 31, 2018, respectively.

The amortized cost and estimated fair value of securities classified as available-for-saleat June 30, 2019, 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.

	Available-for-Sale	
	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due in one year or less	$ 363,329	$ 364,679
Due after one year through five years	1,134,765	1,141,408
Due after five years through ten years	374,841	384,786
Due after ten years	161,012	163,066
Total	$2,033,947	$2,053,939

For purposes of the maturity tables, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on anticipated maturities. The mortgage-backed securities may mature earlier than their weighted-average contractual maturities because of principal prepayments.

During the three-month and six-monthperiods ended June 30, 2019, no available-for-salesecurities were sold.

During the three-month period ended June 30, 2018, there were no available-for-salesecurities sold. During the six-monthperiod ended June 30, 2018, approximately $809,000 in available-for-salesecurities were sold. No realized gains or losses were recorded on the sales for the three and six-monthperiods ended June 30, 2018. The income tax expense/benefit to net security gains and losses was 26.135% of the gross amounts. During 2018, no held-to-maturitysecurities were sold.

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The Company evaluates all securities quarterly to determine if any unrealized losses are deemed to be other than temporary. In completing these evaluations, the Company follows the requirements of FASB ASC 320, *Investments - Debt and Equity Securities.*Certain investment securities are valued less than their historical cost. These declines are primarily the result of the rate for these investments yielding less than current market rates. Based on evaluation of available evidence, management believes the declines in fair value for these securities are temporary. The Company does not intend to sell or believe it will be required to sell these investments before recovery of their amortized cost basis, which may be maturity. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced, and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

During the three and six-monthperiod ended June 30, 2019, no securities were deemed to have other-than-temporary impairment.

For the six months ended June 30, 2019, the Company had investment securities with approximately $4.4 million in unrealized losses, which have been in continuous loss positions for more than twelve months. Excluding impairment write-downs taken in prior periods, the Company's assessments indicated that the cause of the market depreciation was primarily the change in interest rates (not the issuer's financial condition or downgrades by rating agencies). In addition, approximately 73.3% of the Company's investment portfolio matures in five years or less. As a result, the Company has the ability and intent to hold such securities until maturity.

The following shows gross unrealized losses and estimated fair value of investment securities classified as available-for-saleand held-to-maturitywith unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual investment securities have been in a continuous loss position as of June 30, 2019 and December 31, 2018:

	June 30, 2019					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. government-sponsored enterprises	$18,720	$ (72)	$190,667	$ (1,827)	$209,387	$ (1,899)
Residential mortgage-backed securities	58,361	(437)	268,583	(1,812)	326,944	(2,249)
Commercial mortgage-backed securities	5,883	(42)	91,770	(640)	97,653	(682)
State and political subdivisions	4,977	(23)	18,835	(80)	23,812	(103)
Other securities	7,283	(239)	8,209	(85)	15,492	(324)
Total	$95,224	$ (813)	$578,064	$ (4,444)	$673,288	$ (5,257)

	December 31, 2018					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. government-sponsored enterprises	$148,392	$ (1,398)	$ 192,456	$ (3,649)	$ 340,848	$ (5,047)
Residential mortgage-backed securities	95,001	(713)	386,279	(8,488)	481,280	(9,201)
Commercial mortgage-backed securities	33,917	(337)	368,705	(7,675)	402,622	(8,012)
State and political subdivisions	64,376	(763)	77,602	(1,872)	141,978	(2,635)
Other securities	3,364	(154)	8,307	(93)	11,671	(247)
Total	$345,050	$ (3,365)	$1,033,349	$ (21,777)	$1,378,399	$ (25,142)

As of June 30, 2019, the Company's securities portfolio consisted of 1,331 investment securities, 325 of which were in an unrealized loss position. As noted in the table above, the total amount of the unrealized loss was $5.3 million. The U.S government-sponsored enterprises portfolio contained unrealized losses of $1.9 million on 70 securities. The residential mortgage-backed securities portfolio contained $2.3 million of unrealized losses on 182 securities, and the commercial mortgage-backed securities portfolio contained $682,000 of unrealized losses on 39 securities. The state and political subdivisions portfolio contained $103,000 of unrealized losses on 28 securities. In addition, the other securities portfolio contained $324,000 of unrealized losses on 6 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, 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, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2019.

Income earned on securities for the three and six months ended June 30, 2019 and 2018, is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Taxable:				
Available-for-sale	$ 10,650	$ 8,528	$21,356	$16,993
Held-to-maturity	—	451	—	956
Non-taxable:				
Available-for-sale	3,183	2,452	6,562	3,801
Held-to-maturity	—	916	—	2,573
Total	$ 13,833	$ 12,347	$27,918	$24,323

4. Loans Receivable

The various categories of loans receivable are summarized as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 4,495,558	$ 4,806,684
Construction/land development	1,930,838	1,546,035
Agricultural	85,045	76,433
Residential real estate loans		
Residential 1-4family	1,852,784	1,975,586
Multifamily residential	523,789	560,475
Total real estate	8,888,014	8,965,213
Consumer	455,554	443,105
Commercial and industrial	1,515,357	1,476,331
Agricultural	80,621	48,562
Other	113,583	138,668
Total loans receivable	$11,053,129	$ 11,071,879

During the three and six-monthperiod ended June 30, 2019, the Company sold $4.2million and $8.6 million of the guaranteed portion of certain Small Business Administration ("SBA") loans, which resulted in a gain of approximately $355,000 and $596,000, respectively. During the three and six-monthperiods ended June 30, 2018, the Company sold $4.0 million and $6.6 million, respectively, of the guaranteed portion of certain SBA loans, which resulted in a gain of approximately $262,000 and $444,000, respectively.

Mortgage loans held for sale of approximately $57.7million and $64.2 million at June 30, 2019and December 31, 2018, respectively, are included in residential 1-4family 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. These commitments are derivative instruments and their fair values at June 30, 2019and December 31, 2018were not material.

The Company had $2.47 billion of purchased loans, which includes $98.7 million of discount for credit losses on purchased loans, at June 30, 2019. The Company had $33.6 million and $65.1 million remaining of non-accretablediscount for credit losses on purchased loans and accretable discount for credit losses on purchased loans, respectively, as of June 30, 2019. The Company had $2.90 billion of purchased loans, which includes $113.6 million of discount for credit losses on purchased loans, at December 31, 2018. The Company had $39.3 million and $74.3 million remaining of non-accretablediscount for credit losses on purchased loans and accretable discount for credit losses on purchased loans, respectively, as of December 31, 2018.

A description of our accounting policies for loans, impaired loans, non-accrual loans and allowance for loan losses are set forth in our 2018 Form 10-K filed with the SEC on February 26, 2019. There have been no significant changes to these policies since December 31, 2018.

5. Allowance for Loan Losses, Credit Quality and Other

The Company's allowance for loan loss as of June 30, 2019 and December 31, 2018 was significantly impacted by Hurricane Michael, which made landfall in the Florida Panhandle as a Category 4 hurricane during the fourth quarter of 2018, and somewhat impacted by Hurricane Irma, which made initial landfall in the Florida Keys and a second landfall just south of Naples, Florida, as a Category 4 hurricane during the third quarter of 2017. As of December 31, 2018, management reevaluated the storm-related allowance for Hurricane Irma. Based on this analysis, management determined a $2.9 million storm-related allowance was still necessary. The Company's management also performed an analysis on the loans with collateral in counties in the Florida Panhandle which were impacted by Hurricane Michael. Based on this analysis, management determined a $20.4 million storm-related provision was necessary. After establishing the storm-related provision for Hurricane Michael and adjusting the allowance for Hurricane Irma, the storm-related allowance was $23.2 million and $23.3 million as of June 30, 2019 and December 31, 2018, respectively. As of June 30, 2019, charge-offs of $2.6 million have been taken against the storm-related allowance for loan losses.

The following table presents a summary of changes in the allowance for loan losses:

	Six Months Ended June 30, 2019
	(In thousands)
Allowance for loan losses:	
Beginning balance	$ 108,791
Loans charged off	(5,670)
Recoveries of loans previously charged off	1,620
Net loans recovered (charged off)	(4,050)
Provision for loan losses	1,325
Balance, June 30, 2019	$ 106,066

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The following tables present the balances in the allowance for loan losses for the three and six-monthperiod ended June 30, 2019, and the allowance for loan losses and recorded investment in loans based on portfolio segment by impairment method as of June 30, 2019. Allocation of a portion of the allowance to one type of loans does not preclude its availability to absorb losses in other categories.

	Three Months Ended June 30, 2019						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Beginning balance	$ 21,887	$ 40,665	$ 25,445	$ 14,690	$ 3,670	$ —	$106,357
Loans charged off	(26)	(1,163)	(125)	(305)	(660)	—	(2,279)
Recoveries of loans previously charged off	95	13	152	222	181	—	663
Net loans recovered (charged off)	69	(1,150)	27	(83)	(479)	—	(1,616)
Provision for loan losses	2,302	(848)	(1,201)	246	826	—	1,325
Balance, June 30	$ 24,258	$ 38,667	$ 24,271	$ 14,853	$ 4,017	$ —	$106,066

	Six Months Ended June 30, 2019						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Beginning balance	$ 21,302	$ 42,336	$ 26,734	$ 14,981	$ 3,438	$ —	$108,791
Loans charged off	(1,312)	(1,502)	(661)	(1,009)	(1,186)	—	(5,670)
Recoveries of loans previously charged off	118	204	504	404	390	—	1,620
Net loans recovered (charged off)	(1,194)	(1,298)	(157)	(605)	(796)	—	(4,050)
Provision for loan losses	4,150	(2,371)	(2,306)	477	1,375	—	1,325
Balance, June 30	$ 24,258	$ 38,667	$ 24,271	$ 14,853	$ 4,017	$ —	$106,066

	As of June 30, 2019	
	Construction/	Other

	Land Development	Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 101	$ 287	$ 74	$ 16	$ —	$ —	$ 478
Loans collectively evaluated for impairment	23,934	38,287	23,557	14,766	4,017	—	104,561
Loans evaluated for impairment balance, June 30	24,035	38,574	23,631	14,782	4,017	—	105,039
Purchased credit impaired loans	223	93	640	71	—	—	1,027
Balance, June 30	$ 24,258	$ 38,667	$ 24,271	$ 14,853	$ 4,017	$ —	$ 106,066
Loans receivable:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 11,635	$ 56,146	$ 102,416	$ 33,205	$ 3,667	$ —	$ 207,069
Loans collectively evaluated for impairment	1,913,123	4,455,278	2,246,999	1,469,477	644,123	—	10,729,000
Loans evaluated for impairment balance, June 30	1,924,758	4,511,424	2,349,415	1,502,682	647,790	—	10,936,069
Purchased credit impaired loans	6,080	69,179	27,158	12,675	1,968	—	117,060
Balance, June 30	$ 1,930,838	$ 4,580,603	$ 2,376,573	$ 1,515,357	$ 649,758	$ —	$11,053,129

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The following tables present the balances in the allowance for loan losses for the six-month period ended June 30, 2018 and the year ended December 31, 2018, and the allowance for loan losses and recorded investment in loans receivable based on portfolio segment by impairment method as of December 31, 2018. Allocation of a portion of the allowance to one type of loans does not preclude its availability to absorb losses in other categories.

	Year Ended December 31, 2018						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Beginning balance	$ 20,343	$ 43,939	$ 24,506	$ 15,292	$ 3,334	$ 2,852	$110,266
Loans charged off	(62)	(837)	(1,731)	(1,072)	(970)	—	(4,672)
Recoveries of loans previously charged off	119	188	535	317	441	—	1,600
Net loans recovered (charged off)	57	(649)	(1,196)	(755)	(529)	—	(3,072)
Provision for loan losses	(157)	2,695	895	1,656	713	(1,480)	4,322
Balance, June 30	20,243	45,985	24,205	16,193	3,518	1,372	111,516
Loans charged off	(337)	(374)	(1,013)	(1,149)	(1,443)	—	(4,316)
Recoveries of loans previously charged off	61	339	389	307	495	—	1,591
Net loans recovered (charged off)	(276)	(35)	(624)	(842)	(948)	—	(2,725)
Provision for loan losses	1,335	(3,614)	3,153	(370)	868	(1,372)	—
Balance, December 31	$ 21,302	$ 42,336	$ 26,734	$ 14,981	$ 3,438	$ —	$108,791

	As of December 31, 2018						
	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
				(In thousands)			
Allowance for loan losses:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 732	$ 468	$ 100	$ 21	$ —	$ —	$ 1,321
Loans collectively evaluated for impairment	20,336	41,512	25,970	14,789	3,438	—	106,045
Loans evaluated for impairment balance, December 31	21,068	41,980	26,070	14,810	3,438	—	107,366
Purchased credit impaired loans	234	356	664	171	—	—	1,425
Balance, December 31	$ 21,302	$ 42,336	$ 26,734	$ 14,981	$ 3,438	$ —	$ 108,791
Loans receivable:							
Period end amount allocated to:							
Loans individually evaluated for impairment	$ 14,519	$ 58,706	$ 29,535	$ 30,251	$ 3,688	$ —	$ 136,699
Loans collectively evaluated for impairment	1,522,520	4,741,484	2,473,467	1,431,608	624,561	—	10,793,640
Loans evaluated for impairment balance, December 31	1,537,039	4,800,190	2,503,002	1,461,859	628,249	—	10,930,339
Purchased credit impaired loans	8,996	82,927	33,059	14,472	2,086	—	141,540
Balance, December 31	$ 1,546,035	$ 4,883,117	$ 2,536,061	$ 1,476,331	$ 630,335	$ —	$11,071,879

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The following is an aging analysis for loans receivable as of June 30, 2019 and December 31, 2018:

	June 30, 2019						
	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	$ 3,918	$ 2,147	$ 25,580	$ 31,645	$ 4,463,913	$ 4,495,558	$ 6,633
Construction/land development	539	—	3,812	4,351	1,926,487	1,930,838	1,546
Agricultural	1,027	—	381	1,408	83,637	85,045	—
Residential real estate loans							
Residential 1-4family	6,318	1,377	23,048	30,743	1,822,041	1,852,784	821
Multifamily residential	133	18	1,155	1,306	522,483	523,789	—
Total real estate	11,935	3,542	53,976	69,453	8,818,561	8,888,014	9,000
Consumer	850	363	2,481	3,694	451,860	455,554	574
Commercial and industrial	2,628	831	6,313	9,772	1,505,585	1,515,357	387
Agricultural and other	951	243	32	1,226	192,978	194,204	—
Total	$ 16,364	$ 4,979	$ 62,802	$ 84,145	$10,968,984	$11,053,129	$ 9,961

	December 31, 2018						
	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	$ 3,598	$ 927	$ 24,710	$29,235	$ 4,777,449	$ 4,806,684	$ 9,679
Construction/land development	2,057	261	8,761	11,079	1,534,956	1,546,035	3,481
Agricultural	98	—	20	118	76,315	76,433	—
Residential real estate loans							
Residential 1-4family	5,890	3,745	19,137	28,772	1,946,814	1,975,586	1,753
Multifamily residential	—	200	972	1,172	559,303	560,475	—
Total real estate	11,643	5,133	53,600	70,376	8,894,837	8,965,213	14,913
Consumer	5,712	168	3,632	9,512	433,593	443,105	720
Commercial and industrial	1,237	87	6,977	8,301	1,468,030	1,476,331	1,526
Agricultural and other	1,121	—	33	1,154	186,076	187,230	—
Total	$ 19,713	$ 5,388	$ 64,242	$89,343	$10,982,536	$11,071,879	$ 17,159

Non-accruingloans at June 30, 2019 and December 31, 2018 were $52.8 million and $47.1 million, respectively.

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The following is a summary of the impaired loans as of June 30, 2019 and December 31, 2018:

	June 30, 2019						
				Three Months Ended		Six Months Ended	
	Unpaid Contractual Principal Balance	Total Recorded Investment	Allocation of Allowance for Loan Losses	Average Recorded Investment	Interest Recognized	Average Recorded Investment	Interest Recognized
				(In thousands)			
Loans without a specific valuation allowance							
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 41	$ 41	$ —	$ 41	$ 1	$ 41	$ 1
Construction/land development	14	14	—	15	—	15	—
Agricultural	8	8	—	9	—	10	—
Residential real estate loans							
Residential 1-4family	258	258	—	281	5	225	5
Multifamily residential	—	—	—	—	—	—	—
Total real estate	321	321	—	346	6	291	6
Consumer	22	22	—	23	—	21	—
Commercial and industrial	131	131	—	169	2	148	2
Agricultural and other	—	—	—	—	—	—	—
Total loans without a specific valuation allowance	474	474	—	538	8	460	8
Loans with a specific valuation allowance							

Real estate:							
Commercial real estate loans							
Non-farm/non-residential	42,934	39,173	279	39,548	478	39,230	963
Construction/land development	7,998	7,142	101	8,174	52	9,480	139
Agricultural	655	659	8	592	5	493	10
Residential real estate loans							
Residential 1-4family	26,396	24,420	43	23,941	39	22,839	114
Multifamily residential	2,511	2,511	31	2,530	16	2,476	32
Total real estate	80,494	73,905	462	74,785	590	74,518	1,258
Consumer	2,651	2,480	—	3,045	8	3,243	16
Commercial and industrial	10,188	6,941	16	6,291	18	6,754	42
Agricultural and other	31	31	—	32	—	32	—
Total loans with a specific valuation allowance	93,364	83,357	478	84,153	616	84,547	1,316
Total impaired loans							
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	42,975	39,214	279	39,589	479	39,271	964
Construction/land development	8,012	7,156	101	8,189	52	9,495	139
Agricultural	663	667	8	601	5	503	10
Residential real estate loans							
Residential 1-4family	26,654	24,678	43	24,222	44	23,064	119
Multifamily residential	2,511	2,511	31	2,530	16	2,476	32
Total real estate	80,815	74,226	462	75,131	596	74,809	1,264
Consumer	2,673	2,502	—	3,068	8	3,264	16
Commercial and industrial	10,319	7,072	16	6,460	20	6,902	44
Agricultural and other	31	31	—	32	—	32	—
Total impaired loans	$ 93,838	$ 83,831	$ 478	$ 84,691	$ 624	$ 85,007	$ 1,324

Note: Purchased credit impaired loans are accounted for on a pooled basis under ASC 310-30.All of these pools are currently considered to be performing, resulting in none of the purchased credit impaired loans being classified as impaired loans as of June 30, 2019.

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	December 31, 2018				
				Year Ended	
	Unpaid Contractual Principal Balance	Total Recorded Investment	Allocation of Allowance for Loan Losses	Average Recorded Investment	Interest Recognized
			(In thousands)		
Loans without a specific valuation allowance					
Real estate:					

Commercial real estate loans					
Non-farm/non-residential	$ 42	$ 42	$ —	$ 34	$ 3
Construction/land development	16	16	—	27	1
Agricultural	11	11	—	15	1
Residential real estate loans					
Residential 1-4family	223	223	—	193	16
Multifamily residential	—	—	—	—	—
Total real estate	292	292	—	269	21
Consumer	27	27	—	24	2
Commercial and industrial	236	236	—	199	13
Agricultural and other	—	—	—	—	—
Total loans without a specific valuation allowance	555	555	—	492	36
Loans with a specific valuation allowance					
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	42,474	38,594	460	34,891	1,632
Construction/land development	13,178	12,091	732	12,337	307
Agricultural	291	294	8	388	18
Residential real estate loans					
Residential 1-4family	22,570	20,526	58	19,017	485
Multifamily residential	2,369	2,369	42	2,166	83
Total real estate	80,882	73,874	1,300	68,799	2,525
Consumer	3,830	3,629	—	1,236	52
Commercial and industrial	11,176	7,550	21	10,599	257
Agricultural and other	33	32	—	146	3
Total loans with a specific valuation allowance	95,921	85,085	1,321	80,780	2,837
Total impaired loans					
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	42,516	38,636	460	34,925	1,635
Construction/land development	13,194	12,107	732	12,364	308
Agricultural	302	305	8	403	19
Residential real estate loans					
Residential 1-4family	22,793	20,749	58	19,210	501
Multifamily residential	2,369	2,369	42	2,166	83
Total real estate	81,174	74,166	1,300	69,068	2,546
Consumer	3,857	3,656	—	1,260	54
Commercial and industrial	11,412	7,786	21	10,798	270
Agricultural and other	33	32	—	146	3
Total impaired loans	$ 96,476	$ 85,640	$ 1,321	$ 81,272	$ 2,873

Note: Purchased credit impaired loans are accounted for on a pooled basis under ASC 310-30.All of these pools are currently considered to be performing resulting in none of the purchased credit impaired loans being classified as impaired loans as of December 31, 2018.

Interest recognized on impaired loans during the three months ended June 30, 2019 and 2018 was approximately $624,000 and $542,000, respectively. Interest recognized on impaired loans during the six months ended June 30, 2019 and 2018 was approximately $1.3 million and $1.5 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-goingmonitoring 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-performingloans and (v) the general economic conditions in Arkansas, Florida, 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-offin the period in which they became uncollectible.

