GOTCHER PETER C
Form 4
July 07, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
GOTCHER PETER C

(Last) (First) (Middle)

C/O DOLBY LABORATORIES, INC., 100 POTRERO AVENUE

(Street)

SAN FRANCISCO, CA 94103

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Dolby Laboratories, Inc. [DLB]

3. Date of Earliest Transaction (Month/Day/Year)
07/06/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Exec. Chairman of the Board

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock (1)	07/06/2009		C		5,000	D	$ 0	51,667	D	
Class A Common Stock	07/06/2009		S		5,000	D	$ 35.97	46,667 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (Right to Buy)	$ 2.08	07/06/2009		M			5,000	(3)	08/03/2014	Class B Common Stock	5,000
Class B Common Stock	$ 0 (4)	07/06/2009		M		5,000		(4)	(4)	Class A Common Stock	5,000
Class B Common Stock	$ 0 (4)	07/06/2009		C			5,000	(4)	(4)	Class A Common Stock	5,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GOTCHER PETER C C/O DOLBY LABORATORIES, INC. 100 POTRERO AVENUE SAN FRANCISCO, CA 94103	X		Exec. Chairman of the Board	

Signatures

/s/ Alan G. Smith, Attorney-in-fact	07/07/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each share of Class A Common Stock issued upon conversion of one share of Class B Common Stock at the election of the reporting person.

(2) Shares held following the reported transactions include 46,667 restricted stock units, which are subject to forfeiture until they vest.

(3) This option was granted for a total of 30,000 shares of Class B Common Stock. 1/3 of the total number of shares issuable under the option vests on each anniversary of July 15, 2004, the vesting commencement date.

(4) Each share of Class B Common Stock is convertible into one share of Class A Common Stock at the option of the holder and has no expiration date.

Remarks:

All the sales reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. the year ended December 31, 2015 for an additional discussion regarding the acquisition of Doral Florida.

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Acquisition of Broward Financial Holdings, Inc.

On October 23, 2014, we completed our acquisition of all of the issued and outstanding shares of common stock of Broward Financial Holdings, Inc. (Broward), parent company of Broward Bank, and merged Broward Bank into Centennial Bank. At acquisition, we agreed to pay the Broward shareholders at an undetermined date up to approximately $751,000 in additional consideration. The amount and timing of the additional payment, if any, was contingent upon future payments received or losses incurred by Centennial Bank from certain current Broward Bank loans. During the first quarter of 2016, we reached an agreement with the Broward shareholders and determined no additional consideration need be paid.

See Note 2 Business Combinations in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2015 for an additional discussion regarding the acquisition of Broward.

FDIC Indemnification Asset

In conjunction with certain FDIC-assisted transactions, we entered into loss share agreements with the FDIC. These agreements cover realized losses on loans, foreclosed real estate and certain other assets. These loss share assets are measured separately from the loan portfolios because they are not contractually embedded in the loans and are not transferable with the loans should we choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss-share based on the credit adjustments estimated for each loan pool and the loss share percentages. The loss share assets are also separately measured from the related loans and foreclosed real estate and recorded as FDIC indemnification assets on the Consolidated Balance Sheets. Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses will reduce the loss share assets. Reductions to expected credit losses, to the extent such reductions to expected credit losses are the result of an improvement to the actual or expected cash flows from the covered assets, will also reduce the loss share assets. Increases in expected credit losses will require an increase to the allowance for loan losses and a corresponding increase to the loss share assets. As the ten-year loss-share agreements approach their expiration dates, there could be unexpected volatility as future expected loan losses might become projected to occur outside of the loss-share coverage reimbursement window.

Table 4 summarizes the activity in our FDIC indemnification asset during the periods indicated:

Table 4: Changes in FDIC Indemnification Asset

	Three Months Ended March 31,	
	2016	**2015**
	(Dollars in thousands)	
Beginning balance	$ 9,284	$ 28,409
Incurred claims for FDIC covered credit losses	(266)	(5,862)
FDIC indemnification accretion/(amortization)	(362)	(3,956)
Reduction in provision for loan losses:		
Benefit attributable to FDIC loss share agreements		844
Ending balance	$ 8,656	$ 19,435

FDIC-Assisted Acquisitions True-up

Our purchase and assumption agreements in connection with certain of our FDIC-assisted acquisitions allow the FDIC to recover a portion of the loss share funds previously paid out under the indemnification agreements in the event losses fail to reach the expected loss under a claw back provision. Should the markets associated with any of the banks we acquired through FDIC-assisted transactions perform better than initially projected, the Bank is required to pay this clawback (or true-up) payment to the FDIC on a specified date following the tenth anniversary of such acquisition (the True-Up Measurement Date).

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Specifically, in connection with the Old Southern and Key West acquisitions, such true-up payments would be equal to 50% of the excess, if any, of (i) 20% of a stated threshold of $110.0 million in the case of Old Southern and $23.0 million in the case of Key West, less (ii) the sum of (A) 25% of the asset premium (discount) plus (B) 25% of the Cumulative Shared Loss Payments (defined as the aggregate of all of the payments made or payable to Centennial Bank minus the aggregate of all of the payments made or payable to the FDIC) plus (C) the Period Servicing Amounts for any twelve-month period prior to and ending on the True-Up Measurement Date (defined as the product of the simple average of the principal amount of shared loss loans and shared loss assets (other than shared loss securities) at the beginning and end of such period times 1%).