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The Company's classified loans include loans in risk ratings 6, 7 and 8. The following is a presentation of classified loans (excluding loans accounted for under ASC Topic 310-30)by class as of June 30, 2019 and December 31, 2018:

	June 30, 2019			
	Risk Rated 6	Risk Rated 7	Risk Rated 8	Classified Total
	(In thousands)			
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	$ 46,185	$ 1,834	$ —	$ 48,019
Construction/land development	12,656	546	—	13,202
Agricultural	898	—	—	898
Residential real estate loans				
Residential 1-4family	31,671	355	—	32,026
Multifamily residential	1,173	—	—	1,173
Total real estate	92,583	2,735	—	95,318
Consumer	2,236	—	—	2,236
Commercial and industrial	19,848	598	—	20,446
Agricultural and other	275	—	—	275
Total risk rated loans	$ 114,942	$ 3,333	$ —	$ 118,275

	December 31, 2018			
	Risk Rated 6	Risk Rated 7	Risk Rated 8	Classified Total
	(In thousands)			
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	$ 44,089	$ 484	$ —	$ 44,573
Construction/land development	15,236	—	—	15,236
Agricultural	301	3	—	304
Residential real estate loans				
Residential 1-4family	34,731	253	—	34,984
Multifamily residential	972	—	—	972
Total real estate	95,329	740	—	96,069
Consumer	3,226	3	—	3,229
Commercial and industrial	16,362	585	—	16,947
Agricultural and other	48	—	—	48
Total risk rated loans	$ 114,965	$ 1,328	$ —	$ 116,293

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

The following is a presentation of loans receivable by class and risk rating as of June 30, 2019 and December 31, 2018:

	June 30, 2019						
	Risk Rated 1	Risk Rated 2	Risk Rated 3	Risk Rated 4	Risk Rated 5	Classified Total	Total
	(In thousands)						
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ —	$ 289	$3,455,486	$ 887,951	$ 34,820	$ 48,019	$ 4,426,565
Construction/land development	9	748	707,143	1,203,472	184	13,202	1,924,758
Agricultural	—	—	64,908	18,156	897	898	84,859
Residential real estate loans							
Residential 1-4family	685	710	1,513,589	268,449	11,235	32,026	1,826,694
Multifamily residential	—	—	363,237	85,848	72,463	1,173	522,721
Total real estate	694	1,747	6,104,363	2,463,876	119,599	95,318	8,785,597
Consumer	14,059	1,822	424,573	10,472	424	2,236	453,586
Commercial and industrial	23,438	10,508	817,585	607,778	22,927	20,446	1,502,682
Agricultural and other	384	3,185	138,684	50,891	785	275	194,204
Total risk rated loans	$38,575	$17,262	$7,485,205	$3,133,017	$143,735	$ 118,275	10,936,069
Purchased credit impaired loans							117,060
Total loans receivable							$11,053,129

	December 31, 2018						
	Risk Rated 1	Risk Rated 2	Risk Rated 3	Risk Rated 4	Risk Rated 5	Classified Total	Total
	(In thousands)						
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	$ 443	$ 296	$2,740,068	$1,912,191	$ 26,361	$ 44,573	$ 4,723,932
Construction/land development	17	645	264,507	1,255,258	1,377	15,236	1,537,040
Agricultural	—	—	37,377	38,295	282	304	76,258
Residential real estate loans							
Residential 1-4family	715	738	1,453,859	446,557	7,078	34,984	1,943,931
Multifamily residential	—	—	388,572	169,526	—	972	559,070
Total real estate	1,175	1,679	4,884,383	3,821,827	35,098	96,069	8,840,231
Consumer	13,432	4,298	401,209	18,409	442	3,229	441,019
Commercial and industrial	21,673	13,310	737,218	649,390	23,321	16,947	1,461,859
Agricultural and other	737	3,423	133,901	48,567	554	48	187,230
Total risk rated loans	$37,017	$22,710	$6,156,711	$4,538,193	$ 59,415	$ 116,293	10,930,339
Purchased credit impaired loans							141,540
Total loans receivable							$11,071,879

Historically, the Company has graded loans receivable having risk ratings of 1 to 5 as "Pass," with most of the Company's loans being rated as "Satisfactory" (Risk rating 3) or "Watch" (Risk rating 4). The Company's policy in recent years was to rate certain loans as "Watch" based solely on the borrower's industry or the loan type and not due to a particular indication of weakness in the credit itself. These "Watch" loans included substantially all construction loans, accounts receivable loans, inventory lines of credit, SBA loans and agriculture loans. Over time, as the Company's construction loan balances increased, the relative level of "Watch" loans grew. The Company determined that this policy election resulted in overestimating the overall risk in the loan portfolio, as it did not give consideration to the financial strength of the borrower. The Company determined that rating these loans as "Watch" could potentially mask the first opportunity to identify a weakness in a credit, and therefore, could lead to a later recognition of problem loans if loan quality deterioration occurred. Therefore, effective in the second quarter of 2019, the Company revised its "Watch" risk rating definition to no longer include certain loans solely based on industry and to focus on attributes such as the financial strength of the borrower/guarantor, repayment ability of the project on a global basis, equity and other relevant factors.

In the second quarter of 2019, the Company reviewed the loans previously rated as "Watch" based on the change in philosophy and determined which loans should be moved to "Satisfactory" based on the attributes noted above. This resulted in approximately $1.5 billion in loans being moved from "Watch" to "Satisfactory." The Company believes that this change more accurately portrays the risk in the loan portfolio. This did not have a material impact on the allowance for loan losses as the grading changes were within the "Pass" category.

The following is a presentation of troubled debt restructurings ("TDRs") by class as of June 30, 2019 and December 31, 2018:

	June 30, 2019					
	Number of Loans	Pre-Modification Outstanding Balance	Rate Modification	Term Modification	Rate & Term Modification	Post-Modification Outstanding Balance
			(Dollars in thousands)			
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	17	$ 15,227	$ 8,310	$ 376	$ 4,438	$ 13,124
Construction/land development	2	584	546	14	—	560
Agricultural	3	451	388	11	—	399
Residential real estate loans						
Residential 1-4family	20	3,165	1,089	235	975	2,299
Multifamily residential	3	1,701	1,200	—	290	1,490
Total real estate	45	21,128	11,533	636	5,703	17,872
Consumer	3	30	16	5	—	21
Commercial and industrial	9	1,554	840	50	—	890
Total		$	$		$	$
	57	$ 22,712	$ 12,389	$ 691	$ 5,703	$ 18,783

	December 31, 2018					
	Number of Loans	Pre-Modification Outstanding Balance	Rate Modification	Term Modification	Rate & Term Modification	Post-Modification Outstanding Balance
			(Dollars in thousands)			
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	17	$ 15,227	$ 8,482	$ 982	$ 4,475	$ 13,939
Construction/land development	2	584	546	17	—	563
Agricultural	2	345	283	14	—	297
Residential real estate loans						
Residential 1-4family	22	3,204	1,059	281	1,022	2,362
Multifamily residential	3	1,701	1,253	—	286	1,539
Total real estate	46	21,061	11,623	1,294	5,783	18,700
Consumer	5	38	18	9	—	27
Commercial and industrial	14	1,679	897	105	—	1,002
Total	65	$ 22,778	$ 12,538	$ 1,408	$ 5,783	$ 19,729

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The following is a presentation of TDRs on non-accrualstatus as of June 30, 2019 and December 31, 2018 because they are not in compliance with the modified terms:

	June 30, 2019		December 31, 2018	
	Number of Loans	Recorded Balance	Number of Loans	Recorded Balance
	(Dollars in thousands)			
Real estate:				
Commercial real estate loans				
Non-farm/non-residential	4	$ 2,350	4	$ 2,950
Construction/land development	1	546	1	546
Agricultural	2	117	1	14
Residential real estate loans				
Residential 1-4family	6	688	8	778
Multifamily residential	1	135	1	142
Total real estate	14	3,836	15	4,430
Consumer	1	1	1	2
Commercial and industrial	3	131	6	194
Total	18	$ 3,968	22	$ 4,626

The following is a presentation of total foreclosed assets as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
	(In thousands)	
Commercial real estate loans		
Non-farm/non-residential	$ 3,929	$ 5,555
Construction/land development	5,673	3,534
Residential real estate loans		
Residential 1-4family	4,132	4,142
Multifamily residential	—	5
Total foreclosed assets held for sale	$ 13,734	$ 13,236

Changes in the carrying amount of the accretable yield for purchased credit impaired loans were as follows for the three-month period ended June 30, 2019 for the Company's acquisitions:

	Accretable Yield	Carrying Amount of Loans
	(In thousands)	
Balance at beginning of period	$ 33,759	$ 141,540
Reforecasted future interest payments for loan pools	3,765	—
Accretion recorded to interest income	(8,558)	8,558
Adjustment to yield	4,917	—
Transfers to foreclosed assets held for sale	—	223
Payments received, net	—	(33,261)
Balance at end of period	$ 33,883	$ 117,060

The loan pools were evaluated by the Company and are currently forecasted to have a slower run-offthan originally expected. As a result, the Company has reforecast the total accretable yield expectations for those loan pools by $3.8 million. This updated forecast does not change the expected weighted average yields on the loan pools.

During the 2019 impairment tests on the estimated cash flows of loans, the Company established that several loan pools were determined to have a materially projected credit improvement. As a result of this improvement, the Company will recognize approximately $4.9 million as an additional adjustment to yield over the weighted average life of the loans.

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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, 2019 and December 31, 2018, were as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
Goodwill		
Balance, beginning of period	$ 958,408	$ 927,949
Acquisitions	—	30,459
Balance, end of period	$ 958,408	$ 958,408

	June 30, 2019	December 31, 2018
	(In thousands)	
Core Deposit and Other Intangibles		
Balance, beginning of period	$ 42,896	$ 49,351
Amortization expense	(3,173)	(3,250)
Balance, June 30	39,723	46,101
Amortization expense		(3,205)
Balance, end of year		$ 42,896

The carrying basis and accumulated amortization of core deposits and other intangibles at June 30, 2019 and December 31, 2018 were:

	June 30, 2019	December 31, 2018
	(In thousands)	
Gross carrying basis	$ 86,625	$ 86,625
Accumulated amortization	(46,902)	(43,729)
Net carrying amount	$ 39,723	$ 42,896

Core deposit and other intangible amortization expense was approximately $1.6 million for the three months ended June 30, 2019 and 2018. Core deposit and other intangible amortization expense was approximately $3.2 million and $3.3 million for the six months ended June 30, 2019 and 2018, respectively. HBI's estimated amortization expense of core deposits and other intangibles for each of the years 2019 through 2023 is approximately: 2019 – $6.5 million; 2020 – $5.9 million; 2021 – $5.7 million; 2022 – $5.7 million; 2023 – $5.5 million.

The carrying amount of the Company's goodwill was $958.4 million at June 30, 2019 and December 31, 2018. Goodwill is tested annually for impairment during the fourth quarter. 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, 2019 and December 31, 2018 other assets were $180.3 million and $183.8 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 $125.5 million and $134.6 million at June 30, 2019 and December 31, 2018, respectively, 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 $26.7 million and $25.1 million at June 30, 2019 and December 31, 2018, respectively. There were no observable transactions during the period that would indicate a material change in fair value. Therefore, these investments were accounted for at cost, less impairment.

8. Deposits

The aggregate amount of time deposits with a minimum denomination of $250,000 was $1.06 billion and $922.0 million at June 30, 2019 and December 31, 2018, respectively. The aggregate amount of time deposits with a minimum denomination of $100,000 was $1.54 billion and $1.41 billion at June 30, 2019 and December 31, 2018, respectively. Interest expense applicable to certificates in excess of $100,000 totaled $7.6 million and $3.8 million for the three months ended June 30, 2019 and 2018, respectively. Interest expense applicable to certificates in excess of $100,000 totaled $14.8 million and $6.7 million for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and December 31, 2018, brokered deposits were $641.9 million and $660.2 million, respectively.

Deposits totaling approximately $2.02 billion and $1.97 billion at June 30, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, securities sold under agreements to repurchase totaled $142.5 million and $143.7 million, respectively. For the three-month periods ended June 30, 2019 and 2018, securities sold under agreements to repurchase daily weighted-average totaled $144.5 million and $144.0 million, respectively. For the six-monthperiods ended June 30, 2019 and 2018, securities sold under agreements to repurchase daily weighted-average totaled $147.6million and $148.3 million, respectively.

The remaining contractual maturity of securities sold under agreements to repurchase in the consolidated balance sheets as of June 30, 2019 and December 31, 2018 is presented in the following tables:

	June 30, 2019				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
	(In thousands)				
Securities sold under agreements to repurchase:					

	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
U.S. government-sponsored enterprises	$ 5,396	$ —	$ —	$ —	$ 5,396
Mortgage-backed securities	30,816	—	—	—	30,816
State and political subdivisions	102,977	—	—	—	102,977
Other securities	3,352	—	—	—	3,352
Total borrowings	$ 142,541	$ —	$ —	$ —	$142,541

	December 31, 2018				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
			(In thousands)		
Securities sold under agreements to repurchase:					
U.S. government-sponsored enterprises	$ 19,124	$ —	$ —	$ —	$ 19,124
Mortgage-backed securities	9,184	—	—	—	9,184
State and political subdivisions	98,841	—	—	—	98,841
Other securities	16,530	—	—	—	16,530
Total borrowings	$ 143,679	$ —	$ —	$ —	$143,679

10. FHLB and Other Borrowed Funds

The Company's FHLB borrowed funds, which are secured by our loan portfolio, were $899.4 million and $1.47 billion at June 30, 2019 and December 31, 2018, respectively. The Company had no other borrowed funds as of June 30, 2019. Other borrowed funds were $2.5 million and were classified as short-term advances as of December 31, 2018. At June 30, 2019, $225.0 million and $674.4 million of the outstanding balance were issued as short-term and long-term advances, respectively. At December 31, 2018, $782.6 million and $689.8 million of the outstanding balance were issued as short-term and long-term advances, respectively. The FHLB advances mature from the current year to 2033 with fixed interest rates ranging from 1.20% to 2.85% and are secured by loans and investments securities. Maturities of borrowings as of June 30, 2019 include: 2019 – $353.0 million; 2020 – $146.4 million; 2021 – zero; 2022 – zero; after 2023 – $400.0 million. Expected maturities could differ from contractual maturities because FHLB may have the right to call or HBI the right to prepay certain obligations.

Additionally, the Company had $1.29 billion and $821.3 million at June 30, 2019 and December 31, 2018, respectively, in letters of credit under a FHLB blanket borrowing line of credit, which are used to collateralize public deposits. This increase is due to the Company using more letters of credit to collateralize public deposits rather than using investment securities.

Additionally, the parent company took out a $20.0 million line of credit for general corporate purposes during 2015. The balance on this line of credit at June 30, 2019 and December 31, 2018 was zero.

11. Subordinated Debentures

Subordinated debentures at June 30, 2019 and December 31, 2018 consisted of guaranteed payments on trust preferred securities with the following components:

	As of June 30, 2019	As of December 31, 2018
	(In thousands)	
Trust preferred securities		
Subordinated debentures, issued in 2006, due 2036, fixed rate of 6.75% during the first five years and at a floating rate of 1.85% above the three-month LIBOR rate, reset quarterly, thereafter, currently callable without penalty	$ 3,093	$ 3,093
Subordinated debentures, issued in 2004, due 2034, fixed rate of 6.00% during the first five years and at a floating rate of 2.00% above the three-month LIBOR rate, reset quarterly, thereafter, currently callable without penalty	15,464	15,464
Subordinated debentures, issued in 2005, due 2035, fixed rate of 5.84% during the first five years and at a floating rate of 1.45% above the three-month LIBOR rate, reset quarterly, thereafter, currently callable without penalty	25,774	25,774
Subordinated debentures, issued in 2004, due 2034, fixed rate of 4.29% during the first five years and at a floating rate of 2.50% above the three-month LIBOR rate, reset quarterly, thereafter, currently callable without penalty	16,495	16,495
Subordinated debentures, issued in 2005, due 2035, floating rate of 2.15% above the three-month LIBOR rate, reset quarterly, currently callable without penalty	4,378	4,353
Subordinated debentures, issued in 2006, due 2036, fixed rate of 7.38% during the first five years and at a floating rate of 1.62% above the three-month LIBOR rate, reset quarterly, thereafter, currently callable without penalty	5,708	5,662
Subordinated debt securities		
Subordinated notes, net of issuance costs, issued in 2017, due 2027, fixed rate of 5.625% during the first five years and at a floating rate of 3.575% above the then three-month LIBOR rate, reset quarterly, thereafter,		

callable in 2022without penalty	298,258	297,949
Total	$369,170	$ 368,790

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The Company holds trust preferred securities with a face amount of $73.3 million which are currently callable without penalty based on the terms of the specific agreements. The trust preferred securities are tax-advantagedissues that qualify for Tier 1 capital treatment subject to certain limitations. Distributions on these securities are included in interest expense. Each of the trusts is a statutory business trust organized for the sole purpose of issuing trust securities and investing the proceeds in the Company's subordinated debentures, the sole asset of each trust. The trust preferred securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the subordinated debentures held by the trust. The Company wholly owns the common securities of each trust. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related subordinated debentures. The Company's obligations under the subordinated securities and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Company of each respective trust's obligations under the trust securities issued by each respective trust.

12. Income Taxes

The following is a summary of the components of the provision (benefit) for income taxes for the three and six-monthperiods ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Current:				
Federal	$ 13,068	$ 11,351	$ 23,226	$ 26,355
State	4,326	3,757	7,689	8,725
Total current	17,394	15,108	30,915	35,080
Deferred:				
Federal	4,167	6,913	11,089	9,917
State	1,379	2,289	3,671	3,283
Total deferred	5,546	9,202	14,760	13,200
Income tax expense	$ 22,940	$ 24,310	$ 45,675	$ 48,280

The reconciliation between the statutory federal income tax rate and effective income tax rate is as follows for the three and six-monthperiods ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Statutory federal income tax rate	21.00%	21.00%	21.00%	21.00%
Effect of non-taxableinterest income	(0.82)	(0.83)	(0.84)	(0.79)
Stock compensation	0.30	0.01	0.10	(0.21)
State income taxes, net of federal benefit	4.03	4.16	4.01	4.57
Other	(0.39)	(0.11)	(0.13)	(0.11)
Effective income tax rate	24.12%	24.23%	24.14%	24.46%

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, 2019	December 31, 2018
	(In thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 29,281	$ 30,033
Deferred compensation	2,848	4,037
Stock compensation	5,311	4,259

Non-accrualinterest income	250	—
Real estate owned	1,266	1,382
Unrealized loss on securities available-for-sale	—	5,050
Loan discounts	21,107	23,755
Tax basis premium/discount on acquisitions	6,392	7,378
Investments	932	866
Other	10,034	10,243
Gross deferred tax assets	77,421	87,003
Deferred tax liabilities:		
Accelerated depreciation on premises and equipment	557	87
Unrealized gain on securities available-for-sale	5,225	—
Core deposit intangibles	9,276	9,804
FHLB dividends	1,712	1,712
Other	2,134	2,125
Gross deferred tax liabilities	18,904	13,728
Net deferred tax assets	$ 58,517	$ 73,275

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and the states of Alabama, Arkansas, California, Florida, Kansas, New Jersey, New York, Ohio, Texas and Virginia. The Company is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2015.

13. Common Stock, Compensation Plans and Other

Common Stock

As of June 30, 2019, 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.

Stock Repurchases

On January 18, 2019, the Company's Board of Directors authorized the repurchase of up to an additional 5,000,000 shares of its common stock under the previously approved stock repurchase program, which brought the remaining amount of authorized shares to repurchase to 9,919,447 shares. During the first six months of 2019, the Company utilized a portion of this stock repurchase program.

During the first six months of 2019, the Company repurchased a total of 3,416,722 shares with a weighted-average stock price of $18.81 per share. The 2019 earnings were used to fund the repurchases during the first six months of 2019. Shares repurchased under the program as of June 30, 2019 since its inception total 13,249,275 shares. The remaining balance available for repurchase is 6,502,725 shares at June 30, 2019.

Stock Compensation Plans

The Company has a stock option and performance incentive plan known as the Amended and Restated 2006 Stock Option and Performance

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, 2019, the maximum total number of shares of the Company's common stock available for issuance under the Plan was 13,288,000. At June 30, 2019, the Company had approximately 1,665,000 shares of common stock remaining available for future grants and approximately 5,285,500 shares of common stock reserved for issuance pursuant to outstanding awards under the Plan.

During the third quarter of 2018, the Company granted 1,452,000 stock options and 843,500 shares of restricted stock to certain employees under the HOMB $2.00 performance incentive program ("HOMB $2.00"). The purpose of the performance-based incentive plan is to motivate employees to help the Company achieve $2.00 of diluted earnings per share, as adjusted (non-GAAP), over a consecutive four-quarter period.

The intrinsic value of the stock options outstanding and stock options vested at June 30, 2019 was $5.8 million and $5.1 million, respectively. Total unrecognized compensation cost, net of income tax benefit, related to non-vestedstock option awards, which are expected to be recognized over the vesting periods, was approximately $11.5 million as of June 30, 2019.

The table below summarizes the stock option transactions under the Plan at June 30, 2019 and December 31, 2018 and changes during the six-month period and year then ended:

	For the Six Months Ended June 30, 2019		For the Year Ended December 31, 2018	
	Shares (000)	Weighted-Average Exercisable Price	Shares (000)	Weighted-Average Exercisable Price
Outstanding, beginning of year	3,617	$ 19.62	2,274	$ 16.23
Granted	55	19.15	1,581	23.24
Forfeited/Expired	(52)	22.41	(37)	22.30
Exercised	—		(201)	9.25
Outstanding, end of period	3,620	19.57	3,617	19.62
Exercisable, end of period	1,305	$ 15.70	1,167	$ 15.31

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. The weighted-average fair value of options granted during the six months ended June 30, 2019 was $4.11per share. The weighted-average fair value of options granted during the year ended December 31, 2018 was $5.58 per share. 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.