In connection with the Coastal-Bayside, Wakulla and Gulf State acquisitions, the true-up payments would be equal to 50% of the excess, if any, of (i) 20% of an intrinsic loss estimate of $121.0 million in the case of Coastal, $24.0 million in the case of Bayside, $73.0 million in the case of Wakulla and $35.0 million in the case of Gulf State, less (ii) the sum of (A) 20% of the net loss amount (the sum of all losses less the sum of all recoveries on covered assets) plus (B) 25% of the asset premium (discount) plus (C) 3.5% of the total loans subject to loss-sharing under the loss-sharing agreements as specified in the schedules to the agreements.

The amount of FDIC-assisted acquisitions true-up accrued at both March 31, 2016 and December 31, 2015 was $11.4 million.

We are currently exploring the possibility of terminating the remaining loss-share agreements with the FDIC. At this point, we have not reached an agreement with the FDIC to buy out the loss share.

As of March 31, 2016, we have an indemnification asset of $8.7 million remaining for the acquired loss-share loans. If this transaction with the FDIC were to occur, it would create a one-time acceleration of the indemnification asset plus the negotiated settlement for the true-up liability. While there is no guarantee we can reach an agreement with the FDIC, if we were to reach an agreement with the FDIC during 2016 to buy out the loss share agreements, it is anticipated this transaction will create a negative financial impact to 2016 earnings.

If we are able to reach an agreement with the FDIC during 2016, it will create a positive financial impact to earnings of approximately $1.5 million annually on a pre-tax basis through the year 2020 as a result of the one-time acceleration of the indemnification asset amortization.

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. During the second quarter of 2016, we have plans to open a deposit-only branch location in New York City.

During 2014, we initiated a branch efficiency study. Since that time, we have gathered data and evaluated over 40 branch locations across our footprint. The branch efficiency study considers many variables, such as proximity to other branches, deposits, transactions, market share and profitability. As a result of the study, we closed two Arkansas and two Florida locations during the first quarter of 2016. During the remainder of 2016, it is expected we will announce additional strategic consolidations where it improves efficiency in certain markets.

We currently have 77 branches in Arkansas, 58 branches in Florida, 6 branches in Alabama and a loan production office in New York City.

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Results of Operations

For Three Months Ended March 31, 2016 and 2015

Our net income increased $10.3 million, or 33.1%, to $41.4 million for the three-month period ended March 31, 2016, from $31.1 million for the same period in 2015. On a diluted earnings per share basis, our earnings were $0.59 per share and $0.46 per share for the three-month periods ended March 31, 2016 and 2015, respectively. The $10.3 million increase in net income is primarily associated with additional net interest income largely resulting from our acquisitions and our organic loan growth plus the reduced amortization of the indemnification asset when compared to the same period in 2015. These improvements were partially offset by an increase in provision for loan losses in first quarter of 2016 and a modest increase in the costs associated with the asset growth when compared to the same period in 2015.

Net Interest Income

Net interest income, our principal source of earnings, is the difference between the interest income generated by earning assets and the total interest cost of the deposits and borrowings obtained to fund those assets. Factors affecting the level of net interest income include the volume of earning assets and interest-bearing liabilities, yields earned on loans and investments, rates paid on deposits and other borrowings, the level of non-performing loans and the amount of non-interest-bearing liabilities supporting earning assets. Net interest income is analyzed in the discussion and tables below on a fully taxable equivalent basis. The adjustment to convert certain income to a fully taxable equivalent basis consists of dividing tax-exempt income by one minus the combined federal and state income tax rate (39.225% for the three-month periods ended March 31, 2016 and 2015).

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 rate, which is the cost to banks of immediately available overnight funds, was lowered on December 16, 2008 to a historic low of 0.25% to 0% where it remained until December 16, 2015 when the rate was increased slightly to 0.50% to 0.25%.

Our GAAP net interest margin for the quarter just ended decreased from 4.94% for the three-month period ended March 31, 2015 to 4.81% for the three-month period ended March 31, 2016. For the three months ended March 31, 2016 and 2015, we recognized $10.7 million and $10.4 million, respectively in total net accretion for acquired loans and deposits. The non-GAAP margin excluding accretion income was, relatively flat at 4.22% and 4.19% for the three months ended March 31, 2016 and 2015, respectively. Additionally, the non-GAAP yield on loans excluding accretion income was also relatively flat at 5.07% and 5.04% for the three months ended March 31, 2016 and 2015, respectively. Consequently, with a growth of average loan balance of $1.66 billion we experienced a decline in the GAAP net interest margin because the organic loan growth was approximately at our core margin levels.

The effective yield on non-covered loans for the three months ended March 31, 2016 and 2015 was 5.77% and 5.65%, respectively. The effective yield on covered loans for the three months ended March 31, 2016 and 2015 was 9.84% and 14.65%, respectively.

Net interest income on a fully taxable equivalent basis increased $19.1 million, or 23.6%, to $100.0 million for the three-month period ended March 31, 2016, from $80.9 million for the same period in 2015. This increase in net interest income was the result of a $21.5 million increase in interest income offset by a $2.4 million increase in interest expense. The $21.5 million increase in interest income was primarily the result of a higher level of earning assets offset by lower yields on our loans. The $2.4 million increase in interest expense for the three-month period ended March 31, 2016, is primarily the result of an increase in higher level of our interest bearing liabilities combined with our interest bearing liabilities repricing in a slightly higher interest rate environment. The higher level of our interest bearing liabilities resulted in an increase in interest expense of approximately $1.8 million. The repricing of our interest bearing liabilities in a slightly higher interest rate environment resulted in a $575,000 increase in interest expense.