	For the Six Months Ended June 30, 2019	For the Year Ended December 31, 2018
Expected dividend yield	2.70%	2.05%
Expected stock price volatility	26.13%	25.59%
Risk-free interest rate	2.48%	2.82%
Expected life of options	6.5 years	6.5 years

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The following is a summary of currently outstanding and exercisable options at June 30, 2019:

	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
$2.66to $2.77	6	0.50	2.66	6	2.66
$4.30to $6.56	87	2.56	6.56	87	6.56
$8.62to $9.54	245	3.66	9.01	245	9.01
$14.71to $16.86	252	5.28	15.97	222	16.04
$17.12to $17.40	193	5.39	17.20	160	17.21
$18.46 to $19.12	1,064	6.34	18.49	433	18.46
$20.16to $20.58	48	6.28	20.51	25	20.45
$21.25to $22.22	235	7.79	21.71	94	21.48
$22.70to $23.51	1,416	9.06	23.32	1	23.51
$25.96	74	7.81	25.96	32	25.96
	3,620			1,305	

The table below summarized the activity for the Company’s restricted stock issued and outstanding at June 30, 2019 and December 31, 2018 and changes during the period and year then ended:

	As of June 30, 2019	As of December 31, 2018
	(In thousands)	
Beginning of year	1,873	1,145
Issued	179	1,010
Vested	(175)	(233)
Forfeited	(16)	(49)
End of period	1,861	1,873
Amount of expense for six months and twelve months ended, respectively	$ 4,216	$ 7,232

Total unrecognized compensation cost, net of income tax benefit, related to non-vestedrestricted stock awards, which are expected to be recognized over the remaining vesting periods, was approximately $26.8 million as of June 30, 2019.

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14. Non-InterestExpense

The table below shows the components of non-interestexpense for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Salaries and employee benefits	$37,976	$34,476	$ 75,812	$ 69,490
Occupancy and equipment	8,853	8,519	17,676	17,502
Data processing expense	3,838	3,339	7,808	7,325
Other operating expenses:				
Advertising	1,095	1,142	2,146	2,104
Amortization of intangibles	1,587	1,624	3,173	3,250
Electronic banking expense	1,851	1,828	3,754	3,706
Directors' fees	392	318	826	648
Due from bank service charges	282	242	520	461
FDIC and state assessment	1,655	2,788	3,365	4,396
Hurricane expense	—	—	897	—
Insurance	661	714	1,358	1,601
Legal and accounting	989	858	1,970	1,636
Other professional fees	2,306	1,601	5,118	3,240
Operating supplies	505	602	1,041	1,202
Postage	293	323	619	667
Telephone	306	371	609	744
Other expense	5,035	4,483	9,989	8,636
Total other operating expenses	16,957	16,894	35,385	32,291
Total non-interestexpense	$67,624	$63,228	$136,681	$126,608

15. Leases

The Company leases land and office facilities under long-term, non-cancelableoperating lease agreements. The leases expire at various dates through 2042 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 (“CAM”) charges in the rental payments. Upon adoption of ASU 2016-02,the Company recorded a $47.1 million right-of-use(“ROU”) asset and $49.0 million lease liability within bank premises and equipment, net, and other liabilities, respectively, within the Company’s balance sheets. No cumulative adjustment to the opening balance of retained earnings was considered necessary due to the nature of the Company’s leases. Short-term leases are leases having a term of twelve months or less. As part of the standard adoption, the Company elected the package of practical expedients whereby we did not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases. In accordance with ASU 2018-11,the Company also elected the practical expedient whereby we elected to not separate nonlease components from the associated lease component of our operating leases. As a result, we account for these components as a single component under Topic 842 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 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, 2019, the balances of the right-of-useasset and lease liability was $46.6 million and $49.2million, respectively. The right-of-useasset is included in bank premises and equipment, net, and the lease liability is included in accrued interest payable and other liabilities.

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At June 30, 2019, the maturity of the lease liabilities for the operating leases are as follows (in thousands):

2019	$ 3,027
2020-2021	10,682
2022-2023	7,836
Thereafter	27,691
	$49,236

At June 30, 2019, the minimum rental commitments under these noncancelable operating leases are as follows (in thousands):

2019	$ 3,880
2020	7,447
2021	6,478
2022	5,310
2023	4,613
Thereafter	32,476
	$60,204

Additional information (dollar amounts in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Lease expense:		
Operating lease expense	$ 2,054	$ 4,119
Short-term lease expense	29	53
Variable lease expense	240	479
Total lease expense	$ 2,323	$ 4,651
Other information:		
Cash paid for amounts included in the measurement of lease liabilities	$ 1,998	$ 3,938
Weighted-average remaining lease term	10.85	10.83
Weighted-average discount rate	3.61%	3.63%

The Company currently leases three properties from three related parties. Total rent expense from the leases for the three and six-monthperiods ended June 30, 2019 was $35,000or 1.51% of total lease expense and $70,000or 1.51% of total lease expense, 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 loan 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, 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, 2019 and December 31, 2018, commercial real estate loans represented 59.0% and 58.1% of total loans receivable, respectively, and 268.9% and 273.6% of total stockholders' equity at June 30, 2019 and December 31, 2018, respectively. Residential real estate loans represented 21.5% and 22.9% of total loans receivable and 98.2% and 107.9% of total stockholders' equity at June 30, 2019 and December 31, 2018, respectively.

Approximately 78.4% of the Company's total loans and 81.6% of the Company's real estate loans as of June 30, 2019, are to borrowers whose collateral is located in Alabama, Arkansas, Florida and New York, the states in which the Company has its branch locations.

Although general economic conditions in the Company's market areas have been favorable, both nationally and locally, over the past three years and have remained strong in the current year, financial institutions still face circumstances and challenges which, in some cases, have resulted and could potentially result, in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The financial statements have been prepared using values and information currently available to the Company.

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 loan 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 their 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, 2019 and December 31, 2018, commitments to extend credit of $2.57 billion and $2.34 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-sheetinstruments. The maximum amount of future payments the Company could be required to make under these guarantees at June 30, 2019 and December 31, 2018, is $57.9 million and $55.6 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 first six months of 2019, the Company requested approximately $120.8 million in regular dividends from its banking subsidiary. This dividend is equal to approximately 75.0% of the Company's banking subsidiary's year-to-date 2019 earnings.

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-sheetitems 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, common Tier 1 equity 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, 2019, the Company meets all capital adequacy requirements to which it is subject.

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. The capital conservation buffer requirement began being phased in beginning January 1, 2016at the 0.625% level and increased by 0.625% on each subsequent January 1, until it reached 2.5% on January 1, 2019when the phase-inperiod ended, and the full capital conservation buffer requirement became effective.

Basel III permanently grandfathers trust preferred securities and other non-qualifying capital instruments that were issued and outstanding as of May 19, 2010 in the Tier 1 capital of bank holding companies with total consolidated assets of less than $15 billion as of December 31, 2009. The rule phases out of Tier 1capital these non-qualifyingcapital instruments issued before May 19, 2010by all other bank holding companies. Because our total consolidated assets were less than $15 billion as of December 31, 2009, our outstanding trust preferred securities continue to be treated as Tier 1capital. However, now that the Company has exceeded $15 billionin assets, if the Company acquires another financial institution in the future, then the Tier 1treatment of the Company's outstanding trust preferred securities will be phased out, but those securities will still be treated as Tier 2capital.

Basel III also amended the prompt corrective action rules to incorporate a "common equity Tier 1 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 will be required to have at least a 4.5% "common equity Tier 1 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 now: a 6.5% "common equity Tier 1 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 , 2019 , the Bank met the capital standards for a well-capitalized institution. The Company's "common equity Tier 1 risk-based capital" ratio, "Tier 1 leverage capital" ratio, "Tier 1 risk-based capital" ratio, and "total risk-based capital" ratio were 11.57%, 10.49%, 12.15%, and 15.47%, respectively, as of June 30 , 2019 .

19. Additional Cash Flow Information

In connection with the SPF acquisition, accounted for using the purchase method, the Company acquired approximately $377.0 million in assets, including $376.2 million in loans, issued 1,250,000 shares of its common stock valued at approximately $28.2 million as of June 30, 2018, and paid $377.4 million in cash.

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

	June 30,	
	2019	2018
	(In thousands)	
Interest paid	$80,473	$51,069
Income taxes paid	55,382	23,375
Assets acquired by foreclosure	5,764	7,919

20. Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There is a hierarchy of three levels of inputs that may be used to measure fair values:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

Financial Assets and Liabilities Measured on a Recurring Basis

Available-for-salesecurities are the only material instruments valued on a recurring basis which are held by the Company at fair value. The Company does not have any Level 1 securities. Primarily all of the Company's securities are considered to be Level 2 securities. These 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. As of June 30, 2019 and December 31, 2018, Level 3 securities were immaterial. In addition, there were no material transfers between hierarchy levels during 2019 and 2018. See Note 3 for additional detail related to investment securities

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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.

Financial Assets and Liabilities Measured on a Nonrecurring Basis

Impaired loans that are collateral dependent are the only material financial assets valued on a non-recurringbasis which are held by the Company at fair value. Loan impairment is reported when full payment under the loan terms is not expected. Impaired loans are carried at the net realizable value of the collateral if the loan is collateral dependent. A portion of the allowance for loan 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 loan losses to require an increase, such increase is reported as a

component of the provision for loan losses. The fair value of loans with specific allocated losses was $83.4 million and $84.3 million as of June 30, 2019 and December 31, 2018, respectively. This valuation is considered Level 3, consisting of appraisals of underlying collateral. The Company reversed approximately $292,000 and $368,000 of accrued interest receivable when impaired loans were put on non-accrual status during the three months ended June 30, 2019 and 2018, respectively. The Company reversed approximately $480,000 and $563,000 of accrued interest receivable when impaired loans were put on non-accrualstatus during the six months ended June 30, 2019 and 2018, respectively.

Nonfinancial Assets and Liabilities Measured on a Nonrecurring Basis

Foreclosed assets held for sale are the only material non-financialassets valued on a non-recurringbasis which 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 loan 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, 2019 and December 31, 2018, the fair value of foreclosed assets held for sale, less estimated costs to sell, was $13.7 million and $13.2 million, respectively.

Foreclosed assets held for sale with a carrying value of approximately $190,000 were remeasured during the six months ended June 30, 2019, resulting in a write-down of approximately $100,000. 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. During the reported periods, collateral discounts ranged from 10% to 25% for commercial and residential real estate collateral.

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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 (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

	June 30, 2019		
	Carrying Amount	Fair Value	Level
	(In thousands)		
Financial assets:			
Cash and cash equivalents	$ 557,302	$ 557,302	1
Federal funds sold	1,075	1,075	1
Investment securities – held-to-maturity	—	—	2
Loans receivable, net of impaired loans and allowance	10,863,710	10,624,280	3
Accrued interest receivable	48,992	48,992	1
FHLB, Federal Reserve & First National Banker's Bank stock; other equity investments	152,236	152,236	3
Financial liabilities:			
Deposits:			
Demand and non-interestbearing	$ 2,575,696	$ 2,575,696	1
Savings and interest-bearing transaction accounts	6,774,162	6,774,162	1
Time deposits	1,997,458	1,986,178	3
Securities sold under agreements to repurchase	142,541	142,541	1
FHLB and other borrowed funds	899,447	868,054	2
Accrued interest payable	8,735	8,735	1
Subordinated debentures	369,170	378,605	3

	December 31, 2018		
	Carrying Amount	Fair Value	Level
	(In thousands)		
Financial assets:			
Cash and cash equivalents	$ 657,939	$ 657,939	1
Federal funds sold	325	325	1
Investment securities – held-to-maturity	192,776	193,610	2
Loans receivable, net of impaired loans and allowance	10,878,769	10,659,428	3
Accrued interest receivable	48,945	48,945	1
FHLB, Federal Reserve & First National Banker's Bank stock; other equity investments	159,775	159,775	3
Financial liabilities:			
Deposits:			
Demand and non-interestbearing	$ 2,401,232	$ 2,401,232	1
Savings and interest-bearing transaction accounts	6,624,407	6,624,407	1
Time deposits	1,874,139	1,852,816	3
Securities sold under agreements to repurchase	143,679	143,679	1
FHLB and other borrowed funds	1,472,393	1,464,073	2
Accrued interest payable	8,891	8,891	1
Subordinated debentures	368,790	366,159	3

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21. Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall(Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-salesecurities. The new guidance is effective for annual reporting period and interim reporting periods within those annual periods, beginning after December 15, 2017. The Company adopted the new standard effective January 1, 2018, and the implementation resulted in a $990,000 increase to retained earnings and a $990,000 decrease to accumulated other comprehensive income. The current accounting policies and procedures have been adjusted to comply with the accounting changes mentioned above. For additional information on fair value of assets and liabilities, see Note 20.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in ASU 2016-02address several aspects of lease accounting with the significant change being the recognition of lease assets and lease liabilities for leases previously classified as operating leases. The new standard establishes a right-of-use(ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. An entity may adopt the new guidance either by restating prior periods and recording a cumulative effect adjustment at the beginning of the earliest comparative period presented or by recording a cumulative effect adjustment at the beginning of the period of adoption. The Company adopted the standard effective January 1, 2019 and recorded a ROU asset of $47.1 million and lease liability of $49.0 million. No cumulative adjustment to the opening balance of retained earnings was considered necessary due to the nature of the Company's leases. As part of the standard adoption, the Company elected the package of practical expedients whereby we did not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases. In accordance with ASU 2018-11 *Leases (Topic 842)*

Targeted Improvements, the Company also elected the practical expedient whereby we elected to not separate nonlease components from the associated lease component of our operating leases. As a result, we account for these components as a single component under Topic 842 since (i) the timing and pattern of the 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 has also elected to not apply the recognition requirements of ASU 2016-02to any short-term leases (as defined by related accounting guidance). As of June 30, 2019, the balances of the right-of-use asset and lease liability was $46.6 million and $49.2 million, respectively. The right-of-useasset is included in bank premises and equipment, net, and the lease liability is included in accrued interest payable and other liabilities.

In May 2016 , the FASB issued ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update)*, which rescinds certain SEC guidance from the FASB Accounting Standards Codification in response to announcements made by the SEC staff at the Emerging Issues Task Force's ("EITF") March 3, 2016, meeting. ASU 2016-11is effective at the same time as ASU 2014-09and ASU 2014-16. The Company adopted the guidance effective January 1, 2018 and its adoption did not have a significant impact on our financial position or financial statement disclosures.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which amends the FASB's guidance on the impairment of financial instruments. The amendments in ASU 2016-13replace the incurred loss model with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates, known as the current expected credit loss ("CECL") model. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13is also intended to reduce the complexity of U.S. GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. ASU 2016-13is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The allowance for loan losses is a material estimate of the Company and given the change from an incurred loss model to a methodology that considers the credit loss over the life of the loan, there is the potential for an increase in the allowance for loan losses at adoption date. The Company is anticipating a significant change in the processes and procedures to calculate the allowance for loan losses, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. The Company will also develop new procedures for determining an allowance for credit losses relating to held-to-maturityinvestment securities. In addition, the current accounting policy and procedures for other-than-temporary impairment on available-for-sale investment securities will be replaced with an allowance approach. The Company is currently evaluating the impact, if any, ASU 2016-13will have on its financial position and results of operations and currently does not know or cannot reasonably quantify the impact of the adoption of the amendments as a result of the complexity and extensive changes from the amendments. It is too early to assess the impact that the implementation of this guidance will have on the Company's consolidated financial statements; however, the Company has begun developing processes and procedures to ensure it is fully compliant with the amendments at the required adoption date. Among other things, the Company has initiated data gathering and assessment to support forecasting of asset quality, loan balances, and portfolio net charge-offs and has developed an in-housedata warehouse, developed asset quality forecast models and selected a software vendor in preparation for the implementation of this standard. For additional information on the allowance for loan losses, see Note 5.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under the amendments in the new ASU, goodwill impairment testing will be performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss should not exceed the total amount of goodwill allocated to that reporting unit. The new standard is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and should be applied on a prospective basis. Early adoption is permitted for annual or interim goodwill impairment testing performed after January 1, 2017. The Company has goodwill from prior business combinations and performs an annual impairment test or more frequently if changes or circumstances occur that would more-likely-than-notreduce the fair value of the reporting unit below its carrying value. During 2018, the Company performed its impairment assessment and determined the fair value of the aggregated reporting units exceed the carrying value, such that the Company's goodwill was not considered impaired. Although the Company cannot anticipate future goodwill impairment assessments, based on the most recent assessment, it is unlikely that an impairment amount would need to be calculated, and therefore, the Company does not anticipate a material impact from these amendments to our financial position or results of operations. The current accounting policies and processes are not anticipated to change, except for the elimination of the Step 2 analysis.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-controlling Interests with a Scope Exception.*Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating *Topic 480, Distinguishing Liabilities from Equity*, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable non-controllinginterests. The amendments in Part II of

this update do not have an accounting effect. This ASU is effective for interim and annual reporting periods beginning after December 15, 2018. The Company adopted the guidance effective January 1, 2019, and its adoption did not have a significant impact on our financial position or financial statement disclosures.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities*, which amends the hedge accounting model to provide better insight to risk management activities in the financial statements, reduces the complexity in cash flow hedges of interest rate risk, eliminates the requirement to separately measure and report hedge ineffectiveness, requires the entire change in the fair value of a hedging instrument included in the assessment of the hedge effectiveness to be recorded in other comprehensive income, with amounts reclassified to earnings to be presented in the same line item used to present the earnings effect of the hedged item when the hedged item affects earnings and allows the initial prospective quantitative assessment of hedge effectiveness to be performed at any time after hedge designation, but no later than the first quarterly effectiveness testing date. This ASU is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The amendments in this standard must be applied using the modified retrospective approach for cash flow and net investment hedge relationships existing on the date of adoption. The Company adopted the guidance effective January 1, 2019, and as permitted by the ASU, the Company reclassified the prepayable HTM investment securities, with a fair value of $193.6 million and $834,000 in net unrealized gains as of December 31, 2018, to available-for-saleinvestment securities.

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which was issued to address the income tax accounting treatment of the stranded tax effects within other comprehensive income due to the prohibition of backward tracing due to an income tax rate change that was initially recorded in other comprehensive income. This issue came about from the enactment of the TCJA on December 22, 2017 that changed the Company's federal income tax rate from 35% to 21%. The ASU changed current accounting whereby an entity may elect to reclassify the stranded tax effect from accumulated other comprehensive income to retained earnings. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. Adoption of this ASU is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the tax laws or rates were recognized. The Company adopted the guidance effective January 1, 2019, and its adoption resulted in a $459,000reclassification between retained earnings and accumulated other comprehensive income.

In March 2018, the FASB issued ASU 2018-04, *Amendments to SEC paragraphs Pursuant to SEC Staff Accounting Bulletin No.117 and SEC Release No. 33-9273*. The ASU adds, amends, and supersedes various paragraphs that contain SEC guidance in ASC 320, *Investments – Debt Securities*, and ASC 980, *Regulated Operations*. The effective date for the amendments to ASC 320 is the same as the effective date of ASU 2016-01.Other amendments are effective upon issuance. The Company adopted the amendments to ASC 320 effective January 1, 2018, and their adoption did not have a significant impact on our financial position or financial statement disclosures. The Company adopted the other amendments effective March 9, 2018, and the adoption did not have a significant impact on our financial position or financial statement disclosures.

In March 2018, the FASB issued ASU 2018-05, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*. The ASU adds seven paragraphs to ASC 740, Income Taxes, that contain SEC guidance related to SAB 118 (codified as SEC SAB Topic 5.EE, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*). This ASU was effective upon issuance. The Company adopted the guidance effective March 31, 2018, and its adoption did not have a significant impact on our financial position or financial statement disclosures.

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The ASU expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The guidance also specifies that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company adopted the guidance effective January 1, 2019, and its adoption did not have a significant impact on our financial position or financial statement disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The new guidance modifies disclosure requirements related to fair value measurement. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Implementation on a prospective or retrospective basis varies by specific disclosure requirement. Early adoption is permitted. The standard also allows for early adoption of any removed or modified disclosures upon issuance of this ASU while delaying adoption of the additional disclosures until their effective date. This guidance is applicable to the Company beginning January 1, 2020. The Company is currently evaluating the potential effects of this guidance on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract,* that amends the definition of a hosting arrangement and requires a customer in a hosting arrangement that is a service contract to capitalize certain implementation costs as if the arrangement was an internal-usesoftware project. The internal-usesoftware guidance states that only qualifying costs incurred during the application development stage can be capitalized. The effective date is for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively in accordance with the applicable guidance. At the time of adoption, entities will be required to disclose the nature of its hosting arrangements that are service contracts and provide disclosures as if the deferred implementation costs were a separate, major depreciable asset class. The Company is beginning to evaluate its cloud computing arrangements and has not yet determined how we will apply or the impact of this new standard.

In October 2018, the FASB issued ASU 2018-16*, Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes.*The amendments in this Update permit the OIS rate based on SOFR as a U.S. benchmark

interest rate. Including the OIS rate based on SOFR as an eligible benchmark interest rate during the early stages of the marketplace transition will facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes. For entities that have not already adopted ASU 2017-12,the amendments in this Update are required to be adopted concurrently with the amendments in ASU 2017-12.The Company adopted the guidance concurrently with ASU 2017-12effective January 1, 2019, and its adoption did not have a significant impact on our financial position or financial statement disclosures.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses.* The amendment clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20.Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. The effective date and transition requirements for the amendments in this update are the same as the effective dates and transition requirements in ASU 2016-13.

In December 2018, the FASB issued ASU 2018-20, *Narrow-Scope Improvements for Lessors.*The amendments in this update permit lessors, as an accounting policy election, to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Instead, those lessors will account for those costs as if they are lessee costs. Consequently, a lessor making this election will exclude from the consideration in the contract and from variable payments not included in the consideration in the contract all collections from lessees of taxes within the scope of the election and will provide certain disclosures. The amendments in this update related to certain lessor costs require lessors to exclude from variable payments, and therefore revenue, lessor costs paid by lessees directly to third parties. The amendments also require lessors to account for costs excluded from the consideration of a contract that are paid by the lessor and reimbursed by the lessee as variable payments. A lessor will record those reimbursed costs as revenue. The amendments in this Update related to recognizing variable payments for contracts with lease and non-leasecomponents require lessors to allocate certain variable payments to the lease and non-leasecomponents when the changes in facts and circumstances on which the variable payment is based occur. After the allocation, the amount of variable payments allocated to the lease components will be recognized as income in profit or loss in accordance with Topic 842, while the amount of variable payments allocated to non-leasecomponents will be recognized in accordance with other Topics, such as Topic 606. The Company adopted the standard effective January 1, 2019, and its adoption did not have a significant impact on our financial position or financial statement disclosures.

In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*. The amendments in this Update reinstate the exception in Topic 842 for lessors that are not manufacturers or dealers. Specifically, those lessors will use their cost, reflecting any volume or trade discounts that may apply, as the fair value of the underlying asset. However, if significant time lapses between the acquisition of the underlying asset and lease commencement, those lessors will be required to apply the definition of *fair value*(exit price) in Topic 820. In addition, the amendments in this Update address the concerns of lessors within the scope of Topic 942 about where “principal payments received under leases” should be presented. Specifically, lessors that are depository and lending institutions within the scope of Topic 942 will present all “principal payments received under leases” within investing activities. Finally, the amendments in this Update clarify the FASB’s original intent by explicitly providing an exception to the paragraph 250-10-50-3interim disclosure requirements in the Topic 842 transition disclosure requirements. The effective date for the amendments in this update is for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* The amendments clarify certain aspects of the accounting for credit losses, hedging activities, and financial instruments (addressed by ASUs 2016-13, 2017-12and 2016-01, respectively). The amendments made to the provisions of ASU 2016-13are related to accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, reinsurance recoverables, projections of interest rate environments for variable-rate financial instruments, cost to sell financial assets when foreclosure is probable, consideration of expected prepayments when determining the effective interest rate, amortized cost basis of line of credit arrangements that are converted to term loans and extension and renewal options that are not unconditionally cancelable by the entity. The effective date and transition requirements for the amendments in this update are the same as the effective dates and transition requirements in ASU 2016-13.The significant amendments made to the provisions of ASU 2017-12are related to partial-term fair value hedges of interest rate risk, amortization of fair value hedge basis adjustments, disclosure of fair value hedge basis adjustments, consideration of the hedged contractually specified interest rate under the hypothetical derivative method, application of a first-payments-received cash flow hedging technique to overall cash flows on a group of variable interest payments and transition guidance for reclassifying prepayable debt securities from HTM to available-for-sale.The amendments to ASU 2017-12are effective as of the beginning of the first annual reporting period beginning after the date of issuance of ASU 2019-04.The amendments made to the provisions of ASU 2016-01indicate that the measurement alternative for equity securities without readily determinable fair values represent a nonrecurring fair value measurement under ASC 820, and therefore, such securities should be remeasured at fair value when an entity identifies an orderly transaction “for an identical or similar investment of the same issuer.” The amendments related to ASU 2016-01are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief*. The amendments provide transition relief for entities adopting the Board’s credit losses standard, ASU 2016-13. Specifically, ASU 2019-05 amends ASU 2016-13 to allow companies to irrevocably elect, upon adoption of ASU 2016-13, the fair value option for financial instruments that were previously recorded at amortized cost and are within the scope of the credit losses guidance in ASC 326-20, are eligible for the fair value option under ASC 825-10, and are not held-to-maturity debt securities. The amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

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. and subsidiaries ("the Company") as of June 30, 2019, and the related condensed consolidated statements of income, comprehensive income, and stockholders' equity for the three-month and six-month periods ended June 30, 2019, and 2018, and cash flows for the six-month periods ended June 30, 2019 and 2018, 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, 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein), and in our report dated February 26, 2019, 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, 2018, 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 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/ **BKD, LLP**

Little Rock, Arkansas
August 7, 2019

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, 2019, which includes the audited financial statements for the year ended December 31, 2018. *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, 2019, we had, on a consolidated basis, total assets of $15.29 billion, loans receivable, net of $10.95 billion, total deposits of $11.35 billion, and stockholders' equity of $2.42 billion.

We generate most 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 source 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 expenses and/or gains and losses.

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,	
	2019	2018	2019	2018
	(Dollars in thousands, except per share data)			
Total assets	$15,287,575	$14,924,120	$15,287,575	$14,924,120
Loans receivable	11,053,129	10,897,970	11,053,129	10,897,970
Allowance for loan losses	106,066	111,516	106,066	111,516
Total deposits	11,347,316	10,736,033	11,347,316	10,736,033
Total stockholders' equity	2,421,406	2,314,013	2,421,406	2,314,013
Net income	72,164	76,025	143,514	149,089
Basic earnings per share	0.43	0.44	0.85	0.86
Diluted earnings per share	0.43	0.44	0.85	0.86
Book value per share	14.46	13.26	14.46	13.26
Tangible book value per share (non-GAAP)(1)	8.50	7.52	8.50	7.52
Annualized net interest margin – FTE	4.28%	4.47%	4.29%	4.47%
Efficiency ratio	39.93	36.74	40.47	37.28
Efficiency ratio, as adjusted (non-GAAP)(2)	39.92	37.03	40.21	37.49
Annualized return on average assets	1.92	2.13	1.92	2.11
Annualized return on average common equity	12.18	13.54	12.26	13.46

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

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

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Overview

Results of Operations for the Three Months Ended June 30, 2019 and 2018

Our net income decreased $3.8 million, or 5.1%, to $72.2 million for the three-month period ended June 30, 2019, from $76.0 million for the same period in 2018. On a diluted earnings per share basis, our earnings were $0.43 per share for the three-month period ended June 30, 2019 and $0.44 per share for the three-month period ended June 30, 2018. Total interest expense increased $12.4 million or 44.2%, non-interest expense increased $4.4 million or 7.0% and non-interest income decreased by $4.6 million or 16.6%. This was partially offset by an $14.7 million, or 8.8%, increase in total interest income. The primary driver of the increase in interest income was a $12.8 million increase in loan interest income. The primary drivers of the decrease in non-interest income were a $1.6 million decrease in other service charges and fees, a $988,000 decrease in gain (loss) on other real estate owned ("OREO"), net, and a $982,000 decrease in other income. The primary driver of the increase in interest expense was a $11.5 million, or 63.6%, increase in interest expense on deposits. The primary driver of the increase in non-interest expense was a $3.5 million increase in salaries and employee benefits.

Our net interest margin decreased from 4.47% for the three-month period ended June 30, 2018 to 4.28% for the three-month period ended June 30, 2019. The yield on interest earning assets was 5.50% and 5.36% for the three months ended June 30, 2019 and 2018, respectively, as average interest earning assets increased from $12.56 billion to $13.32 billion. The increase in earning assets is primarily the result of our acquisition in 2018 and organic loan growth. For the three months ended June 30, 2019 and 2018, we recognized $9.2 million and $10.7 million, respectively, in total net accretion for

acquired loans and deposits. The rate on interest bearing liabilities was 1.61% and 1.18% for the three months ended June 30, 2019 and 2018, respectively, as average interest-bearing liabilities increased from $9.50 billion to $10.07 billion. The growth in the rate on interest bearing liabilities was only partially offset by the increase in yield, which led to a decrease in net interest margin for the quarter ended June 30, 2019.

Our efficiency ratio was 39.93% for the three months ended June 30, 2019, compared to 36.74% for the same period in 2018. For the second quarter of 2019, our efficiency ratio, as adjusted (non-GAAP) was 39.92%, an increase of 295 basis points from the 36.97% reported for the second quarter of 2018. (See Table 23 for the non-GAAP tabular reconciliation). The increase in the efficiency ratio is primarily due to the increase in non-interest expense which was primarily driven by a $3.5 million or 10.2% increase in salary and employee benefits as well as a decrease in non-interest income which is primarily due to a $1.6 million or 16.5% decrease in other service charges and fees, a $988,000 or 94.5% decrease in gain (loss) on OREO, net, and a $982,000 or 31.9% decrease in other income. The $3.5 million increase in salaries and employee benefits expense is primarily due to increased salary expense related to the normal increased cost of doing business, additional employees hired as a result of the increased regulatory environment, $326,000 increase in salary expense for Centennial CFG, $831,000 of additional expense related to performance based restricted stock and stock options granted during the third quarter of 2018 under the Company's "HOMB $2.00" performance incentive program ("HOMB $2.00") and the completion of the acquisition of SPF during the second quarter of 2018, which accounted for $236,000 of the increase. The decrease in other service charges and fees is due to the Bank being subject to the Durbin Amendment to the Dodd-Frank Act which restricted interchange fees beginning in the third quarter of 2018. We estimate that quarterly interchange fees are approximately $3.0 million lower as a result of the Durbin Amendment. This was partially offset by a $892,000 increase in property finance loan fees and a $223,000 increase in wire service income.

Our annualized return on average assets was 1.92% for the three months ended June 30, 2019, compared to 2.13% for the same period in 2018. Our annualized return on average common equity was 12.18% for the three months ended June 30, 2019, compared to 13.54% for the same period in 2018.

Results of Operations for the Six Months Ended June 30, 2019 and 2018

Our net income decreased $5.6 million, or 3.74%, to $143.5 million for the six-monthperiod ended June 30, 2019, from $149.1 million for the same period in 2018. On a diluted earnings per share basis, our earnings were $0.85 per share and $0.86 per share for the six-monthperiods ended June 30, 2019 and 2018, respectively. Total interest expense increased $27.6 million or 52.4%, non-interestexpense increased $10.1 million or 8.0% and non-interestincome decreased by $6.7 million or 12.6%. This was partially offset by a $33.2 million, or 10.1%, increase in total interest income. The primary driver of the increase in interest income was a $28.6 million increase in loan interest income. The primary drivers of the decrease in non-interestincome were a $5.2 million decrease in other service charges and fees, a $1.2 million decrease in gain (loss) on OREO, net, and a $2.2 million decrease in other income partially offset by a $2.2 million increase in dividends from the Federal Home Loan Bank ("FHLB"), Federal Reserve Bank ("FRB"), First National Bankers' Bank ("FNBB") and other dividends. The primary driver of the increase in interest expense was a $24.7 million, or 75.1%, increase in interest expense on deposits. The primary drivers of the increase in non-interestexpense were a $6.3 million increase in salaries and employee benefits and a $3.1 million increase in other operating expenses.

Our net interest margin decreased from 4.47% for the six-monthperiod ended June 30, 2018 to 4.29% for the six-monthperiod ended June 30, 2019. The yield on interest earning assets was 5.51% and 5.32% for the six months ended June 30, 2019 and 2018, respectively, as average interest earning assets increased from $12.52 billion to $13.31 billion. The increase in earning assets is primarily the result of our acquisition in 2018 and organic loan growth. For the six months ended June 30, 2019 and 2018, we recognized $18.3 million and $21.3 million, respectively, in total net accretion for acquired loans and deposits. The rate on interest bearing liabilities was 1.60% and 1.11% for the six months ended June 30, 2019 and 2018, respectively, as average interest-bearing liabilities increased from $9.55 billion to $10.12 billion. The growth in the rate on interest bearing liabilities was only partially offset by the increase in yield, which led to a decrease in net interest margin for the six months ended June 30, 2019.

Our efficiency ratio was 40.47% for the six months ended June 30, 2019, compared to 37.28% for the same period in 2018. For the first six months of 2019, our efficiency ratio, as adjusted (non-GAAP),was 40.21%, which increased from the 37.44% reported for first six months of 2018. (See Table 23 for the non-GAAPtabular reconciliation). The increase in the efficiency ratio is primarily due to the increase in non-interestexpense which was primarily driven by a $6.3 million or 9.1% increase in salary and employee benefits as well as a decrease in non-interestincome which is primarily due to a $5.2 million or 26.1% decrease in other service charges and fees, a $1.2 million or 81.8% decrease in gain (loss) on OREO, net, and a $2.2 million or 32.0% decrease in other income. The $6.3 million increase in salaries and employee benefits expense is primarily due to increased salary expense related to the normal increased cost of doing business, additional employees hired as a result of the increased regulatory environment, $1.0 million increase in salary expense for Centennial CFG, $1.7 million of additional expense related to performance based restricted stock and stock options granted during the third quarter of 2018 under "HOMB $2.00" and the completion of the acquisition of SPF during the second quarter of 2018, which accounted for $489,000 of the increase. The decrease in other service charges and fees is due to the Bank being subject to the Durbin Amendment to the Dodd-Frank Act which restricted interchange fees beginning in the third quarter of 2018. We estimate that the year to date interchange fees are approximately $6.0 million lower as a result of the Durbin Amendment. This was partially offset by a $699,000 increase in property finance loan fees and a $350,000 increase in wire service income.

Our annualized return on average assets was 1.92% for the six months ended June 30, 2019, compared to 2.11% for the same period in 2018. Our annualized return on average common equity was 12.24% for the six months ended June 30, 2019, compared to 13.46% for the same period in 2018.

Financial Condition as of and for the Period Ended June 30, 2019 and December 31, 2018

Our total assets as of June 30, 2019 decreased $14.9 million to $15.29 billion from the $15.30 billion reported as of December 31, 2018. Cash and cash

equivalents decreased $100.6 million, or 15.3%, for the six-month period ended June 30, 2019. Our loan portfolio balance declined slightly to $11.05 billion as of June 30, 2019 from $11.07 billion at December 31, 2018. Total deposits increased $447.5 million to $11.35 billion as of June 30, 2019 from $10.90 billion as of December 31, 2018. Stockholders' equity increased $71.5 million to $2.42 billion as of June 30, 2019, compared to $2.35 billion as of December 31, 2018. The increase in stockholders' equity is primarily associated with the $101.8 million increase in retained earnings and $28.6 million of other comprehensive income, which was partially offset by stock repurchases of $64.4 million in 2019.

Our non-performing loans were $62.8 million, or 0.57% of total loans as of June 30, 2019, compared to $64.2 million, or 0.58% of total loans as of December 31, 2018. The allowance for loan losses as a percent of non-performing loans decreased to 168.9% as of June 30, 2019, from 169.4% as of December 31, 2018. Non-performing loans from our Arkansas franchise were $20.0 million at June 30, 2019 compared to $17.4 million as of December 31, 2018. Non-performing loans from our Florida franchise were $37.1 million at June 30, 2019 compared to $43.3 million as of December 31, 2018. Non-performing loans from our Alabama franchise were $3.3 million at June 30, 2019 compared to $179,000 as of December 31, 2018. Non-performing loans from our SPF franchise were $2.4 million at June 30, 2019 compared to $3.4 million as of December 31, 2018. There were no non-performing loans from our Centennial CFG franchise.

As of June 30, 2019, our non-performing assets decreased to $77.5 million, or 0.51% of total assets, from $78.0 million, or 0.51% of total assets, as of December 31, 2018. Non-performing assets from our Arkansas franchise were $26.6 million at June 30, 2019 compared to $24.0 million as of December 31, 2018. Non-performing assets from our Florida franchise were $45.2 million at June 30, 2019 compared to $50.2 million as of December 31, 2018. Non-performing assets from our Alabama franchise were $3.3 million at June 30, 2019 compared to $306,000 as of December 31, 2018. Non-performing assets from our SPF franchise were $2.4 million at June 30, 2019 compared to $3.4 million as of December 31, 2018. There were no non-performing assets from our Centennial CFG franchise.

Critical Accounting Policies

*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 loan losses, foreclosed assets, investments, intangible assets, income taxes and stock options.

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Revenue Recognition. Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*("ASC Topic 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. The majority of our revenue-generating transactions are not subject to ASC Topic 606, including revenue generated from financial instruments, such as our loans, letters of credit and investment securities, as these activities are subject to other GAAP discussed elsewhere within our disclosures. Descriptions of our revenue-generating activities that are within the scope of ASC Topic 606, which are presented in our income statements as components of non-interest income are as follows:

- Service charges on deposit accounts – These represent general service fees for monthly account maintenance and activity or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when our performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

- Other service charges and fees – These represent credit card interchange fees and Centennial CFG loan fees. The interchange fees are recorded in the period the performance obligation is satisfied which is generally the cash basis based on agreed upon contracts. Centennial CFG loan fees are based on loan or other negotiated agreements with customers and are accounted for under ASC Topic 310. Interchange fees were $3.5 million, $6.8 million, $6.9 million and $13.3 million for the three and six-month periods ended June 30, 2019 and June 30, 2018, respectively. Centennial CFG loan fees were $925,000, $1.8 million, $990,000 and $2.2 million for the three and six-month periods ended June 30, 2019 and June 30, 2018, respectively.

Financial Instruments. ASU 2016-01 *"Financial Instruments - Overall (Subtopic 825-10): Recognition of Financial Assets and Financial Liabilities,* ("ASU 2016-01") makes targeted amendments to the guidance for recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 requires equity investments, other than equity method investments, to be measured at fair value with changes in fair value recognized in net income. The ASU requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption to reclassify the cumulative change in fair value of equity securities previously recognized in AOCI. ASU 2016-01 became effective for us on January 1, 2018. The adoption of the guidance resulted in a $990,000 cumulative-effect adjustment that increased retained earnings, with offsetting related

adjustments to deferred taxes and AOCI. ASU 2016-01 also emphasizes the existing requirement to use exit prices to measure fair value for disclosure purposes and clarifies that entities should not make use of a practicability exception in determining the fair value of loans. Accordingly, we refined the calculation used to determine the disclosed fair value of our loans held for investment portfolio as part of adopting this standard. The refined calculation did not have a significant impact on our fair value disclosures.

Investments – Available-for-sale. Securities available-for-sale 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.

Investments – Held-to-Maturity. 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. Starting January 1, 2018, premiums are now amortized to call date under ASU 2017-08 and discounts are accreted to interest income using the constant yield method over the period to maturity. Effective January 1, 2019, as permitted by ASU 2017-12, *Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities*, the Company reclassified the prepayable held-to-maturity ("HTM") investment securities, with a fair value of $193.6 million and $834,000 in net unrealized gains as of December 31, 2018, to available-for-sale investment securities.

Loans Receivable and Allowance for Loan 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 loan losses is established through a provision for loan losses charged against income. The allowance represents an amount that, in management's judgment, will be adequate to absorb probable credit losses on identifiable loans that may become uncollectible and probable credit losses inherent in the remainder of the loan portfolio. The amounts of provisions for loan losses are based on management's analysis and evaluation of the loan portfolio for identification of problem credits, internal and external factors that may affect collectability, relevant credit exposure, particular risks inherent in different kinds of lending, current collateral values and other relevant factors.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected loss given default derived from the bank's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

Loans considered impaired, under FASB ASC 310-10-35, are loans for which, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. The aggregate amount of impairment of loans is utilized in evaluating the adequacy of the allowance for loan losses and amount of provisions thereto. Losses on impaired loans are charged against the allowance for loan losses when in the process of collection, it appears likely that such losses will be realized. The accrual of interest on impaired loans is discontinued when, in management's opinion the collection of interest is doubtful or generally when loans are 90 days or more past due. When accrual of interest is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans.

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 loan 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 loan losses when accrued in prior years and reversed from interest income if accrued in the current year. Interest income on non-accrual loans may be recognized to the extent cash payments are received, although the majority of payments received are usually applied to principal. Non-accrual loans are generally returned to accrual status when principal and interest payments are less than 90 days past due, the customer has made required payments for at least six months, and we reasonably expect to collect all principal and interest.

Acquisition Accounting and Acquired Loans. We account for our acquisitions under FASB ASC Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the acquired loans is recorded on the acquisition date as the fair value of the purchased loans incorporates assumptions regarding credit risk. 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.

Over the life of the purchased credit impaired loans, we continue to estimate cash flows expected to be collected on pools of loans sharing common risk characteristics, which are treated in the aggregate when applying various valuation techniques. We evaluate at each balance sheet date whether the present value of our pools of loans determined using the effective interest rates has decreased and if so, recognize a provision for loan loss in its consolidated statement of income. For any increases in cash flows expected to be collected, we adjust the amount of accretable yield recognized on a prospective basis over the pool's remaining life.

Foreclosed Assets Held for Sale. Real estate and personal properties 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 properties are carried at fair value less costs to sell. Gains and losses from the sale of other real estate and personal properties 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 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.