Net interest margin, on a fully taxable equivalent basis, was 4.81% for the three months ended March 31, 2016, respectively, compared to 4.94% for the same period in 2015.

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Additional information and analysis for our net interest margin can be found in Tables 23 through 25 of our Non-GAAP Financial Measurements section of the Management Discussion and Analysis.

Tables 5 and 6 reflect an analysis of net interest income on a fully taxable equivalent basis for the three-month periods ended March 31, 2016 and 2015, as well as changes in fully taxable equivalent net interest margin for the three-month period ended March 31, 2016, compared to the same period in 2015.

Table 5: Analysis of Net Interest Income

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Interest income	$ 105,284	$ 83,881
Fully taxable equivalent adjustment	1,973	1,855
Interest income fully taxable equivalent	107,257	85,736
Interest expense	7,227	4,810
Net interest income fully taxable equivalent	$ 100,030	$ 80,926
Yield on earning assets fully taxable equivalent	5.16%	5.23%
Cost of interest-bearing liabilities	0.44	0.37
Net interest spread fully taxable equivalent	4.72	4.86
Net interest margin fully taxable equivalent	4.81	4.94

Table 6: Changes in Fully Taxable Equivalent Net Interest Margin

	Three Months Ended March 31, 2016 vs. 2015 (In thousands)
Increase (decrease) in interest income due to change in earning assets	$ 24,616
Increase (decrease) in interest income due to change in earning asset yields	(3,095)
(Increase) decrease in interest expense due to change in interest-bearing liabilities	(1,842)
(Increase) decrease in interest expense due to change in interest rates paid on interest-bearing liabilities	(575)
Increase (decrease) in net interest income	$ 19,104

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Table 7 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-month periods ended March 31, 2016 and 2015, 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 7: Average Balance Sheets and Net Interest Income Analysis

	Three Months Ended March 31,					
	2016			2015		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
	(Dollars in thousands)					
ASSETS						
Earnings assets						
Interest-bearing balances due from banks	$ 113,831	$ 102	0.36%	$ 151,693	$ 91	0.24%
Federal funds sold	3,049	4	0.53	15,290	8	0.21
Investment securities taxable	1,177,595	5,450	1.86	1,081,613	5,543	2.08
Investment securities non-taxable	338,988	4,598	5.46	327,984	4,504	5.57
Loans receivable	6,729,060	97,103	5.80	5,068,580	75,590	6.05
Total interest-earning assets	8,362,523	$ 107,257	5.16	6,645,160	$ 85,736	5.23
Non-earning assets	968,099			896,648		
Total assets	$ 9,330,622			$ 7,541,808		
LIABILITIES AND STOCKHOLDERS EQUITY						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	$ 3,593,914	$ 2,018	0.23%	$ 3,040,876	$ 1,474	0.20%
Time deposits	1,393,591	1,616	0.47	1,335,984	1,784	0.54
Total interest-bearing deposits	4,987,505	3,634	0.29	4,376,860	3,258	0.30
Federal funds purchased	610	1	0.66	1,125	1	0.36
Securities sold under agreement to repurchase	128,897	145	0.45	179,561	172	0.39
FHLB and other borrowed funds	1,368,457	3,070	0.90	639,251	1,050	0.67
Subordinated debentures	60,826	377	2.49	60,826	329	2.19
Total interest-bearing liabilities	6,546,295	7,227	0.44	5,257,623	4,810	0.37

Non-interest bearing liabilities						
Non-interest bearing deposits	1,514,169			1,227,323		
Other liabilities	59,891			33,381		
Total liabilities	8,120,355			6,518,327		
Stockholders equity	1,210,267			1,023,481		
Total liabilities and stockholders equity	$ 9,330,622			$ 7,541,808		
Net interest spread			4.72%			4.86%
Net interest income and margin		$ 100,030	4.81%		$ 80,926	4.94%

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Table 8 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three-month period ended March 31, 2016 compared to the same period in 2015, 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 8: Volume/Rate Analysis

	Three Months Ended March 31, 2016 over 2015		
	Volume	Yield/Rate	Total
		(In thousands)	
Increase (decrease) in:			
Interest income:			
Interest-bearing balances due from banks	$ (27)	$ 38	$ 11
Federal funds sold	(9)	5	(4)
Investment securities taxable	469	(562)	(93)
Investment securities non-taxable	150	(56)	94
Loans receivable	24,033	(2,520)	21,513
Total interest income	24,616	(3,095)	21,521
Interest expense:			
Interest-bearing transaction and savings deposits	291	253	544
Time deposits	75	(243)	(168)
Federal funds purchased			
Securities sold under agreement to repurchase	(54)	27	(27)
FHLB and other borrowed funds	1,530	490	2,020
Subordinated debentures		48	48
Total interest expense	1,842	575	2,417
Increase (decrease) in net interest income	$ 22,774	$ (3,670)	$ 19,104

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 improved recently, we cannot be certain that the current economic conditions will considerably improve in the near 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.

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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.

Our Company is 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 particularly in our Florida markets have improved recently, although not to pre-recession levels. Our Arkansas markets economies have been fairly stable over the past several years with no boom or bust. As a result, the Arkansas economy fared better with its real estate values during this time period.

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.

There was zero and $918,000 of provision for covered loans for the three months ended March 31, 2016 and 2015, respectively.

The $918,000 of provision for loan losses for the three months ended March 31, 2015 is a result of the quarterly impairment testing on the estimated cash flows of our FDIC loss-share loans which noted a slight decline in asset quality in several of our covered loan pools, resulting in a net covered provision for loan loss of $918,000.

There was $5.7 million and $2.9 million of provision for non-covered loans for the three months ended March 31, 2016 and 2015, respectively.

We experienced a $2.8 million increase in the provision for loan losses for non-covered loans during the first quarter of 2016 versus the first quarter of 2015. The increase from the first quarter of 2015 is primarily a result of provisioning for our first quarter of 2016 organic loan growth.

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 loans acquired 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-K 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-Interest Income

Total non-interest income was $19.4 million for the three-month period ended March 31, 2016, compared to $14.7 million for the same period in 2015, respectively. Our recurring non-interest income includes service charges on deposit accounts, other service charges and fees, trust fees, mortgage lending, insurance, title fees, increase in cash value of life insurance, dividends and FDIC indemnification accretion/amortization.

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Table 9 measures the various components of our non-interest income for the three-month periods ended March 31, 2016 and 2015, respectively, as well as changes for the three-month period ended March 31, 2016 compared to the same period in 2015.

Table 9: Non-Interest Income

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	2016 Change from 2015	
	(Dollars in thousands)			
Service charges on deposit accounts	$ 5,929	$ 5,418	$ 511	9.4%
Other service charges and fees	7,117	6,216	901	14.5
Trust fees	404	432	(28)	(6.5)
Mortgage lending income	2,863	1,932	931	48.2
Insurance commissions	657	567	90	15.9
Income from title services	4	34	(30)	(88.2)
Increase in cash value of life insurance	395	308	87	28.2
Dividends from FHLB, FRB, Bankers bank & other	620	415	205	49.4
Gain on acquisitions		1,635	(1,635)	(100.0)
Gain (loss) on sale of premises and equipment, net	(53)	8	(61)	(762.5)
Gain (loss) on OREO, net	96	493	(397)	(80.5)
Gain (loss) on securities, net	10	4	6	150.0
FDIC indemnification accretion/(amortization), net	(362)	(3,956)	3,594	(90.8)
Other income	1,757	1,164	593	50.9
Total non-interest income	$ 19,437	$ 14,670	$ 4,767	32.5%

Non-interest income increased $4.8 million, or 32.5%, to $19.4 million for the three-month period ended March 31, 2016 from $14.7 million for the same period in 2015. Non-interest income excluding gain on acquisitions increased $6.4 million, or 49.1%, to $19.4 million for the three months ended March 31, 2016 from $13.0 million for the same period in 2015.

Excluding gain on acquisitions, the primary factors that resulted in this increase were improvements related to service charges on deposits, other service charges and fees, mortgage lending, insurance, amortization on our FDIC indemnification asset and other income offset by a decrease in net changes in sale of premises and equipment gains and losses, and net changes in OREO gains and losses.

Additional details for the three months ended March 31, 2016 on some of the more significant changes are as follows:

The $511,000 increase in service charges on deposit accounts primarily results from an increase in overdraft fees from additional volume from our 2015 acquisitions.

The $901,000 increase in other service charges and fees is primarily from our 2015 acquisition plus additional loan payoff fees generated by the Centennial CFG.

The $931,000 increase in mortgage lending income is from the additional lending volume from our 2015 acquisitions combined with organic loan growth. We hired a mortgage lending president during 2014 to oversee this product offering. This additional management position is responsible for improved pricing and efficiencies which is ultimately generating more revenue from the organic growth.

The $3.6 million decrease in FDIC indemnification accretion/amortization, net, is primarily associated with the conclusion of the five-year covered loan loss-share agreements plus a lack of recent additional credit improvements in the covered loan portfolio which has not created additional FDIC indemnification asset amortization. For further discussion and analysis, reference the Credit Improvement in Purchased Credit Impaired Loan Pools section in the Management s Discussion and Analysis.

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Other income includes loan recoveries of $350,000 on our FDIC covered transactions and $244,000 on other purchased loans.

Non-Interest Expense

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

Table 10 below sets forth a summary of non-interest expense for the three-month periods ended March 31, 2016 and 2015, as well as changes for the three-month period ended March 31, 2016 compared to the same period in 2015.

Table 10: Non-Interest Expense

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	2016 Change from 2015	
	(Dollars in thousands)			
Salaries and employee benefits	$ 23,958	$ 19,390	$ 4,568	23.6%
Occupancy and equipment	6,671	6,049	622	10.3
Data processing expense	2,664	2,419	245	10.1
Other operating expenses:				
Advertising	823	779	44	5.6
Merger and acquisition expenses		1,417	(1,417)	(100.0)
Amortization of intangibles	845	1,129	(284)	(25.2)
Electronic banking expense	1,456	1,232	224	18.2
Directors fees	275	295	(20)	(6.8)
Due from bank service charges	305	215	90	41.9
FDIC and state assessment	1,446	1,396	50	3.6
Insurance	533	666	(133)	(20.0)
Legal and accounting	523	447	76	17.0
Other professional fees	925	488	437	89.5
Operating supplies	436	434	2	0.5
Postage	286	309	(23)	(7.4)
Telephone	487	504	(17)	(3.4)
Other expense	4,015	3,544	471	13.3
Total non-interest expense	$ 45,648	$ 40,713	$ 4,935	12.1%

Non-interest expense for the three months ended March 31, 2016 was $45.6 million compared to $40.7 million for the three months ended March 31, 2015. Non-interest expense, excluding merger expenses, was $45.6 million for the three months ended March 31, 2016 compared to $39.3 million for the same period in 2015.