*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

Shore Premier Finance

On June 30, 2018, the Company completed the acquisition of SPF, a division of Union Bank & Trust of Richmond, Virginia, the bank subsidiary of Union Bankshares Corporation. The Company paid a purchase price of approximately $377.4 million in cash, subject to certain post-closing adjustments, and 1,250,000 shares of HBI common stock. SPF provides direct consumer financing for United States Coast Guard (“USCG”) registered high-end sail and power boats. Additionally, SPF provides inventory floor plan lines of credit to marine dealers, primarily those selling USCG documented vessels.

Including the purchase accounting adjustments, as of acquisition date, SPF had approximately $377.0 million in total assets, including $376.2 million in total loans, which resulted in goodwill of $30.5 million being recorded.

This portfolio of loans is now housed in a division of Centennial known as Shore Premier Finance. The SPF division of Centennial is responsible for servicing the acquired loan portfolio and originating new loan production. In connection with this acquisition, Centennial opened a new loan production office in Chesapeake, Virginia, to house the SPF division. Through the SPF division, Centennial is working to build out a lending platform focusing on commercial and consumer marine loans.

See Note 2 “Business Combinations” in the Notes to Consolidated Financial Statements for additional information regarding the acquisition of SPF.

Future Acquisitions

In our continuing evaluation of our growth plans, we believe properly priced bank acquisitions can complement our organic growth and *de novo*branching growth strategies. We anticipate that our principal acquisition focus will be to continue to expand our presence in Arkansas, Florida and Alabama and into other contiguous markets through pursuing both non-FDIC-assistedand FDIC-assisted bank acquisitions. However, as financial opportunities in other market areas arise, we may seek to expand into those areas.

We will continue evaluating all types of potential bank acquisitions to determine what is in the best interest of our Company. Our goal in making these decisions is to maximize the return to our investors.

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, 2019, we had 159 branch locations. There were 77 branches in Arkansas, 76 branches in Florida, five branches in Alabama and one branch in New York City.

Results of Operations

For the Three and Six Months Ended June 30, 2019 and 2018

Our net income decreased $3.8 million, or 5.1%, to $72.2 million for the three-month period ended June 30, 2019, from $76.0 million for the same period in 2018. On a diluted earnings per share basis, our earnings were $0.43 per share for the three-month period ended June 30, 2019 and $0.44 per share for the three-month period ended June 30, 2018. Total interest expense increased $12.4 million or 44.2%, non-interestexpense increased $4.4 million or 7.0% and non-interestincome decreased by $4.6 million or 16.6%. This was partially offset by an $14.7 million, or 8.8%, increase in total interest income. The primary driver of the increase in interest income was a $12.8 million increase in loan interest income. The primary drivers of the decrease in non-interestincome were a $1.6 million decrease in other service charges and fees, a $988,000 decrease in gain (loss) on OREO, net, and a $982,000 decrease in other income. The primary driver of the increase in interest expense was a $11.5 million, or 63.6%, increase in interest expense on deposits. The primary driver of the increase in non-interestexpense was a $3.5 million increase in salaries and employee benefits.

Our net income decreased $5.6 million, or 3.74%, to $143.5 million for the six-monthperiod ended June 30, 2019, from $149.1 million for the same period in 2018. On a diluted earnings per share basis, our earnings were $0.85 per share and $0.86 per share for the six-monthperiods ended June 30, 2019 and 2018, respectively. Total interest expense increased $27.6 million or 52.4%, non-interestexpense increased $10.1 million or 8.0% and non-interestincome decreased by $6.7 million or 12.6%. This was partially offset by a $33.2 million, or 10.1%, increase in total interest income. The primary driver of the increase in interest income was a $28.6 million increase in loan interest income. The primary drivers of the decrease in non-interestincome were a $5.2 million decrease in other service charges and fees, a $1.2 million decrease in gain (loss) on OREO, net, and a $2.2 million decrease in other income partially offset by a $2.2 million increase in dividends from FHLB, FRB, FNBB & other. The primary driver of the increase in interest expense was a $24.7 million, or 75.1%, increase in interest expense on deposits. The primary drivers of the increase in non-interestexpense were a $6.3 million increase in salaries and employee benefits and a $3.1 million increase in other operating expenses.

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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-performingloans and the amount of non-interest-bearingliabilities 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-exemptincome by one minus the combined federal and state income tax rate (26.135% for the three and six-monthperiods ended June 30, 2019 and 2018).

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 Funds target rate, which is the cost to banks of immediately available overnight funds, is 2.25% to 2.50% as of June 30, 2019, which has increased from the target rate of 1.75% to 2.00% as of June 30, 2018.

Our net interest margin decreased from 4.47% for the three-month period ended June 30, 2018 to 4.28% for the three-month period ended June 30, 2019. The yield on interest earning assets was 5.50% and 5.36% for the three months ended June 30, 2019 and 2018, respectively, as average interest earning assets increased from $12.56 billion to $13.32 billion. The increase in earning assets is primarily the result of our acquisition in 2018 and organic loan growth. For the three months ended June 30, 2019 and 2018, we recognized $9.2 million and $10.7 million, respectively, in total net accretion for acquired loans and deposits. The rate on interest bearing liabilities was 1.61% and 1.18% for the three months ended June 30, 2019 and 2018, respectively, as average interest-bearing liabilities increased from $9.50 billion to $10.07 billion. The growth in the rate on interest bearing liabilities was only partially offset by the increase in yield, which led to a decrease in net interest margin for the quarter ended June 30, 2019.

Our net interest margin decreased from 4.47% for the six-monthperiod ended June 30, 2018 to 4.29% for the six-monthperiod ended June 30, 2019. The yield on interest earning assets was 5.51% and 5.32% for the six months ended June 30, 2019 and 2018, respectively, as average interest earning assets increased from $12.52 billion to $13.31 billion. The increase in earning assets is primarily the result of our acquisition in 2018 and organic loan growth. For the six months ended June 30, 2019 and 2018, we recognized $18.3 million and $21.3 million, respectively, in total net accretion for acquired loans and deposits. The rate on interest bearing liabilities was 1.60% and 1.11% for the six months ended June 30, 2019 and 2018, respectively, as average interest-bearing liabilities increased from $9.55 billion to $10.12 billion. The growth in the rate on interest bearing liabilities was only partially offset by the increase in yield, which led to a decrease in net interest margin for the six months ended June 30, 2019.

For the three months ended June 30, 2019 and 2018, we recognized $9.2 million and $10.7 million, respectively, in total net accretion for acquired loans and deposits. Purchase accounting accretion on acquired loans was $9.2 million and $10.6 million and average purchase accounting loan discounts were $122.2 million and $153.6 million for the three-month periods ended June 30, 2019 and June 30, 2018, respectively. Net amortization of time deposit premiums was $30,000 and $102,000 and net average unamortized CD premiums were $327,000 and $538,000 for the three-month periods ended June 30, 2019 and June 30, 2018, respectively.

For the six months ended June 30, 2019 and 2018, we recognized $18.3 million and $21.3 million, respectively, in total net accretion for acquired loans and deposits. Purchase accounting accretion on acquired loans was $18.2 million and $21.1 million and average purchase accounting loan discounts were

$126.9 million and $159.4 million for the six-monthperiods ended June 30, 2019 and June 30, 2018, respectively. Net amortization of time deposit premiums was $60,000 and $203,000 and net average unamortized CD premiums were $342,000 and $589,000 for the six-monthperiods ended June 30, 2019 and June 30, 2018, respectively.

Net interest income on a fully taxable equivalent basis increased $2.3 million, or 1.6%, to $142.3 million for the three-month period ended June 30, 2019, from $140.0 million for the same period in 2018. This increase in net interest income for the three-month period ended June 30, 2019 was the result of a $14.6 million increase in interest income partially offset by a $12.4 million increase in interest expense, on a fully taxable equivalent basis. The $14.6 million increase in interest income was primarily the result of a higher level of earning assets accompanied by higher yields on our loans. The higher level of earning assets resulted in an increase in interest income of approximately $10.4 million. The higher yield was primarily driven by the increased loan production in the higher rate environment as well as the repricing of floating rate loans, which resulted in a $4.3 million increase in interest income, which was partially offset by a decrease in loan accretion income on our historical acquisitions. The $12.4 million increase in interest expense for the three-month period ended June 30, 2019 is primarily the result of an increase in interest bearing liabilities primarily resulting from a 6.9% increase in average deposits, combined with interest bearing liabilities repricing in a higher interest rate environment. The repricing of our interest-bearing liabilities in a higher interest rate environment resulted in an approximately $10.7 million increase in interest expense. The higher level of our interest-bearing liabilities resulted in an increase in interest expense of approximately $1.6 million.

Net interest income on a fully taxable equivalent basis increased $5.7 million, or 2.1%, to $283.1 million for the six-month period ended June 30, 2019, from $277.4 million for the same period in 2018. This increase in net interest income for the six-month period ended June 30, 2019 was the result of a $33.3 million increase in interest income partially offset by a $27.6 million increase in interest expense. The $33.3 million increase in interest income was primarily the result of a higher level of earning assets accompanied by higher yields on our loans. The higher level of earning assets resulted in an increase in interest income of approximately $21.6 million. The higher yield on our interest earning assets resulted in an approximately $11.7 million increase in interest income. The repricing of our interest-bearing liabilities in a higher interest rate environment resulted in an approximately $24.5 million increase in interest expense. The higher level of our interest-bearing liabilities resulted in an increase in interest expense of approximately $3.1 million.

Tables 2 and 3 reflect an analysis of net interest income on a fully taxable equivalent basis for the three and six-month periods ended June 30, 2019 and 2018, as well as changes in fully taxable equivalent net interest margin for the three and six-month periods ended June 30, 2019 compared to the same period in 2018.

Table 2: Analysis of Net Interest Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Interest income	$181,287	$166,561	$360,774	$327,537
Fully taxable equivalent adjustment	1,319	1,403	2,686	2,612
Interest income – fully taxable equivalent	182,606	167,964	363,460	330,149
Interest expense	40,300	27,949	80,317	52,716
Net interest income – fully taxable equivalent	$142,306	$140,015	$283,143	$277,433
Yield on earning assets – fully taxable equivalent	5.50%	5.36%	5.51%	5.32%
Cost of interest-bearing liabilities	1.61	1.18	1.60	1.11
Net interest spread – fully taxable equivalent	3.89	4.18	3.91	4.21
Net interest margin – fully taxable equivalent	4.28	4.47	4.29	4.47

Table 3: Changes in Fully Taxable Equivalent Net Interest Margin

	Three Months Ended June 30, 2019 vs. 2018	Six Months Ended June 30, 2019 vs. 2018
	(In thousands)	
Increase (decrease) in interest income due to change in earning assets	$ 10,383	$ 21,635
Increase (decrease) in interest income due to change in earning asset yields	4,259	11,676
(Increase) decrease in interest expense due to change in interest-bearing liabilities	(1,630)	(3,128)

(Increase) decrease in interest expense due to change in interest rates paid on interest-bearing liabilities	(10,721)	(24,473)
Increase (decrease) in net interest income	$ 2,291	$ 5,710

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-month periods ended June 30, 2019 and 2018, 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,					
	2019			2018		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
	(Dollars in thousands)					
ASSETS						
Earnings assets						
Interest-bearing balances due from banks	$ 298,821	$ 1,628	2.19%	$ 288,643	$ 1,206	1.68%
Federal funds sold	1,596	10	2.51	679	12	7.09
Investment securities – taxable	1,640,883	10,650	2.60	1,528,613	8,979	2.36
Investment securities – non-taxable	379,437	4,177	4.42	398,067	4,476	4.51
Loans receivable	11,000,926	166,141	6.06	10,345,846	153,291	5.94
Total interest-earning assets	13,321,663	182,606	5.50	12,561,848	167,964	5.36
Non-earning assets	1,776,937			1,742,635		
Total assets	$15,098,600			$14,304,483		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	$ 6,677,683	$ 20,637	1.24%	$ 6,451,204	$ 13,489	0.84%
Time deposits	1,943,320	9,072	1.87	1,611,353	4,675	1.16
Total interest-bearing deposits	8,621,003	29,709	1.38	8,062,557	18,164	0.90
Federal funds purchased	—	—	—	46	—	—
Securities sold under agreement to repurchase	144,478	630	1.75	143,952	372	1.04
FHLB and other borrowed funds	932,365	4,722	2.03	928,357	4,245	1.83
Subordinated debentures	369,076	5,239	5.69	368,309	5,168	5.63
Total interest-bearing liabilities	10,066,922	40,300	1.61	9,503,221	27,949	1.18
Non-interest-bearing liabilities						
Non-interest-bearing deposits	2,553,060			2,496,701		
Other liabilities	101,900			53,149		
Total liabilities	12,721,882			12,053,071		
Stockholders' equity	2,376,718			2,251,412		
Total liabilities and stockholders' equity	$15,098,600			$14,304,483		
Net interest spread			3.89%			4.18%
Net interest income and margin		$142,306	4.28%		$140,015	4.47%

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Table 4: Average Balance Sheets and Net Interest Income Analysis

	Six Months Ended June 30,					
	2019			2018		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
	(Dollars in thousands)					
ASSETS						
Earnings assets						

Interest-bearing balances due from banks	$ 285,688	$ 3,171	2.24%	$ 267,347	$ 2,135	1.61%
Federal funds sold	1,544	21	2.74	5,156	18	0.70
Investment securities – taxable	1,618,369	21,356	2.66	1,544,451	17,949	2.34
Investment securities – non-taxable	385,064	8,602	4.50	371,788	8,473	4.60
Loans receivable	11,018,616	330,310	6.05	10,335,699	301,574	5.88
Total interest-earning assets	13,309,281	363,460	5.51	12,524,441	330,149	5.32
Non-earning assets	1,779,908			1,745,179		
Total assets	$15,089,189			$14,269,620		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	$ 6,637,512	$ 40,174	1.22%	$ 6,430,509	$ 24,731	0.78%
Time deposits	1,923,457	17,541	1.84	1,562,873	8,239	1.06
Total interest-bearing deposits	8,560,969	57,715	1.36	7,993,382	32,970	0.83
Federal funds purchased	—	—	0.00	62	1	3.25
Securities sold under agreement to repurchase	147,623	1,264	1.73	148,310	748	1.02
FHLB and other borrowed funds	1,045,370	10,840	2.09	1,038,612	8,825	1.71
Subordinated debentures	368,981	10,498	5.74	368,217	10,172	5.57
Total interest-bearing liabilities	10,122,943	80,317	1.60	9,548,583	52,716	1.11
Non-interest-bearing liabilities						
Non-interest-bearing deposits	2,496,604			2,439,299		
Other liabilities	108,866			48,779		
Total liabilities	12,728,413			12,036,661		
Stockholders' equity	2,360,776			2,232,959		
Total liabilities and stockholders' equity	$15,089,189			$14,269,620		
Net interest spread			3.91%			4.21%
Net interest income and margin		$283,143	4.29%		$277,433	4.47%

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-month periods ended June 30, 2019 compared to the same period in 2018, 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, 2019 over 2018			Six Months Ended June 30, 2019 over 2018		
	Volume	Yield/Rate	Total	Volume	Yield/Rate	Total
	(In thousands)					
Increase (decrease) in:						
Interest income:						
Interest-bearing balances due from banks	$ 44	$ 378	$ 422	$ 155	881	$ 1,036
Federal funds sold	9	(11)	(2)	(20)	23	3
Investment securities – taxable	687	984	1,671	889	2,518	3,407
Investment securities – non-taxable	(206)	(93)	(299)	299	(170)	129
Loans receivable	9,849	3,001	12,850	20,312	8,424	28,736
Total interest income	10,383	4,259	14,642	21,635	11,676	33,311
Interest expense:						
Interest-bearing transaction and savings deposits	489	6,659	7,148	820	14,623	15,443
Time deposits	1,111	3,286	4,397	2,234	7,068	9,302
Federal funds purchased	—	—	—	(1)	—	(1)
Securities sold under agreement to repurchase	1	257	258	(3)	519	516
FHLB borrowed funds	18	459	477	57	1,958	2,015
Subordinated debentures	11	60	71	21	305	326
Total interest expense	1,630	10,721	12,351	3,128	24,473	27,601
Increase (decrease) in net interest income	$ 8,753	$ (6,462)	$ 2,291	$ 18,507	$ (12,797)	$ 5,710

Provision for Loan Losses

Our management assesses the adequacy of the allowance for loan losses by applying the provisions of FASB ASC 310-10-35. Specific allocations are determined for loans considered to be impaired and loss factors are assigned to the remainder of the loan portfolio to determine an appropriate level in the allowance for loan losses. The allowance is increased, as necessary, by making a provision for loan losses. The specific allocations for impaired loans are assigned based on an estimated net realizable value after a thorough review of the credit relationship. The potential loss factors associated with the remainder of the loan portfolio are based on an internal net loss experience, as well as management's review of trends within the portfolio and related industries.

While general economic trends have continued to improve, we cannot be certain that the current economic conditions will continue in the future. Recent and ongoing events at the national and international levels can create uncertainty in the financial markets. Despite these economic uncertainties, we continue to follow our historically conservative procedures for lending and evaluating the provision and allowance for loan losses. Our practice continues to be primarily traditional real estate lending with strong loan-to-value ratios.

Generally, commercial, commercial real estate, and residential real estate loans are assigned a level of risk at origination. Thereafter, these loans are reviewed on a regular basis. The periodic reviews generally include loan payment and collateral status, the borrowers' financial data, and key ratios such as cash flows, operating income, liquidity, and leverage. A material change in the borrower's credit analysis can result in an increase or decrease in the loan's assigned risk grade. Aggregate dollar volume by risk grade is monitored on an on-going basis.

Our management reviews certain key loan quality indicators on a monthly basis, including current economic conditions, delinquency trends and ratios, portfolio mix changes, and other information management deems necessary. This review process provides a degree of objective measurement that is used in conjunction with periodic internal evaluations. To the extent that this review process yields differences between estimated and actual observed losses, adjustments are made to the loss factors used to determine the appropriate level of the allowance for loan losses.

We are primarily a real estate lender in the markets we serve. As such, we are subject to declines in asset quality when real estate prices fall. The recession in the latter years of the last decade harshly impacted the real estate market in Florida. The economic conditions in virtually every asset class, particularly in our Florida markets, have improved in recent years. Our Arkansas markets' economies remained relatively stable during and after the recession with no significant boom or bust.

The provision for loan losses represents management's determination of the amount necessary to be charged against the current period's earnings to maintain the allowance for loan losses at a level that is considered adequate in relation to the estimated risk inherent in the loan portfolio.

We had $1.3 million and $2.7 million of provision for loan losses for the three months ended June 30, 2019 and 2018, respectively, reflecting a $1.4 million decrease in the provision for loan losses for the second quarter of 2019 versus the second quarter of 2018. We had $1.3 million and $4.3 million of provision for loan losses for the six months ended June 30, 2019 and 2018, respectively. The decrease in the provision for loan losses during the three and six-monthperiods of 2019 versus the three and six-monthperiods of 2018 are primarily a result of continued strong asset quality with non-performingloans to total loans of 0.57% and non-performingassets of 0.51%. In addition, net charge-offs to average total loans was 0.06% and 0.07% for the three and six-monthperiods ended June 30, 2019, respectively.

Based upon current accounting guidance, the allowance for loan losses is not carried over in an acquisition. As a result, none of the acquired loans had any allocation of the allowance for loan losses at merger date. This is the result of all purchased loans being recorded at fair value in accordance with the fair value methodology prescribed in ASC Topic 820. However, as the acquired loans payoff or renew and the acquired footprint originates new loan production, it is necessary to establish an allowance which represents an amount that, in management's judgment, will be adequate to absorb credit losses. The allowance for loan loss methodology for all originated loans as disclosed in Note 1 to the Notes to Consolidated Financial Statements in our Form 10-Kfor the year ended December 31, 2018, was used for these loans. Our current or historical provision levels should not be relied upon as a predictor or indicator of future levels going forward.

Non-InterestIncome

Total non-interestincome was $23.1 million and $46.7 million for the three and six-monthperiods ended June 30, 2019, compared to $27.7 million and $53.5 million for the same periods in 2018, respectively. Our recurring non-interestincome includes service charges on deposit accounts, other service charges and fees, trust fees, mortgage lending, insurance, increase in cash value of life insurance and dividends.

Table 6 measures the various components of our non-interestincome for the three and six-monthperiods ended June 30, 2019 and 2018, respectively, as well as changes for the three and six-monthperiods ended June 30, 2019 compared to the same period in 2018.

Table 6: Non-InterestIncome

	Three Months	Six Months

	Ended June 30,		2019 Change from 2018		Ended June 30,		2019 Change from 2018	
	2019	2018			2019	2018		
	(Dollars in thousands)							
Service charges on deposit accounts	$ 6,259	$ 6,780	$ (521)	(7.7)%	$12,660	$12,855	(195)	(1.5)%
Other service charges and fees	8,177	9,797	(1,620)	(16.5)	14,740	19,952	(5,212)	(26.1)
Trust fees	391	379	12	3.2	794	825	(31)	(3.8)
Mortgage lending income	3,457	3,477	(20)	(0.6)	5,892	6,134	(242)	(3.9)
Insurance commissions	515	526	(11)	(2.1)	1,124	1,205	(81)	(6.7)
Increase in cash value of life insurance	740	730	10	1.4	1,476	1,384	92	6.6
Dividends from FHLB, FRB, FNBB & other	1,149	1,600	(451)	(28.2)	4,654	2,477	2,177	87.9
Gain on sale of SBA loans	355	262	93	35.5	596	444	152	34.2
Gain (loss) on sale of branches, equipment and other assets, net	(129)	—	(129)	(100.0)	(50)	7	(57)	(814.3)
Gain (loss) on OREO, net	58	1,046	(988)	(94.5)	264	1,451	(1,187)	(81.8)
Other income	2,094	3,076	(982)	(31.9)	4,588	6,744	(2,156)	(32.0)
Total non-interestincome	$23,066	$27,673	$(4,607)	(16.6)%	$46,738	$53,478	(6,740)	(12.6)%

Non-interestincome decreased $4.6 million, or 16.6%, to $23.1 million for the three-month period ended June 30, 2019 from $27.7 million for the same period in 2018. The primary factor that resulted in this decrease was the impact of the Durbin Amendment which reduced interchange fees by approximately $3.0 million for the quarter. Other factors were changes related to service charges on deposit accounts, other service charges and fees, dividends from FHLB, FRB, First National Bankers' Bank & other, gain (loss) on sale of branches, equipment and other assets, net, gain (loss) on OREO and other income.

Additional details for the three months ended June 30, 2019 on some of the more significant changes are as follows:

- The $521,000 decrease in service charges on deposit accounts is primarily related to a decrease in overdraft fees due to lower volume.

- The $1.6 million decrease in other service charges and fees is primarily due to the reduction in interchange fees as a result of the Company being subject to interchange fee restrictions from the Durbin Amendment. We exceeded $10 billion in assets during the first quarter of 2017 and became subject to the Durbin Amendment to the Dodd-Frank Act interchange fee restrictions beginning in the third quarter of 2018. The Durbin Amendment negatively impacted debit card and ATM fees. We estimate that quarterly interchange fees are approximately $3.0 million lower as a result of the Durbin Amendment. This was partially offset by a $892,000 increase in property finance loan fees and a $223,000 increase in wire service income.

- The $451,000 decrease in dividends from FHLB, FRB, First National Bankers' Bank & other is primarily the result of a $309,000 decrease in dividend income from other equity investments, which is related to a special dividend received during the second quarter of 2018.

- The $129,000 decrease in gain (loss) on sale of branches, equipment and other assets, net, is primarily due to a loss on the sale of a branch during the second quarter of 2019 compared to zero for the second quarter of 2018.

- The $988,000 decrease in gain (loss) on OREO is primarily related to realizing fewer gains on sale from OREO properties during the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

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- The $982,000 decrease in other income is primarily due to a $510,000 decrease in income from fair value adjustments for equity securities due to the Company selling its equity securities during the fourth quarter of 2018, a $427,000 decrease in additional income for items previously charged off and a $173,000 decrease in investment brokerage fee income.

Non-interestincome decreased $6.7 million, or 12.6%, to $46.7 million for the six-monthperiod ended June 30, 2019 from $53.5 million for the same period in 2018. The primary factor that resulted in this decrease was the impact of the Durbin Amendment which reduced interchange fees by approximately $6.0 million for the six months ended June 30, 2019. Other factors were changes related to service charges on deposit accounts, other service charges and fees, mortgage lending income, dividends from FHLB, FRB, First National Bankers' Bank & other, gain (loss) on OREO and other income.

Additional details for the six months ended June 30, 2019 on some of the more significant changes are as follows:

- The $195,000 decrease in service charges on deposit accounts is primarily related to a decrease in overdraft fees due to lower volume.
- The $5.2 million decrease in other service charges and fees is primarily due to the reduction in interchange fees as a result of the Company being subject to interchange fee restrictions from the Durbin Amendment. We estimate that year to date interchange fees are approximately $6.0 million lower as a result of the Durbin Amendment. This was partially offset by a $699,000 increase in property finance loan fees and a $350,000 increase in wire service income.
- The $242,000 decrease in mortgage lending income is primarily due to lower fee income for secondary market loans.
- The $2.2 million increase in dividends from FHLB, FRB, First National Bankers' Bank & other is primarily the result of a $2.1 million special dividend from an equity investment in the first quarter of 2019.
- The $1.2 million decrease in gain (loss) on OREO is primarily related to realizing fewer gains on sale from OREO properties during the six months ended June 30, 2019 compared to the six months ended June 30, 2018.
- The $2.2 million decrease in other income is primarily due to a $688,000 decrease in income from fair value adjustments for equity securities due to the Company selling its equity securities during the fourth quarter of 2018, a $564,000 decrease in additional income for items previously charged off and a $490,000 decrease in investment brokerage fee income.

Non-InterestExpense

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

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Table 7 below sets forth a summary of non-interestexpense for the three and six-monthperiods ended June 30, 2019 and 2018, as well as changes for the three and six-monthperiods ended June 30, 2019 compared to the same period in 2018.

Table 7: Non-InterestExpense

	Three Months Ended June 30,		2019 Change from 2018		Six Months Ended June 30,		2019 Change from 2018	
	2019	2018			2019	2018		
	(Dollars in thousands)							
Salaries and employee benefits	$ 37,976	$ 34,476	$ 3,500	10.2%	$ 75,812	$ 69,490	$ 6,322	9.1%
Occupancy and equipment	8,853	8,519	334	3.9	17,676	17,502	174	1.0

Data processing expense	3,838	3,339	499	14.9	7,808	7,325	483	6.6
Other operating expenses:								
Advertising	1,095	1,142	(47)	(4.1)	2,146	2,104	42	2.0
Merger and acquisition expenses	—	—	—	—	—	—	—	—
Amortization of intangibles	1,587	1,624	(37)	(2.3)	3,173	3,250	(77)	(2.4)
Electronic banking expense	1,851	1,828	23	1.3	3,754	3,706	48	1.3
Directors' fees	392	318	74	23.3	826	648	178	27.5
Due from bank service charges	282	242	40	16.5	520	461	59	12.8
FDIC and state assessment	1,655	2,788	(1,133)	(40.6)	3,365	4,396	(1,031)	(23.5)
Hurricane expense	—	—	—	—	897	—	897	100.0
Insurance	661	714	(53)	(7.4)	1,358	1,601	(243)	(15.2)
Legal and accounting	989	858	131	15.3	1,970	1,636	334	20.4
Other professional fees	2,306	1,601	705	44.0	5,118	3,240	1,878	58.0
Operating supplies	505	602	(97)	(16.1)	1,041	1,202	(161)	(13.4)
Postage	293	323	(30)	(9.3)	619	667	(48)	(7.2)
Telephone	306	371	(65)	(17.5)	609	744	(135)	(18.1)
Other expense	5,035	4,483	552	12.3	9,989	8,636	1,353	15.7
Total non-interestexpense	$ 67,624	$ 63,228	$ 4,396	7.0%	$136,681	$126,608	$10,073	8.0%

Non-interestexpense increased $4.4 million, or 7.0%, to $67.6 million for the three months ended June 30, 2019 from $63.2 million for the same period in 2018. The primary factor that resulted in this increase was the increase in salaries and employee benefits expense. Other factors were changes related to other professional fees, other expense, data processing expense and FDIC and state assessment.

Additional details for the three months ended June 30, 2019 on some of the more significant changes are as follows:

- The $3.5 million increase in salaries and employee benefits expense is primarily due to increased salary expense related to the normal increased cost of doing business, additional employees hired as a result of the increased regulatory environment, $326,000 increase in salary expense for Centennial CFG, $831,000 of additional expense related to performance based restricted stock and stock options granted during the third quarter of 2018 under "HOMB $2.00" and the completion of the acquisition of SPF during the second quarter of 2018, which accounted for $236,000 of the increase.

- The $705,000 increase in other professional fees is primarily related to expenses incurred in relation to the increased regulatory environment as a result of the Company exceeding $10 billion in assets.

- The $552,000 increase in other expense is primarily related to the continued growth of the Company.

- The $499,000 increase in data processing expense is primarily related to an in increase in software, license, core processing and telecommunication expenses.

- The $1.1 million decrease in FDIC and state assessment is primarily related to a lower assessment rate for 2019 and no surcharge expense being assessed by the FDIC during 2019.

Non-interestexpense increased $10.1 million, or 8.0%, to $136.7 million for the six months ended June 30, 2019 from $126.6 million for the same period in 2018. The primary factor that resulted in this increase was the increase in salaries and employee benefits expense. Other factors were changes related to hurricane expense, other professional fees, other expense and FDIC and state assessment.

Additional details for the six months ended June 30, 2019 on some of the more significant changes are as follows:

- The $6.3 million increase in salaries and employee benefits expense is primarily due to increased salary expense related to the normal increased cost of doing business, additional employees hired as a result of the increased regulatory environment a $1.0 million increase in salary expense for Centennial CFG, $1.7 million of additional expense related to performance based restricted stock and stock options granted during the third quarter of 2018 under "HOMB $2.00" and the completion of the acquisition of SPF during the second quarter of 2018, which accounted for $489,000 of the increase.

- The $897,000 in hurricane expense is related to damages from Hurricane Michael which made landfall in Mexico Beach, Florida on October 10, 2018.

- The $1.9 million increase in other professional fees is primarily related to $900,000 of expense incurred in relation to a completed outsourced special project as well expenses incurred in relation to the increased regulatory environment as a result of the Company exceeding $10 billion in assets.

- The $1.4 million increase in other expense is primarily related to the continued growth of the Company.

- The $1.0 million decrease in FDIC and state assessment is primarily related to a lower assessment rate for 2019 and no surcharge expense being assessed by the FDIC during 2019.

Income Taxes

Income tax expense decreased $1.4 million, or 5.76%, to $22.9 million for the three-month period ended June 30, 2019, from $24.3 million for the same period in 2018. The income tax expense decreased $2.6 million, or 5.38%, to $45.7 million for the six-monthperiod ended June 30, 2019, from $48.3 million for the same period in 2018. The decline in income tax expense is primarily due to a decrease in pre-taxnet income for the three and six-monthperiods ended June 30, 2019 compared to the same periods in 2018. The effective income tax rate was 24.12% and 24.14% for the three and six-monthperiods ended June 30, 2019, compared to 24.23% and 24.46% for the same periods in 2018.

Financial Condition as of and for the Period Ended June 30, 2019 and December 31, 2018

Our total assets as of June 30, 2019 decreased $14.9 million to $15.29 billion from the $15.30 billion reported as of December 31, 2018. Cash and cash equivalents decreased $100.6 million, or 15.3%, for the six-monthperiod ended June 30, 2019. Our loan portfolio balance declined slightly to $11.05 billion as of June 30, 2019 from $11.07 billion at December 31, 2018. Total deposits increased $447.5 million to $11.35 billion as of June 30, 2019 from $10.90 billion as of December 31, 2018. Stockholders' equity increased $71.5 million to $2.42 billion as of June 30, 2019, compared to $2.35 billion as of December 31, 2018. The increase in stockholders' equity is primarily associated with the $101.8 million increase in retained earnings and $28.6 million of other comprehensive income, which was partially offset by stock repurchases of $64.4 million in 2019.

Loan Portfolio

Loans Receivable

Our loan portfolio averaged $11.00 billion and $10.35 billion during the three-month periods ended June 30, 2019 and 2018, respectively. Our loan portfolio averaged $11.02 billion and $10.34 billion during the six-monthperiods ended June 30, 2019 and 2018, respectively. Loans receivable were $11.05 billion and $11.07 billion as of June 30, 2019 and December 31, 2018, respectively.

From December 31, 2018 to June 30, 2019, the Company experienced a decline of approximately $18.8 million in loans. Centennial CFG experienced $121.0 million of organic loan growth during the first six months of 2019, while the legacy footprint experienced $139.8 million of organic loan decline during the first six months of 2019.

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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, South Alabama and Centennial CFG, the property securing these loans may not physically be located within our market areas of Arkansas, Florida, Alabama and New York. Loans receivable were approximately $3.75 billion, $4.98 billion, $222.8 million, $442.1 million and $1.67 billion as of June 30, 2019 in Arkansas, Florida, Alabama, SPF and Centennial CFG, respectively.

As of June 30, 2019, we had approximately $501.6 million of construction land development loans which were collateralized by land. This consisted of approximately $235.8 million for raw land and approximately $265.8 million for land with commercial and or residential lots.

Table 8 presents our loans receivable balances by category as of June 30, 2019 and December 31, 2018.

Table 8: Loans Receivable

	As of June 30, 2019	As of December 31, 2018
	(In thousands)	
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	$ 4,495,558	$ 4,806,684
Construction/land development	1,930,838	1,546,035
Agricultural	85,045	76,433
Residential real estate loans:		
Residential 1-4family	1,852,784	1,975,586
Multifamily residential	523,789	560,475
Total real estate	8,888,014	8,965,213
Consumer	455,554	443,105

Commercial and industrial	1,515,357	1,476,331
Agricultural	80,621	48,562
Other	113,583	138,668
Total loans receivable	$11,053,129	$ 11,071,879

*Commercial Real Estate Loans.*We originate non-farmand non-residentialloans (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-yearperiod 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-casebasis.

As of June 30, 2019, commercial real estate loans totaled $6.51 billion, or 58.9% of loans receivable, as compared to $6.43 billion, or 58.1% of loans receivable, as of December 31, 2018. Commercial real estate loans originated in our Arkansas, Florida, Alabama, SPF and Centennial CFG markets were $2.14 billion, $3.08 billion, $121.0 million, zero and $1.17 billion at June 30, 2019, respectively.

Residential Real Estate Loans. We originate one to four family, residential mortgage loans generally secured by property located in our primary market areas. Approximately 31.6% and 57.2% of our residential mortgage loans consist of owner occupied 1-4family properties and non-owneroccupied 1-4family properties (rental), respectively, as of June 30, 2019, with the remaining 11.2% relating to condos and mobile homes. Residential real estate loans generally have a loan-to-valueratio 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-valueratio.

As of June 30, 2019, residential real estate loans totaled $2.38 billion, or 21.5%, of loans receivable, compared to $2.54 billion, or 22.9% of loans receivable, as of December 31, 2018. Residential real estate loans originated in our Arkansas, Florida, Alabama, SPF and Centennial CFG markets were $923.2 million, $1.29 billion, $71.4 million, zero and $87.5 million at June 30, 2019, 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 USCG registered high-endsail and power boats as a result of our acquisition of SPF on June 30, 2018. 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, 2019, consumer loans totaled $455.6 million, or 4.1% of loans receivable, compared to $443.1 million, or 4.0% of loans receivable, as of December 31, 2018. Consumer loans originated in our Arkansas, Florida, Alabama, SPF and Centennial CFG markets were $39.1 million, $15.6 million, $1.2 million, $399.7 million and zero at June 30, 2019, 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 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 speaking, 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, 2019, commercial and industrial loans totaled $1.52 billion, or 13.7% of loans receivable, compared to $1.48 billion, or 13.3% of loans receivable, as of December 31, 2018. Commercial and industrial loans originated in our Arkansas, Florida, Alabama, SPF and Centennial CFG markets were $546.4 million, $492.9 million, $27.8 million, $42.4 million and $405.8 million at June 30, 2019, respectively.

Non-PerformingAssets

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-accrualstatus. Loans that are 90 days past due are placed on non-accrualstatus 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-accrualstatus.

We have purchased loans with deteriorated credit quality in our June 30, 2019 financial statements as a result of our historical acquisitions. The credit metrics most heavily impacted by our acquisitions of acquired loans with deteriorated credit quality were the following credit quality indicators listed in Table 9 below:

- Allowance for loan losses to non-performingloans;

- Non-performingloans to total loans; and

- Non-performingassets to total assets.

On the date of acquisition, acquired credit-impaired loans are initially recognized at fair value, which incorporates the present value of amounts estimated to be collectible. As a result of the application of this accounting methodology, certain credit-related ratios, including those referenced above, may not necessarily be directly comparable with periods prior to the acquisition of the credit-impaired loans and non-performingassets, or comparable with other institutions.

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Table 9 sets forth information with respect to our non-performingassets as of June 30, 2019 and December 31, 2018. As of these dates, all non-performingrestructured loans are included in non-accrualloans.

Table 9: Non-performingAssets

	As of June 30, 2019	As of December 31, 2018
	(Dollars in thousands)	
Non-accrualloans	$ 52,841	$ 47,083
Loans past due 90 days or more (principal or interest payments)	9,961	17,159
Total non-performingloans	62,802	64,242
Other non-performingassets		
Foreclosed assets held for sale, net	13,734	13,236
Other non-performingassets	947	497
Total other non-performingassets	14,681	13,733
Total non-performingassets	77,483	$ 77,975
Allowance for loan losses to non-performingloans	168.89%	169.35%
Non-performingloans to total loans	0.57	0.58
Non-performingassets to total assets	0.51	0.51

Our non-performingloans are comprised of non-accrualloans 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 loan losses.

Total non-performingloans were $62.8 million and $64.2 million as of June 30, 2019 and December 31, 2018, respectively. Non-performingloans at June 30, 2019 are $20.0 million, $37.1 million, $3.3 million, $2.4 million and zero in the Arkansas, Florida, Alabama, SPF and Centennial CFG markets, respectively.

Although the current state of the real estate market has improved, uncertainties still present in the economy may continue to increase our level of non-performingloans. While we believe our allowance for loan losses is adequate and our purchased loans are adequately discounted at June 30, 2019, as additional facts become known about relevant internal and external factors that affect loan collectability and our assumptions, it may result in us making additions to the provision for loan losses during 2019. Our current or historical provision levels should not be relied upon as a predictor or indicator of future levels going forward.

Troubled debt restructurings ("TDRs") generally occur 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 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 TDRs that accrue interest at the time the loan is restructured, it would be a rare exception to have charged-offany portion of the loan. Only non-performingrestructured loans are included in our non-performingloans. As of June 30, 2019, we had $14.8 million of restructured loans that are in compliance with the modified terms and are not reported as past due or non-accrualin Table 9. Our Florida market contains $9.7 million, our Arkansas market contains $4.7 million and our Alabama market contains $388,000 of these restructured loans.

A loan modification that might not otherwise be considered may be granted resulting in classification as a TDR. 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-accrualloan that is restructured remains on non-accrualfor a period of six 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-accrualstatus.

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The majority of the Bank's loan modifications relates to commercial lending and involves reducing the interest rate, changing from a principal and interest payment to interest-only, a lengthening of 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, 2019 and December 31, 2018, the amount of TDRs was $18.8 million and $19.7 million, respectively. As of June 30, 2019 and December 31, 2018, 78.9% and 76.6%, respectively, of all restructured loans were performing to the terms of the restructure.

Total foreclosed assets held for sale were $13.7 million as of June 30, 2019, compared to $13.2 million as of December 31, 2018 for an increase of $498,000. The foreclosed assets held for sale as of June 30, 2019 are comprised of $6.5 million of assets located in Arkansas, $7.2 million of assets located in Florida, $34,000 located in Alabama and zero from SPF and Centennial CFG.

During the first six months of 2019, we had two foreclosed properties with a carrying value greater than $1.0 million. The first property was a development property in Florida acquired from The Bank of Commerce with a carrying value of $2.1 million at June 30, 2019. The second property was a development property in Florida with a carrying value of $1.5 million at June 30, 2019. The Company does not currently anticipate any additional losses on these properties. As of June 30, 2019, no other foreclosed assets held for sale have a carrying value greater than $1.0 million.

Table 10 shows the summary of foreclosed assets held for sale as of June 30, 2019 and December 31, 2018.

Table 10: Foreclosed Assets Held For Sale

	As of June 30, 2019	As of December 31, 2018
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 3,929	$ 5,555
Construction/land development	5,673	3,534
Agricultural	—	—
Residential real estate loans		
Residential 1-4family	4,132	4,142
Multifamily residential	—	5
Total foreclosed assets held for sale	$ 13,734	$ 13,236

A loan is considered impaired when it is probable that we will not receive all amounts due according to the contracted terms of the loans. Impaired loans include non-performingloans (loans past due 90 days or more and non-accrualloans), criticized and/or classified loans with a specific allocation, loans categorized as TDRs and certain other loans identified by management that are still performing (loans included in multiple categories are only included once). As of June 30, 2019, average impaired loans were $85.0 million compared to $81.3 million as of December 31, 2018. As of June 30, 2019 and December 31, 2018, impaired loans were $83.8 million and $85.6 million, respectively. Loan balances with a specific allocation increased while the specific allocation for impaired loans decreased by approximately $843,000. As of June 30, 2019, our Arkansas, Florida, Alabama, SPF and Centennial CFG markets accounted for approximately $30.9 million, $46.9 million, $3.7 million, $2.3 million and zero of the impaired loans, respectively.

We evaluated loans purchased in conjunction with our historical acquisitions for impairment in accordance with the provisions of FASB ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected. Purchased credit impaired loans are not classified as non-performingassets for the recognition of interest income as the pools are considered to be performing. However, for the purpose of calculating the non-performingcredit metrics, we have included all of the loans which are contractually 90 days past due and still accruing, including those in performing pools. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased impaired loans.

All purchased loans with deteriorated credit quality are considered impaired loans at the date of acquisition. Since the loans are accounted for on a pooled basis under ASC 310-30,individual loans are not classified as impaired. Since the loans are accounted for on a pooled basis under ASC 310-30,individual loans subsequently restructured within the pools are not classified as TDRs in accordance with ASC 310-30-40.For purchased loans with deteriorated credit quality that were deemed TDRs prior to our acquisition of them, these loans are also not considered TDRs as they are accounted for under ASC 310-30.