The change in non-interest expense for the first quarter of 2016 was 12.1%, when compared to a year ago due to the completion of our 2015 acquisitions, the opening of the Centennial CFG loan production office during the second quarter of 2015 and write-downs on vacant properties from closed branches during the first quarter of 2016. The opening of the Centennial CFG loan production office resulted in $3.0 million of non-interest expense during the three months ended March 31, 2016. While the cost of doing business in New York City is significantly higher than our Arkansas, Florida and Alabama markets, we are still committed to cost-saving measures while achieving our goals of growing the Company. During the first quarter of 2016, the Company had write-downs on vacant properties from closed branches of approximately $720,000.

Income Taxes

The income tax expense increased $6.6 million, or 36.5%, to $24.7 million for the three-month period ended March 31, 2016, from $18.1 million as of March 31, 2015. The effective income tax rate was 37.39% for the three-month period ended March 31, 2016, compared to 36.80% for the same period in 2015. The primary cause of the increase in taxes is the result of our higher earnings at our marginal tax rate of 39.225%.

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Financial Condition as of and for the Period Ended March 31, 2016 and December 31, 2015

Our total assets as of March 31, 2016 increased $108.3 million to $9.40 billion from the $9.29 billion reported as of December 31, 2015. Our loan portfolio not covered by loss share increased $212.8 million to $6.79 billion as of March 31, 2016, from $6.58 billion as of December 31, 2015. This increase is a result of $212.8 million of organic loan growth since December 31, 2015. Our loan portfolio covered by loss share decreased $2.2 million to $60.0 million as of March 31, 2016, from $62.2 million as of December 31, 2015. This decrease is primarily associated with normal pay-downs and payoffs. Stockholders equity increased $28.0 million to $1.23 billion as of March 31, 2016, compared to $1.20 billion as of December 31, 2015. The annualized improvement in stockholders equity for the first three months of 2016 was 9.4%. The increase in stockholders equity is primarily associated with the $30.9 million increase in retained earnings plus the $2.3 million of comprehensive income offset by the $5.2 million of decrease in capital surplus as a result of the $8.8 million repurchase of common stock net of activity related to stock based compensation during the quarter.

Loan Portfolio

Loans Receivable Not Covered by Loss Share

Our non-covered loan portfolio averaged $6.67 billion and $4.85 billion during the three-month periods ended March 31, 2016 and 2015, respectively. Non-covered loans were $6.79 billion as of March 31, 2016 compared to $6.58 billion as of December 31, 2015, which is a $212.8 million, or 12.9%, annualized increase.

On February 27, 2015, we acquired $37.9 million of loans after $4.3 million of loan discounts from Doral Florida. On April 1, 2015, we acquired a pool of national commercial real estate loans from J.C. Flowers & Co. LLC totaling approximately $289.1 million. On October 1, 2015, we acquired $408.3 million of loans after $14.1 million of loan discounts from FBBI, which are being accounted for in accordance with the provisions of ASC Topic 310-20 and ASC Topic 310-30. All of these acquired loans are being accounted for in accordance with the provisions of ASC Topic 310-20 and ASC Topic 310-30.

We produced approximately $212.8 million of organic non-covered loan growth since December 31, 2015, of which $135.6 million is associated with Centennial CFG with the remaining $77.2 million being associated with loan originations in the legacy footprint. Centennial CFG had loans of $851.4 million at March 31, 2016.

During 2015, the five-year loss share agreements on the commercial real estate and commercial and industrial loans acquired through the FDIC-assisted acquisitions of Old Southern, Key West, Coastal, Bayside, Wakulla and Gulf State concluded. As a result, $145.2 million of these loans including their associated discounts previously classified as covered loans migrated to non-covered loans status during 2015.

The most significant components of the non-covered loan portfolio were commercial real estate, residential real estate, consumer, commercial and industrial and agricultural loans. These non-covered loans are primarily originated within our franchises in Arkansas, Florida, South Alabama and Centennial CFG, and are generally secured by residential or commercial real estate or business or personal property within our market areas of Arkansas, Florida, Alabama and New York. Non-covered loans were approximately $3.46 billion, $2.24 billion, $245.1 million and $851.4 million as of March 31, 2016 in Arkansas, Florida, Alabama and New York, respectively.

As of March 31, 2016, we had $439.9 million of construction land development loans which were collateralized by land. This consisted of $220.5 million for raw land and $219.4 million for land with commercial and or residential lots.

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Table 11 presents our loan balances not covered by loss share by category as of the March 31, 2016 and December 31, 2015.

Table 11: Loan Portfolio Not Covered by Loss Share

	As of March 31, 2016	As of December 31, 2015
	(In thousands)	
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	$ 2,889,735	$ 2,968,147
Construction/land development	976,098	943,095
Agricultural	75,763	75,027
Residential real estate loans:		
Residential 1-4 family	1,145,080	1,130,714
Multifamily residential	437,721	429,872
Total real estate	5,524,397	5,546,855
Consumer	50,090	52,258
Commercial and industrial	1,070,139	850,357
Agricultural	63,482	67,109
Other	84,062	62,822
Loans receivable not covered by loss share	$ 6,792,170	$ 6,579,401

As of acquisition date, we evaluated $1.61 billion of net loans ($1.67 billion gross loans less $62.1 million discount) purchased in conjunction with the acquisition of Liberty in accordance with the provisions of FASB ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. As of March 31, 2016, the net loan balance of the Liberty ASC Topic 310-20 purchased loans is $764.9 million ($781.0 million gross loans less $16.1 million discount). The fair value discount is being accreted into interest income over the weighted average life of the loans using a constant yield method.