As of June 30, 2019 and December 31, 2018, there was not a material amount of purchased loans with deteriorated credit quality on non-accrualstatus as a result of most of the loans being accounted for on the pool basis and the pools are considered to be performing for the accruing of interest income. Also, acquired loans contractually past due 90 days or more are accruing interest because the pools are considered to be performing for the purpose of accruing interest income.

Past Due and Non-AccrualLoans

Table 11 shows the summary of non-accrualloans as of June 30, 2019 and December 31, 2018:

Table 11: Total Non-AccrualLoans

	As of June 30, 2019	As of December 31, 2018
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 18,947	$ 15,031
Construction/land development	2,266	5,280
Agricultural	381	20
Residential real estate loans		
Residential 1-4family	22,227	17,384
Multifamily residential	1,155	972
Total real estate	44,976	38,687
Consumer	1,907	2,912
Commercial and industrial	5,926	5,451
Agricultural	31	32
Other	1	1
Total non-accrualloans	$ 52,841	$ 47,083

If non-accrualloans had been accruing interest in accordance with the original terms of their respective agreements, interest income of approximately $624,000 and $543,000, respectively, would have been recorded for the three-month periods ended June 30, 2019 and 2018. If non-accrualloans had been accruing interest in accordance with the original terms of their respective agreements, interest income of approximately $1.3 million and $1.0 million would have been recorded for each of the six-monthperiods ended June 30, 2019 and 2018, respectively. The interest income recognized on non-accrualloans for the three and six-monthperiods ended June 30, 2019 and 2018 was considered immaterial.

Table 12 shows the summary of accruing past due loans 90 days or more as of June 30, 2019 and December 31, 2018:

Table 12: Loans Accruing Past Due 90 Days or More

	As of June 30, 2019	As of December 31, 2018
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	$ 6,633	$ 9,679
Construction/land development	1,546	3,481
Agricultural	—	—
Residential real estate loans		
Residential 1-4family	821	1,753
Multifamily residential	—	—
Total real estate	9,000	14,913
Consumer	574	720
Commercial and industrial	387	1,526
Agricultural and other	—	—
Total loans accruing past due 90 days or more	$ 9,961	$ 17,159

Our ratio of total loans accruing past due 90 days or more and non-accrualloans to total loans was 0.57% and 0.58% at June 30, 2019 and December 31, 2018, respectively.

Allowance for Loan Losses

*Overview.*The allowance for loan losses is maintained at a level which our management believes is adequate to absorb all probable losses on loans in the loan portfolio. The amount of the allowance is affected by: (i) loan charge-offs, which decrease the allowance; (ii) recoveries on loans previously charged off, which increase the allowance; and (iii) the provision of possible loan losses charged to income, which increases the allowance. In determining the provision for possible loan losses, it is necessary for our management to monitor fluctuations in the allowance resulting from actual charge-offs and recoveries and to periodically review the size and composition of the loan portfolio in light of current and anticipated economic conditions. If actual losses exceed the amount of allowance for loan losses, our earnings could be adversely affected.

As we evaluate the allowance for loan losses, we categorize it as follows: (i) specific allocations; (ii) allocations for criticized and classified assets not individually evaluated for impairment; (iii) general allocations; and (iv) miscellaneous allocations.

Specific Allocations. As a general rule, if a specific allocation is warranted, it is the result of an analysis of a previously classified credit or relationship. Typically, when it becomes evident through the payment history or a financial statement review that a loan or relationship is no longer supported by the cash flows of the asset and/or borrower and has become collateral dependent, we will use appraisals or other collateral analysis to determine if collateral impairment has occurred. The amount or likelihood of loss on this credit may not yet be evident, so a charge-offwould not be prudent. However, if the analysis indicates that an impairment has occurred, then a specific allocation will be determined for this loan. If our existing appraisal is outdated or the collateral has been subject to significant market changes, we will obtain a new appraisal for this impairment analysis. The majority of our impaired loans are collateral dependent at the present time, so third-party appraisals were used to determine the necessary impairment for these loans. Cash flow available to service debt was used for the other impaired loans. This analysis is performed each quarter in connection with the preparation of the analysis of the adequacy of the allowance for loan losses, and if necessary, adjustments are made to the specific allocation provided for a particular loan.

For collateral dependent loans, we do not consider an appraisal outdated simply due to the passage of time. However, if an appraisal is older than 13 months and if market or other conditions have deteriorated and we believe that the current market value of the property is not within approximately 20% of the appraised value, we will consider the appraisal outdated and order either a new appraisal or an internal validation report for the impairment

analysis. The recognition of any provision or related charge-offon a collateral dependent loan is either through annual credit analysis or, many times, when the relationship becomes delinquent. If the borrower is not current, we will update our credit and cash flow analysis to determine the borrower's repayment ability. If we determine this ability does not exist and it appears that the collection of the entire principal and interest is not likely, then the loan could be placed on non-accrualstatus. In any case, loans are classified as non-accrualno later than 105 days past due. If the loan requires a quarterly impairment analysis, this analysis is completed in conjunction with the completion of the analysis of the adequacy of the allowance for loan losses. Any exposure identified through the impairment analysis is shown as a specific reserve on the individual impairment. If it is determined that a new appraisal or internal validation report is required, it is ordered and will be taken into consideration during completion of the next impairment analysis.

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

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

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

When the amount or likelihood of a loss on a loan has been determined, a charge-offshould be taken in the period it is determined. If a partial charge-offoccurs, the quarterly impairment analysis will determine if the loan is still impaired, and thus continues to require a specific allocation.

*Allocations for Criticized and Classified Assets not Individually Evaluated for Impairment.*We establish allocations for loans rated "special mention" through "loss" in accordance with the guidelines established by the regulatory agencies. A percentage rate is applied to each loan category to determine the level of dollar allocation.

*General Allocations.*We establish general allocations for each major loan category. This section also includes allocations to loans, which are collectively evaluated for loss such as residential real estate, commercial real estate, consumer loans and commercial and industrial loans that fall below $2.0 million. The allocations in this section are based on a historical review of loan loss experience and past due accounts. We give consideration to trends, changes in loan mix, delinquencies, prior losses, and other related information.

*Miscellaneous Allocations.*Allowance allocations other than specific, classified, and general are included in our miscellaneous section.

Loans Collectively Evaluated for Impairment. Loans receivable collectively evaluated for impairment decreased by approximately $65,000 from $10.79 billion at December 31, 2018 to $10.73 billion at June 30, 2019. The percentage of the allowance for loan losses allocated to loans receivable collectively evaluated for impairment to the total loans collectively evaluated for impairment was 0.97% and 0.98% at June 30, 2019 and December 31, 2018, respectively.

Hurricanes Irma & Michael. The Company's allowance for loan loss as of June 30, 2019 and December 31, 2018 was significantly impacted by Hurricane Michael, which made landfall in the Florida Panhandle as a Category 4 hurricane during the fourth quarter of 2018, and somewhat impacted by Hurricane Irma, which made initial landfall in the Florida Keys and a second landfall just south of Naples, Florida, as a Category 4 hurricane during the third quarter of 2017. As of December 31, 2018, management reevaluated the storm-related allowance for Hurricane Irma. Based on this analysis, management determined a $2.9 million storm-related allowance was still necessary. The Company's management also performed an analysis on the loans with collateral in counties in the Florida Panhandle which were impacted by Hurricane Michael. Based on this analysis, management determined a $20.4 million storm-related provision was necessary. This amount was calculated by taking a 1.0% to 6.0% allocation on the loans in the impacted counties. The counties that experienced the most damage were assigned a 6.0% allocation. After establishing the storm-related provision for Hurricane Michael and adjusting the allowance for Hurricane Irma, the storm-related allowance was $23.2 million and $23.3 million at June 30, 2019 and December 31, 2018, respectively. As of June 30, 2019, charge-offs of $2.6 million have been taken against the storm-related allowance for loan losses.

*Charge-offs and Recoveries.*Total charge-offs increased to $2.3 million for the three months ended June 30, 2019, compared to $2.1 million for the same period in 2018. Total charge-offs increased to $5.7 million for the six months ended June 30, 2019, compared to $4.7 million for the same period in 2018. Total recoveries decreased to $663,000 for the three months ended June 30, 2019, compared to $714,000 for the same period in 2018. Total recoveries remained flat at $1.6 million for the six months ended June 30, 2019 and 2018. For the three months ended June 30, 2019, net charge-offs were $983,000 for Arkansas, $597,000 for Florida, $43,000 for SPF and zero for Centennial CFG, while Alabama had $7,000 in net recoveries. These equal a net charge-off position of $1.6 million. For the six months ended June 30, 2019, net charge-offs were $1.9 million for Arkansas, $2.1 million for Florida, $43,000 for SPF and zero for Centennial CFG, while Alabama had $15,000 in net recoveries. These equal a net charge-off position of $4.1 million. While the 2019 charge-offs and recoveries consisted of many relationships, there were no individual relationships consisting of charge-offs greater than $1.0 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-offare placed on non-accrualstatus 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 6-12months of timely payment performance.

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Table 13 shows the allowance for loan losses, charge-offs and recoveries as of and for the three and six-monthperiods ended June 30, 2019 and 2018.

Table 13: Analysis of Allowance for Loan Losses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Balance, beginning of period	$106,357	$110,212	$108,791	$110,266
Loans charged off				
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	1,163	390	1,502	837
Construction/land development	26	54	1,312	62
Agricultural	—	—	—	—
Residential real estate loans:	—			
Residential 1-4family	125	952	661	1,731
Multifamily residential	—	—	—	—
Total real estate	1,314	1,396	3,475	2,630
Consumer	163	43	202	58
Commercial and industrial	305	258	1,009	1,072
Agricultural	—	—	—	—
Other	497	435	984	912
Total loans charged off	2,279	2,132	5,670	4,672
Recoveries of loans previously charged off				
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	13	87	204	188
Construction/land development	95	89	118	119
Agricultural	—	—	—	—
Residential real estate loans:				
Residential 1-4family	149	167	496	494
Multifamily residential	3	7	8	41
Total real estate	260	350	826	842
Consumer	17	33	37	60
Commercial and industrial	222	219	404	317
Agricultural	—	—	—	—
Other	164	112	353	381
Total recoveries	663	714	1,620	1,600
Net loans charged off (recovered)	1,616	1,418	4,050	3,072
Provision for loan losses	1,325	2,722	1,325	4,322
Balance, June 30	$106,066	$111,516	$106,066	$111,516
Net charge-offs (recoveries) to average loans receivable	0.06%	0.05%	0.07%	0.06%
Allowance for loan losses to total loans	0.96	1.02	0.96	1.02
Allowance for loan losses to net charge-offs (recoveries)	1,636	1,961	1,299	1,800

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*Allocated Allowance for Loan Losses.*We use a risk rating and specific reserve methodology in the calculation and allocation of our allowance for loan losses. While the allowance is allocated to various loan categories in assessing and evaluating the level of the allowance, the allowance is available to cover charge-offs incurred in all loan categories.

The changes for the period ended June 30, 2019 and the year ended December 31, 2018 in the allocation of the allowance for loan losses for the individual types of loans are primarily associated with changes in the ASC 310 calculations, both individual and aggregate, and changes in the ASC 450 calculations. These calculations are affected by changes in individual loan impairments, changes in asset quality, net charge-offs during the period and normal changes in the outstanding loan portfolio, as well any changes to the general allocation factors due to changes within the actual characteristics of the loan portfolio.

Table 14 presents the allocation of allowance for loan losses as of June 30, 2019 and December 31, 2018.

Table 14: Allocation of Allowance for Loan Losses

	As of June 30, 2019		As of December 31, 2018	
	Allowance Amount	% of loans (1)	Allowance Amount	% of loans(1)
	(Dollars in thousands)			
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	$ 38,010	40.7%	$ 41,721	43.4%
Construction/land development	24,258	17.5	21,302	14.0
Agricultural	657	0.8	615	0.7
Residential real estate loans:				
Residential 1-4family	21,001	16.8	22,547	17.8
Multifamily residential	3,270	4.7	4,187	5.1
Total real estate	87,196	80.5	90,372	81.0
Consumer	1,429	4.1	1,153	4.0
Commercial and industrial	14,853	13.7	14,981	13.3
Agricultural	2,477	0.7	2,175	0.4
Other	111	1.0	110	1.3
Unallocated	—	—	—	—
Total allowance for loan losses	$ 106,066	100.0%	$ 108,791	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 2.4 years as of June 30, 2019.

Effective January 1, 2019, as permitted by ASU 2017-12, *Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities*, the Company reclassified the prepayable held-to-maturityinvestment securities, with a fair value of $193.6 million and $834,000 in net unrealized gains as of December 31, 2018, to available-for-saleinvestment securities.

As of December 31, 2018, we had $192.8 million of held-to-maturitysecurities. Of the $192.8 million of held-to-maturity securities as of December 31, 2018, $3.3 million were invested in U.S. Government-sponsored enterprises, $57.3 million were invested in mortgage-backed securities and $132.2 million were invested in state and political subdivisions.

Securities available-for-saleare reported at fair value with unrealized holding gains and losses reported as a separate component of stockholders' equity as other comprehensive income. Securities that are held as available-for-saleare 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. Available-for-salesecurities were $2.05 billion and $1.79 billion as of June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019, $1.17 billion, or 56.9%, of our available-for-salesecurities were invested in mortgage-backed securities, compared to $1.03 billion, or 57.6%, of our available-for-salesecurities as of December 31, 2018. To reduce our income tax burden, $437.7 million, or 21.3%, of our available-for-salesecurities portfolio as of June 30, 2019, was primarily invested in tax-exempt obligations of state and political subdivisions, compared to $308.6 million, or 17.3%, of our available-for-salesecurities as of December 31, 2018. We had $414.5 million, or 20.2%, invested in obligations of U.S. Government-sponsored enterprises as of June 30, 2019, compared to $414.1 million, or 23.2%, of our available-for-salesecurities as of December 31, 2018. Also, we had approximately $33.7 million, or 1.6%, invested in other securities as of June 30, 2019, compared to $34.3 million, or 1.9% of our available-for-salesecurities as of December 31, 2018.

Certain investment securities are valued at less than their historical cost. These declines are primarily the result of the rate for these investments yielding less than current market rates. Based on evaluation of available evidence, we believe the declines in fair value for these securities are temporary.

It is our intent to hold these securities to recovery. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced, and the resulting loss recognized in net income in the period the other than temporary impairment is identified.

See Note 3 “Investment Securities” in the Condensed Notes to Consolidated Financial Statements for the carrying value and fair value of investment securities.

Deposits

Our deposits averaged $11.17 billion for the three-month period ended June 30, 2019. Total deposits were $11.35 billion as of June 30, 2019, and $10.90 billion as of December 31, 2018. 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-WayBuy Insured Cash Sweep (“ICS”) service and similar services, which provide for one-waybuy transactions among banks for the purpose of purchasing cost-effective floating-rate funding without collateralization or stock purchase requirements. Management believes these sources represent a reliable and cost-efficient alternative funding source for the Company. However, to the extent that our condition or reputation deteriorates, or to the extent that there are significant changes in market interest rates which we do not elect to match, we may experience an outflow of brokered deposits. In that event we would be required to obtain alternate sources for funding.

Table 15 reflects the classification of the brokered deposits as of June 30, 2019 and December 31, 2018.

Table 15: Brokered Deposits

	June 30, 2019	December 31, 2018
	(In thousands)	
Time Deposits	$ 122,165	$ 125,610
CDARS	109	109
Insured Cash Sweep and Other Transaction Accounts	519,593	534,508
Total Brokered Deposits	$ 641,867	$ 660,228

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 Funds target rate is currently at 2.25% to 2.50%.

Table 16 reflects the classification of the average deposits and the average rate paid on each deposit category, which are in excess of 10 percent of average total deposits, for the three and six-monthperiods ended June 30, 2019 and 2018.

Table 16: Average Deposit Balances and Rates

	Three Months Ended June 30,			
	2019		2018	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
	(Dollars in thousands)			
Non-interest-bearingtransaction accounts	$ 2,553 060	— %	$ 2,496,701	— %
Interest-bearing transaction accounts	6,045,890	1.34	5,793,026	0.91
Savings deposits	631,793	0.27	658,178	0.20
Time deposits:				
$100,000 or more	1,473,372	2.08	1,116,669	1.38
Other time deposits	469,948	1.24	494,684	0.68
Total	$11,174,063	1.07%	$10,559,258	0.69%

	Six Months Ended June 30,			
	2019		2018	

	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
		(Dollars in thousands)		
Non-interest-bearingtransaction accounts	$ 2,496,604	— %	$ 2,439,299	— %
Interest-bearing transaction accounts	6,008,963	1.32	5,771,779	0.84
Savings deposits	628,549	0.26	658,730	0.19
Time deposits:				
$100,000 or more	1,454,874	2.06	1,060,012	1.27
Other time deposits	468,583	1.16	502,861	0.63
Total	$11,057,573	1.05%	$10,432,681	0.64%

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 $1.1 million, or 0.8%, from $143.7 million as of December 31, 2018 to $142.5 million as of June 30, 2019.

FHLB and Other Borrowed Funds

The Company's FHLB borrowed funds, which are secured by our loan portfolio, were $899.4 million and $1.47 billion at June 30, 2019 and December 31, 2018, respectively. The Company had no other borrowed funds as of June 30, 2019. Other borrowed funds were $2.5 million and were classified as short-term advances as of December 31, 2018. At June 30, 2019, $225.0 million and $674.4 million of the outstanding balance were issued as short-term and long-term advances, respectively. At December 31, 2018, $782.6 million and $689.8 million of the outstanding balance were issued as short-term and long-term advances, respectively. The FHLB advances mature from the current year to 2033 with fixed interest rates ranging from 1.20% to 2.85% and are secured by loans and investments securities. Maturities of borrowings as of June 30, 2019 include: 2019 – $353.0 million; 2020 – $146.4 million; 2021 – zero; 2022 – zero; after 2023 – $400.0 million. Expected maturities could differ from contractual maturities because FHLB may have the right to call or HBI the right to prepay certain obligations.

Subordinated Debentures

Subordinated debentures, which consist of subordinated debt securities and guaranteed payments on trust preferred securities, were $369.2 million and $368.8 million as of June 30, 2019 and December 31, 2018, respectively.

The trust preferred securities are tax-advantagedissues that qualify for Tier 1 capital treatment subject to certain limitations. Distributions on these securities are included in interest expense. Each of the trusts is a statutory business trust organized for the sole purpose of issuing trust securities and investing the proceeds in our subordinated debentures, the sole asset of each trust. The trust preferred securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the subordinated debentures held by the trust. We wholly own the common securities of each trust. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon our making payment on the related subordinated debentures. Our obligations under the subordinated securities and other relevant trust agreements, in the aggregate, constitute a full and unconditional guarantee by us of each respective trust's obligations under the trust securities issued by each respective trust.

Stockholders' Equity

Stockholders' equity was $2.42 billion at June 30, 2019 compared to $2.35 billion at December 31, 2018. The increase in stockholders' equity is primarily associated with $101.8 million increase in retained earnings for the first six months of 2019 combined with $28.6 million increase in comprehensive income, which was partially offset by the $64.4 million in stock repurchases. The annualized improvement in stockholders' equity for the first six months of 2019 was 6.1%. As of June 30, 2019 and December 31, 2018, our equity to asset ratio was 15.84% and 15.36%, respectively. Book value per share was $14.46 as of June 30, 2019, compared to $13.76 as of December 31, 2018, a 10.3% annualized increase.

*Common Stock Cash Dividends.*We declared cash dividends on our common stock of $0.13 per share and $0.11 per share for the three-month periods ended June 30, 2019 and 2018, respectively. The common stock dividend payout ratio for the three months ended June 30, 2019 and 2018 was 30.2% and 25.1%, respectively. The common stock dividend payout ratio for the six months ended June 30, 2019 and 2018 was 29.4% and 25.6%, respectively. For the third quarter of 2019, the Board of Directors declared a regular $0.13 per share quarterly cash dividend payable September 4, 2019, to shareholders of record August 14, 2019.

Stock Repurchase Program. On January 18, 2019, the Company's Board of Directors authorized the repurchase of up to an additional 5,000,000 shares of its common stock under the previously approved stock repurchase program, which brought the remaining amount of authorized shares to repurchase to 9,919,447 shares. During the first six months of 2019, the Company utilized a portion of this stock repurchase program. We repurchased a total of 3,416,722 shares with a weighted-average stock price of $18.81 per share during the first six months of 2019. Shares repurchased under the program as of June 30, 2019 total 13,249,275 shares. The remaining balance available for repurchase was 6,502,725 shares at June 30, 2019.

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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-sheetitems 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. The capital conservation buffer requirement began being phased in beginning January 1, 2016 at the 0.625% level and increased by 0.625% on each subsequent January 1, until it reached 2.5% on January 1, 2019 when the phase-inperiod ended, and the full capital conservation buffer requirement became effective.

Basel III amended the prompt corrective action rules to incorporate a "common equity Tier 1 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 will be required to have at least a 4.5% "common equity Tier 1 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.

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, 2019 and December 31, 2018, we met all regulatory capital adequacy requirements to which we were subject.

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Table 17 presents our risk-based capital ratios on a consolidated basis as of June 30, 2019 and December 31, 2018.