As of acquisition date, we evaluated $120.5 million of net loans ($162.4 million gross loans less $41.9 million discount) purchased in conjunction with the acquisition of Liberty in accordance with the provisions of FASB ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. As of March 31, 2016, the net loan balance of the Liberty ASC Topic 310-30 purchased loans is $73.4 million ($106.0 million gross loans less $32.6 million discount). These purchased non-covered 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.

Non-Covered Commercial Real Estate Loans. We originate non-farm and non-residential loans (primarily secured by commercial real estate), construction/land development loans, and agricultural loans, which are generally secured by real estate located in our market areas. Our commercial mortgage loans are generally collateralized by first liens on real estate and amortized over a 15 to 25 year period with balloon payments due at the end of one to five years. These loans are generally underwritten by assessing cash flow (debt service coverage), primary and secondary source of repayment, the financial strength of any guarantor, the strength of the tenant (if any), the borrower s liquidity and leverage, management experience, ownership structure, economic conditions and industry specific trends and collateral. Generally, we will loan up to 85% of the value of improved property, 65% of the value of raw land and 75% of the value of land to be acquired and developed. A first lien on the property and assignment of lease is required if the collateral is rental property, with second lien positions considered on a case-by-case basis.

As of March 31, 2016, non-covered commercial real estate loans totaled $3.94 billion, or 58.0% of our non-covered loan portfolio, as compared to $3.99 billion, or 60.6% of our non-covered loan portfolio, as of December 31, 2015. Our Arkansas, Florida, Alabama and Centennial CFG franchises non-covered commercial real estate loans were $1.88 billion, $1.45 billion, $143.2 million and $467.5 million at March 31, 2016, respectively.

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Non-Covered Residential Real Estate Loans. We originate one to four family, residential mortgage loans generally secured by property located in our primary market areas. Approximately 36.2% and 43.7% of our non-covered residential mortgage loans consist of owner occupied 1-4 family properties and non-owner occupied 1-4 family properties (rental), respectively, as of March 31, 2016. Non-covered residential real estate loans generally have a loan-to-value ratio of up to 90%. These loans are underwritten by giving consideration to the borrower s ability to pay, stability of employment or source of income, debt-to-income ratio, credit history and loan-to-value ratio.

As of March 31, 2016, non-covered residential real estate loans totaled $1.58 billion, or 23.3%, of our non-covered loan portfolio, compared to $1.56 billion, or 23.7% of our non-covered loan portfolio, as of December 31, 2015. Our Arkansas, Florida, Alabama and Centennial CFG franchises non-covered residential real estate loans were $906.3 million, $535.7 million, $72.9 million and $67.9 million at March 31, 2016, respectively.

Non-Covered Consumer Loans. Our non-covered consumer loan portfolio is composed of secured and unsecured loans originated by our bank. The performance of consumer loans will be affected by the local and regional economies as well as the rates of personal bankruptcies, job loss, divorce and other individual-specific characteristics.

As of March 31, 2016, our non-covered consumer loan portfolio totaled $50.1 million, or 0.7%, of our total non-covered loan portfolio, compared to the $52.3 million, or 0.8% of our non-covered loan portfolio as of December 31, 2015. Our Arkansas, Florida, Alabama and Centennial CFG franchises non-covered consumer loans were $28.6 million, $20.5 million, $1.0 million and zero at March 31, 2016, respectively.

Non-Covered 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 60% (with no work in process) depending on the borrower and nature of inventory. We require a first lien position for those loans.

As of March 31, 2016, non-covered commercial and industrial loans outstanding totaled $1.07 billion, or 15.8% of our non-covered loan portfolio, which is comparable to $850.4 million, or 12.9% of our non-covered loan portfolio, as of December 31, 2015. Our Arkansas, Florida, Alabama and Centennial CFG franchises non-covered commercial and industrial loans were $528.2 million, $200.1 million, $25.8 million and $316.0 million at March 31, 2016, respectively.

Non-Covered Agricultural Loans. Our portfolio of agricultural loans includes loans for financing agricultural production, including loans to businesses or individuals engaged in the production of timber, poultry, livestock or crops and are not categorized as part of non-covered real estate loans. Our agricultural loans are generally secured by farm machinery, livestock, crops, vehicles or other agricultural-related collateral. A portion of our portfolio of agricultural loans is comprised of loans to individuals which would normally be characterized as consumer loans except for the fact that the individual borrowers are primarily engaged in the production of timber, poultry, livestock or crops.

As of March 31, 2016, our non-covered agricultural loan portfolio totaled $63.5 million, or 0.9%, of our total non-covered loan portfolio, compared to the $67.1 million, or 1.0% of our non-covered loan portfolio as of

December 31, 2015. Our Arkansas, Florida, Alabama and Centennial CFG franchises non-covered agricultural loans were $45.8 million, $17.7 million, zero and zero at March 31, 2016, respectively.

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Total Loans Receivable

Table 12 presents total loans receivable by category.