Table 17: Risk-Based Capital

	As of June 30, 2019	As of December 31, 2018
	(Dollars in thousands)	
Tier 1 capital		
Stockholders' equity	$ 2,421,406	$ 2,349,886
Goodwill and core deposit intangibles, net	(997,706)	(1,000,842)
Unrealized (gain) loss on available-for-salesecurities	(14,768)	13,815
Deferred tax assets	—	—
Total common equity Tier 1 capital	1,408,932	1,362,859
Qualifying trust preferred securities	70,912	70,841
Total Tier 1 capital	1,479,844	1,433,700
Tier 2 capital		
Qualifying subordinated notes	298,258	297,949
Qualifying allowance for loan losses	106,066	108,791
Total Tier 2 capital	404,324	406,740
Total risk-based capital	$ 1,884,168	$ 1,840,440
Average total assets for leverage ratio	$14,100,894	$ 13,838,137
Risk weighted assets	$12,177,760	$ 12,022,576
Ratios at end of period		
Common equity Tier 1 capital	11.57%	11.34%
Leverage ratio	10.49	10.36
Tier 1 risk-based capital	12.15	11.93
Total risk-based capital	15.47	15.31
Minimum guidelines – Basel III phase-inschedule		
Common equity Tier 1 capital	7.00%	6.375%
Leverage ratio	4.00	4.00
Tier 1 risk-based capital	8.50	7.875
Total risk-based capital	10.50	9.875
Minimum guidelines – Basel III fully phased-in		
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 common equity Tier 1 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.

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Non-GAAPFinancial 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 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-GAAPmeasures 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-GAAPmeasures and ratios in assessing our operating results and related trends, and when planning and forecasting future periods. However, these non-GAAPmeasures 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-GAAPreconciliations of earnings, as adjusted, and diluted earnings per share, as adjusted as well as the non-GAAPcomputations of tangible book value per share, return on average assets, return on average tangible equity excluding intangible amortization, tangible equity to tangible assets and the 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-GAAPfinancial measures for management, as they exclude items such as hurricane expenses and certain other non-interestincome and expenses. Management believes the exclusion of these items in expressing earnings provides a meaningful foundation for period-to-periodand company-to-companycomparisons, which management believes will aid both investors and analysts in analyzing our financial measures and predicting future performance. These non-GAAPfinancial measures are also used by management to assess the performance of our business, because management does not consider these items to be relevant to ongoing financial performance.

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

Table 18: Earnings, As Adjusted

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
GAAP net income available to common shareholders (A)	$ 72,164	$ 76,025	$143,514	$149,089
Adjustments:				
Special dividend from equity investment	—	—	(2,134)	—
Hurricane expenses	—	—	897	—
Outsourced special project expense	—	—	900	—
Total adjustments	—	—	(337)	—
Tax-effectof adjustments(1)	—	—	(88)	—
Adjustments after-tax(B)	—	—	(249)	—
Earnings, as adjusted (C)	72,164	$ 76,025	$143,265	$149,089
Average diluted shares outstanding (D)	167,791	173,936	168,686	174,168
GAAP diluted earnings per share: A/D	$ 0.43	$ 0.44	$ 0.85	$ 0.86
Adjustments after-taxB/D	—	—	—	—
Diluted earnings per common share, as adjusted: C/D	$ 0.43	$ 0.44	$ 0.85	$ 0.86

(1) Effective tax rate of 26.135% for the three and six-monthperiods ended June 30, 2019.

We had $998.1 million, $1.00 billion, and $1.00 billion total goodwill, core deposit intangibles and other intangible assets as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively. Because of our level of intangible assets and related amortization expenses, management believes tangible book value per share, return on average assets, as adjusted, return on average tangible equity excluding intangible amortization, return on average tangible equity, as adjusted and tangible equity to tangible assets are useful in evaluating our company. These calculations, which are similar to the GAAP calculation of book value per share, return on average assets, return on average equity, and equity to assets, are presented in Tables 19 through 22, respectively.

Table 19: Tangible Book Value Per Share

	As of June 30, 2019	As of December 31, 2018
	(In thousands, except per share data)	
Book value per share: A/B	$ 14.46	$ 13.76
Tangible book value per share: (A-C-D)/B	8.50	7.90
(A) Total equity	$ 2,421,406	$ 2,349,886
(B) Shares outstanding	167,466	170,720
(C) Goodwill	$ 958,408	$ 958,408
(D) Core deposit and other intangibles	39,723	42,896

Table 20: Return on Average Assets

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Return on average assets: A/D	1.92%	2.13%	1.92%	2.11%
Return on average assets excluding intangible amortization: B/(D-E)	2.09	2.32	2.09	2.30
Return on average assets excluding special dividend from equity investment, merger expenses, hurricane expenses & outsourced special project expense: (ROA, as adjusted): (A+C)/D	1.92	2.13	1.91	2.11
(A) Net income	$ 72,164	$ 76,025	$ 143,514	$ 149,089
Intangible amortization after-tax	1,172	1,200	2,344	2,401
(B) Earnings excluding intangible amortization	$ 73,336	$ 77,225	$ 145,858	$ 151,490
(C) Adjustments after-tax	$ —	$ —	$ (249)	$ —
(D) Average assets	15,098,600	14,304,483	15,089,189	14,269,620
(E) Average goodwill, core deposits and other intangible assets	998,898	975,345	999,692	975,895

Table 21: Return on Average Tangible Equity Excluding Intangible Amortization

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Return on average equity: A/D	12.18%	13.54%	12.26%	13.46%
Return on average common equity excluding special dividend from equity investment, merger expenses, hurricane expenses & outsourced special project expense: (ROE, as adjusted) ((A+C)/D)	12.18	13.54	12.24	13.46
Return on average tangible common equity: (A/(D-E))	21.01	23.90	21.26	23.92
Return on average tangible equity excluding intangible amortization: B/(D-E)	21.35	24.27	21.61	24.30
Return on average tangible common equity excluding special dividend from equity investment, hurricane expenses & outsourced special project expense: (ROTCE, as adjusted) ((A+C)/(D-E))	21.01	23.90	21.23	23.92
(A) Net income	$ 72,164	$ 76,025	$ 143,514	$ 149,089
(B) Earnings excluding intangible amortization	73,336	77,225	145,858	151,490
(C) Adjustments after-tax	—	—	(249)	—
(D) Average equity	2,376,718	2,251,412	2,360,776	2,232,959
(E) Average goodwill, core deposits and other intangible assets	998,898	975,345	999,692	975,895

Table 22: Tangible Equity to Tangible Assets

	As of June 30, 2019	As of December 31, 2018
	(Dollars in thousands)	
Equity to assets: B/A	15.84%	15.36%
Tangible equity to tangible assets: (B-C-D)/(A-C-D)	9.96	9.43
(A) Total assets	$15,287,575	$ 15,302,438
(B) Total equity	2,421,406	2,349,886
(C) Goodwill	958,408	958,408
(D) Core deposit and other intangibles	39,723	42,896

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

Table 23: Efficiency Ratio, As Adjusted

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Net interest income (A)	$140,987	$138,612	$280,457	$274,821
Non-interestincome (B)	23,066	27,673	46,738	53,478
Non-interestexpense (C)	67,624	63,228	136,681	126,608
FTE Adjustment (D)	1,319	1,403	2,686	2,612
Amortization of intangibles (E)	1,587	1,624	3,173	3,250
Adjustments:				
Non-interestincome:				
Special dividend from equity investments	$ —	$ —	$ 2,134	$ —

Gain (loss) on OREO, net	58	1,046	264	1,451
Gain (loss) on sale of branches, equipment and other assets, net	(129)	—	(50)	7
Total non-interestincome adjustments (F)	$ (71)	$ 1,046	$ 2,348	$ 1,458
Non-interestexpense:				
Hurricane expenses	$ —	$ —	$ 897	$ —
Outsourced special project expense	—	—	900	—
Total non-interestexpense adjustments (G)	$ —	$ —	$ 1,797	$ —
Efficiency ratio (reported): ((C-E)/(A+B+D))	39.93%	36.74%	40.47%	37.28%
Efficiency ratio, as adjusted (non-GAAP): ((C-E-G)/(A+B+D-F))	39.92	36.97	40.21	37.44

Recently Issued Accounting Pronouncements

See Note 21 in 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

*Liquidity Management.*Liquidity refers to the ability or the financial flexibility to manage future cash flows to meet the needs of depositors and borrowers and fund operations. Maintaining appropriate levels of liquidity allows us to have sufficient funds available for reserve requirements, customer demand for loans, withdrawal of deposit balances and maturities of deposits and other liabilities. Our primary source of liquidity at our holding company is dividends paid by our bank subsidiary. Applicable statutes and regulations impose restrictions on the amount of dividends that may be declared by our bank subsidiary. Further, any dividend payments are subject to the continuing ability of the bank subsidiary to maintain compliance with minimum federal regulatory capital requirements and to retain its characterization under federal regulations as a “well-capitalized” institution.

Our bank subsidiary has potential obligations resulting from the issuance of standby letters of credit and commitments to fund future borrowings to our loan customers. Many of these obligations and commitments to fund future borrowings to our loan customers are expected to expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements affecting our liquidity position.

Liquidity needs can be met from either assets or liabilities. On the asset side, our primary sources of liquidity include cash and due from banks, federal funds sold, available-for-saleinvestment securities and scheduled repayments and maturities of loans. We maintain adequate levels of cash and cash equivalents to meet our day-to-dayneeds. As of June 30, 2019, our cash and cash equivalents were $557.3 million, or 3.6% of total assets, compared to $657.9 million, or 4.3% of total assets, as of December 31, 2018. Our available-for-saleinvestment securities and federal funds sold were $2.05 billion and $1.79 billion as of June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019, our investment portfolio was comprised of approximately 73.3% or $1.51 billion of securities which mature in less than five years. As of June 30, 2019 and December 31, 2018, $970.1 million and $1.32 billion, respectively, of securities were pledged as collateral for various public fund deposits and securities sold under agreements to repurchase. The decrease in investments pledged to secure public deposits is due to the Company increasing the usage of FHLB letters of credit in order to secure public deposits. The Company made this strategic decision to improve the on-balance-sheetliquidity as well as the liquidity ratio.

On the liability side, our principal sources of liquidity are deposits, borrowed funds, and access to capital markets. Customer deposits are our largest sources of funds. As of June 30, 2019, our total deposits were $11.35 billion, or 74.2% of total assets, compared to $10.90 billion, or 71.2% of total assets, as of December 31, 2018. We attract our deposits primarily from individuals, business, and municipalities located in our market areas.

In the event that additional short-term liquidity is needed to temporarily satisfy our liquidity needs, we have established and currently maintain lines of credit with the Federal Reserve Bank (“Federal Reserve”) and First National Bankers’ Bank to provide short-term borrowings in the form of federal funds purchases. In addition, we maintain lines of credit with two other financial institutions.

As of June 30, 2019 and December 31, 2018, we could have borrowed up to $301.7 million and $288.0 million, respectively, on a secured basis from the Federal Reserve, up to $30.0 million from First National Bankers’ Bank on an unsecured basis, up to $20.0 million from First National Bankers’ Bank on a secured basis and up to $45.0 million in the aggregate from other financial institutions on an unsecured basis. The unsecured lines may be terminated by the respective institutions at any time.

The lines of credit we maintain with the FHLB can provide us with both short-term and long-term forms of liquidity on a secured basis. FHLB borrowed funds were $899.4 million and $1.47 billion at June 30, 2019 and December 31, 2018, respectively. At June 30, 2019, $225.0 million and $674.4 million of the outstanding balance were issued as short-term and long-term advances, respectively. At December 31, 2018, $782.6 million and

$698.8 million of the outstanding balance were issued as short-term and long-term advances, respectively. Our FHLB borrowing capacity was $2.70 billion and $2.62 billion as of June 30, 2019 and December 31, 2018, respectively.

We believe that we have sufficient liquidity to satisfy our current operations.

Market Risk Management. Our primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on a large portion of our assets and liabilities, and the market value of all interest-earning assets and interest-bearing liabilities, other than those which possess a short term to maturity. We do not hold market risk sensitive instruments for trading purposes.

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.

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-pricingrelationships for each of our products. Many of our assets are floating rate loans, which are assumed to re-priceimmediately, and proportionally 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-termdeposit products re-pricemore slowly, usually changing less than the change in market rates and 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, 2019, our net interest margin exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us.

Table 24 presents our sensitivity to net interest income as of June 30, 2019.

Table 24: Sensitivity of Net Interest Income

Interest Rate Scenario	Percentage Change from Base
Up 200 basis points	6.63%
Up 100 basis points	3.69
Down 100 basis points	(5.95)
Down 200 basis points	(11.65)

*Interest Rate Sensitivity.*Our primary business is banking and the resulting earnings, primarily net interest income, are susceptible to changes in market interest rates. Management’s goal is 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 repricing gap and simulation modeling as the primary methods in analyzing and managing interest rate risk.

Gap analysis attempts to capture the amounts and timing of balances exposed to changes in interest rates at a given point in time. As of June 30, 2019, our gap position was asset sensitive with a one-yearcumulative repricing gap as a percentage of total earning assets of 8.7%.

During this period, the amount of change our asset base realizes in relation to the total change in market interest rates is higher than that of the liability base. As a result, our net interest income will have a positive effect in an environment of modestly rising rates.

We have a portion of our securities portfolio invested in mortgage-backed securities. Mortgage-backed securities are included based on their final maturity date. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Table 25 presents a summary of the repricing schedule of our interest-earning assets and interest-bearing liabilities (gap) as of June 30, 2019.

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Table 25: Interest Rate Sensitivity

	Interest Rate Sensitivity Period							
	0-30 Days	31-90 Days	91-180 Days	181-365 Days	1-2 Years	2-5 Years	Over 5 Years	Total
	(Dollars in thousands)							
Earning assets								
Interest-bearing deposits due from banks	$ 373,557	$ —	$ —	$ —	$ —	$ —	$ —	$ 373,557
Federal funds sold	1,075	—	—	—	—	—	—	1,075
Investment securities	361,339	97,353	96,348	193,699	286,050	515,165	503,985	2,053,939
Loans receivable	3,519,779	649,026	859,919	1,358,874	1,714,032	2,307,751	643,748	11,053,129
Total earning assets	4,255,750	746,379	956,267	1,552,573	2,000,082	2,822,916	1,147,733	13,481,700
Interest-bearing liabilities								
Interest-bearing transaction and savings deposits	$1,209,750	$ 530,940	$ 796,409	$1,592,819	$ 907,804	$ 659,732	$1,076,709	$ 6,774,163
Time deposits	193,293	178,324	669,639	580,031	256,987	119,185	—	1,997,459
Securities sold under repurchase agreements	142,541	—	—	—	—	—	—	142,541
FHLB and other borrowed funds	274,999	78,000	—	15,000	131,447	—	400,000	899,446
Subordinated debentures	70,876	—	—	—	—	298,294	—	369,170
Total interest-bearing liabilities	1,891,459	787,264	1,466,048	2,187,850	1,296,238	1,077,211	1,476,709	10,182,779
Interest rate sensitivity gap	$2,364,291	$ (40,885)	$ (509,781)	$ (635,277)	$ 703,844	$1,745,705	$ (328,976)	$ 3,298,921
Cumulative interest rate sensitivity gap	$2,364,291	$2,323,406	$1,813,625	$1,178,348	$1,882,192	$3,627,897	$3,298,921	
Cumulative rate sensitive assets to rate sensitive liabilities	225.0%	186.7%	143.8%	118.6%	124.7%	141.7%	132.4%	
Cumulative gap as a % of total earning assets	17.5%	17.2%	13.5%	8.7%	14.0%	26.9%	24.5%	

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 have not been any changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2019, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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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-Kfor the year ended December 31, 2018. 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

On January 18, 2019, the Company's Board of Directors authorized the repurchase of up to an additional 5,000,000 shares of its common stock under the previously approved stock repurchase program, which was last amended and approved on February 21, 2018. This authorization brought the total amount of authorized shares to repurchase to 9,919,447 shares. The following table sets forth information with respect to purchases made by or on behalf of the Company of shares of the Company's common stock during the periods indicated:

Period	Number of Shares Purchased	Average Price Paid Per Share Purchased	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs(1)
April 1 through April 30, 2019	173,684	$ 17.74	173,684	7,029,404
May 1 through May 31, 2019	410,000	18.27	410,000	6,619,404
June 1 through June 30, 2019	116,679	17.98	116,679	6,502,725
Total	700,363		700,373	

(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

Not applicable.

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Item 6: Exhibits

Exhibit No.	Description of Exhibit
3.1	Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)
3.2	Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.2 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)
3.3	Second Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.3 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)
3.4	Third Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.4 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)

3.5	Fourth Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, filed on August 8, 2007)
3.6	Fifth Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 4.6 of Home BancShares's registration statement on Form S-3 (File No. 333-157165))
3.7	Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, filed with the Secretary of State of the State of Arkansas on January 14, 2009 (incorporated by reference to Exhibit 3.1 of Home BancShares's Current Report on Form 8-K, filed on January 21, 2009)
3.8	Seventh Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares's Current Report on Form 8-K, filed on April 19, 2013)
3.9	Eighth Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares Current Report on Form 8-K filed on April 22, 2016)
3.10	Ninth Amendment to the Restated Articles of Incorporation of Home BancShares, Inc. (incorporated by reference to Exhibit 3.1 of Home BancShares Current Report on Form 8-K filed on April 23, 2019)
3.11	Restated Bylaws of Home BancShares, Inc. (incorporated by reference to Exhibit 3.5 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)
4.1	Specimen Stock Certificate representing Home BancShares, Inc. Common Stock (incorporated by reference to Exhibit 4.6 of Home BancShares's registration statement on Form S-1 (File No. 333-132427), as amended)
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	Amended and Restated 2006 Stock Option and Performance Incentive Plan of Home BancShares, Inc. (incorporated by reference to Exhibit 10.1 of Home BancShares's Current Report on Form 8-K filed on March 30, 2012)
10.2	Amendment to Amended and Restated 2006 Stock Option and Performance Incentive Plan of Home BancShares, Inc. (incorporated by reference to Exhibit 10.1 of Home BancShares's Quarterly Report on Form 10-Q for the period ended June 30, 2015, filed on August 6, 2015)
10.3	Amendment to Amended and Restated 2006 Stock Option and Performance Incentive Plan of Home BancShares, Inc. (incorporated by reference to Exhibit 10.1 of Home BancShares's Current Report on Form 8-K filed on April 22, 2016)
10.4	Amendment to Amended and Restated 2006 Stock Option and Performance Incentive Plan of Home BancShares, Inc. (incorporated by reference to Exhibit 10.1 of Home BancShares's Current Report on Form 8-K filed on April 20, 2018)

10.5	Amendment to Amended and Restated 2006 Stock Option and Performance Incentive Plan of Home BancShares, Inc. (incorporated by reference to Exhibit 10.5 of Home BancShares's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, filed on May 7, 2018)
15	Awareness of Independent Registered Public Accounting Firm*
31.1	CEO Certification Pursuant Rule 13a-14(a)/15d-14(a)*
31.2	CFO Certification Pursuant Rule 13a-14(a)/15d-14(a)*
32.1	CEO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes – Oxley Act of 2002*
32.2	CFO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes – Oxley Act of 2002*
101.INS	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	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*

* Filed herewith

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: August 7, 2019	/s/ C. Randall Sims C. Randall Sims, Chief Executive Officer
Date: August 7, 2019	/s/ Brian S. Davis Brian S. Davis, Chief Financial Officer
Date: August 7, 2019	/s/ Jennifer C. Floyd Jennifer C. Floyd, Chief Accounting Officer

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Section 2: EX-15 (EX-15)

Exhibit 15

Awareness of Independent Registered Public Accounting Firm

We are aware that our report dated August 7, 2019, included with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, is incorporated by reference in Forms S-8 (Nos. 333-136645, 333-148763, 333-151843, 333-188591, 333-211116, 333-226608 and 333-229805) and Form S-3 (No. 333-228611). Pursuant to Rule 436(c) under the *Securities Act of 1933* (the Act), this report should not be considered a part of these registration statements prepared or certified by us within the meaning of Sections 7 and 11 of the Act.

/s/ **BKD, LLP**

Little Rock, Arkansas
August 7, 2019

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Section 3: EX-31.1 (EX-31.1)

Exhibit 31.1

I, C. Randall Sims, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home BancShares, Inc. for the period ended June 30, 2019;
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 7, 2019

/s/ C. Randall Sims
C. Randall Sims
Chief Executive Officer

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Section 4: EX-31.2 (EX-31.2)

Exhibit 31.2

I, Brian S. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home BancShares, Inc. for the period ended June 30, 2019;

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 7, 2019

/s/ Brian S. Davis
Brian S. Davis
Chief Financial Officer

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Section 5: EX-32.1 (EX-32.1)

Exhibit 32.1

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

In connection with the accompanying Quarterly Report of Home BancShares, Inc. (the Company) on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, C. Randall Sims, 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 7, 2019

/s/ C. Randall Sims
C. Randall Sims
Chief Executive Officer

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Section 6: EX-32.2 (EX-32.2)

Exhibit 32.2

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

In connection with the accompanying Quarterly Report of Home BancShares, Inc. (the Company) on Form 10-Q for the period ended June 30, 2019, 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 7, 2019

/s/ Brian S. Davis
Brian S. Davis
Chief Financial Officer

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