Table 12: Total Loans Receivable

As of March 31, 2016

	Loans Receivable Not Covered by Loss Share	Loans Receivable Covered by FDIC Loss Share	Total Loans Receivable
		(In thousands)	
Real estate:			
Commercial real estate loans			
Non-farm/non-residential	$ 2,889,735	$ 192	$ 2,889,927
Construction/land development	976,098	1,702	977,800
Agricultural	75,763		75,763
Residential real estate loans			
Residential 1-4 family	1,145,080	57,243	1,202,323
Multifamily residential	437,721	379	438,100
Total real estate	5,524,397	59,516	5,583,913
Consumer	50,090		50,090
Commercial and industrial	1,070,139	414	1,070,553
Agricultural	63,482		63,482
Other	84,062	112	84,174
Total	$ 6,792,170	$ 60,042	$ 6,852,212

Non-Performing Assets Not Covered by Loss Share

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

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

We have non-covered loans acquired with deteriorated credit quality in our March 31, 2016 financial statements as a result of our historical acquisitions plus the migration of loans covered by FDIC loss share to loans not covered by loss share status. The credit metrics most heavily impacted by our acquisitions of acquired non-covered loans with deteriorated credit quality were the following credit quality indicators listed in Table 13 below:

Allowance for loan losses for non-covered loans to non-performing non-covered loans;

Non-performing non-covered loans to total non-covered loans; and

Non-performing non-covered assets to total non-covered 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 non-covered loans and non-covered non-performing assets, or comparable with other institutions.

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Table 13 sets forth information with respect to our non-performing non-covered assets as of March 31, 2016 and December 31, 2015. As of these dates, all non-performing non-covered restructured loans are included in non-accrual non-covered loans.

Table 13: Non-performing Assets Not Covered by Loss Share

	As of March 31, 2016	As of December 31, 2015
	(Dollars in thousands)	
Non-accrual non-covered loans	$ 33,409	$ 36,374
Non-covered loans past due 90 days or more (principal or interest payments)	22,008	23,845
Total non-performing non-covered loans	55,417	60,219
Other non-performing non-covered assets		
Non-covered foreclosed assets held for sale, net	19,657	18,526
Other non-performing non-covered assets		38
Total other non-performing non-covered assets	19,657	18,564
Total non-performing non-covered assets	$ 75,074	$ 78,783
Allowance for loan losses for non-covered loans to non-performing non-covered loans	125.92%	110.66%
Non-performing non-covered loans to total non-covered loans	0.82	0.92
Non-performing non-covered assets to total non-covered assets	0.80	0.85

Our non-performing non-covered loans are comprised of non-accrual non-covered loans and accruing non-covered 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-performing non-covered loans were $55.4 million as of March 31, 2016, compared to $60.2 million as of December 31, 2015 for a decrease of $4.8 million. Of the $4.8 million decrease in non-performing loans, $893,000 is from a decrease in non-performing loans in our Arkansas market, $3.8 million from a decrease in non-performing loans in our Florida market and $107,000 from a decrease in non-performing loans in our Alabama market. Non-performing loans at March 31, 2016 are $27.4 million, $28.0 million, $25,000 and zero in the Arkansas, Florida, Alabama 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-performing non-covered loans. While we believe our allowance for loan losses is adequate and our purchased loans are adequately discounted at March 31, 2016, 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 2016. 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, the Bank 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-off any portion of the loan. Only non-performing restructured loans are included in our non-performing non-covered loans. As of March 31, 2016, we had $16.2 million of non-covered restructured loans that are in compliance with the modified terms and are not reported as past due or non-accrual in Table 16. Our Florida market contains $12.5 million and our Arkansas market contains $3.7 million of these non-covered restructured loans.

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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-accrual loan that is restructured remains on non-accrual for 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 the new terms and may result in the loan being returned to an accrual status after a shorter performance period. If the borrower s ability to meet the revised payment schedule is not reasonably assured, the loan will remain in a non-accrual status.

The majority of the Bank s loan modifications relate to commercial lending and involve 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 March 31, 2016, the amount of TDRs was $16.3 million, a decrease of 10.5% from $18.2 million at December 31, 2015. As of March 31, 2016 and December 31, 2015, 99.8% and 81.2%, respectively, of all restructured loans were performing to the terms of the restructure.

Total foreclosed assets held for sale not covered by loss share were $19.6 million as of March 31, 2016, compared to $18.5 million as of December 31, 2015 for an increase of $1.1 million. The foreclosed assets held for sale not covered by loss share as of March 31, 2016 are comprised of $14.2 million of assets located in Arkansas, $4.8 million of assets located in Florida, $601,000 located in Alabama and zero from Centennial CFG.

During the first three months of 2016, we had three non-covered foreclosed properties with a carrying value greater than $1.0 million. One of these two properties is a non-farm/non-residential property in the Florida Panhandle and holds a carrying value of $1.0 million at March 31, 2016. Another property is a development loan in Northwest Arkansas which has been foreclosed since the first quarter of 2011. The carrying value was $2.0 million at March 31, 2016. Remaining property is a 1-4 family residential property in Central Arkansas and holds a carrying value of $1.0 million at March 31, 2016. The Company does not currently anticipate any additional losses on these properties. As of March 31, 2016, no other foreclosed assets held for sale not covered by loss share have a carrying value greater than $1.0 million.

Table 14 shows the summary of foreclosed assets held for sale as of March 31, 2016 and December 31, 2015.

Table 14: Total Foreclosed Assets Held For Sale

	As of March 31, 2016			As of December 31, 2015		
	Not Covered by Loss Share	Covered by FDIC Loss Share	Total	Not Covered by Loss Share	Covered by FDIC Loss Share	Total
			(In thousands)			
Commercial real estate loans						
Non-farm/non-residential	$ 11,430	$	$ 11,430	$ 9,787	$	$ 9,787
Construction/land development	4,649		4,649	5,286		5,286
Agricultural						
Residential real estate loans						
Residential 1-4 family	3,386	545	3,931	3,233	614	3,847

Multifamily residential	192		192	220		220
Total foreclosed assets held for sale	$ 19,657	$ 545	$ 20,202	$ 18,526	$ 614	$ 19,140

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-performing loans (loans past due 90 days or more and non-accrual loans), 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 March 31, 2016, average non-covered impaired loans were $90.4 million compared to $88.1 million as of December 31, 2015. As of March 31, 2016, non-covered impaired loans were $89.2 million compared to $91.6 million as of December 31, 2015, for a decrease of $2.4 million. This decrease is primarily associated with the decrease in loan balances with a specific allocation combined with a decrease in the level of loans categorized as TDRs. As of March 31, 2016, our Arkansas, Florida, Alabama and Centennial CFG markets accounted for approximately $41.4 million, $47.8 million, $25,000 and zero of the non-covered impaired loans, respectively.

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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 impaired non-covered loans are not classified as non-performing non-covered assets for the recognition of interest income as the pools are considered to be performing. However, for the purpose of calculating the non-performing credit metrics, we have included all of the non-covered 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 non-covered loans acquired 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 non-covered loans acquired 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 March 31, 2016 and December 31, 2015, there was not a material amount of non-covered loans acquired with deteriorated credit quality on non-accrual status 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-Accrual Loans

Table 15 shows the summary of non-accrual loans as of March 31, 2016 and December 31, 2015:

Table 15: Total Non-Accrual Loans

	As of March 31, 2016			As of December 31, 2015		
	Not Covered by Loss Share	Covered by FDIC Loss Share	Total	Not Covered by Loss Share	Covered by FDIC Loss Share	Total
			(In thousands)			
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	$ 9,858	$	$ 9,858	$ 15,811	$	$ 15,811
Construction/land development	4,085		4,085	2,952		2,952
Agricultural	513		513	531		531
Residential real estate loans						
Residential 1-4 family	10,589		10,589	12,574		12,574
Multifamily residential	895		895	870		870
Total real estate	25,940		25,940	32,738		32,738
Consumer	170		170	239		239

Commercial and industrial	6,251		6,251	2,363		2,363
Other	1,048		1,048	1,034		1,034
Total non-accrual loans	$ 33,409	$	$ 33,409	$ 36,374	$	$ 36,374

If the non-covered non-accrual loans had been accruing interest in accordance with the original terms of their respective agreements, interest income of approximately $503,000 and $373,000 for the three-month periods ended March 31, 2016 and 2015, respectively, would have been recorded. The interest income recognized on the non-covered non-accrual loans for the three-month periods ended March 31, 2016 and 2015 was considered immaterial.

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Table 16 shows the summary of accruing past due loans 90 days or more as of March 31, 2016 and December 31, 2015:

Table 16: Total Loans Accruing Past Due 90 Days or More

	As of March 31, 2016			As of December 31, 2015		
	Not Covered by Loss Share	Covered by FDIC Loss Share	Total	Not Covered by Loss Share	Covered by FDIC Loss Share	Total
	(In thousands)					
Real estate:						
Commercial real estate loans						
Non-farm/non-residential	$ 9,588	$	$ 9,588	$ 9,247	$	$ 9,247
Construction/land development	3,855		3,855	4,176		4,176
Agricultural	31		31	30		30
Residential real estate loans						
Residential 1-4 family	2,415	3,136	5,551	3,915	3,292	7,207
Multifamily residential	1		1	1		1
Total real estate	15,890	3,136	19,026	17,369	3,292	20,661
Consumer	52		52	46		46
Commercial and industrial	6,066		6,066	6,430		6,430
Other						
Total loans accruing past due 90 days or more	$ 22,008	$ 3,136	$ 25,144	$ 23,845	$ 3,292	$ 27,137

Our total covered loans accruing past due 90 days or more and non-accrual covered loans to total covered loans was 5.2% and 5.3% as of March 31, 2016 and December 31, 2015, respectively.

Allowance for Loan Losses for Non-Covered Loans

Overview. The allowance for loan losses for non-covered loans 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 for non-covered loans, our earnings could be adversely affected.

As we evaluate the allowance for loan losses for non-covered loans, 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-off would 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 for non-covered loans, 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

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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-off on a collateral dependent loan is either through annual credit analysis or, many times, when the relationship becomes delinquent. If the borrower is not current, we will update our credit and cash flow analysis to determine the borrower s repayment ability. If we determine this ability does not exist and it appears that the collection of the entire principal and interest is not likely, then the loan could be placed on non-accrual status. In any case, loans are classified as non-accrual no later than 105 days past due. If the loan requires a quarterly impairment analysis, this analysis is completed in conjunction with the completion of the analysis of the adequacy of the allowance for loan losses for non-covered loans. 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 $1.0 million or greater or the total loan relationship is $2.0 million or greater, our policy requires an annual credit review. Our policy requires financial statements from the borrowers and guarantors at least annually. In addition, we calculate the global repayment ability of the borrower/guarantors at least annually.

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

When the amount or likelihood of a loss on a loan has been determined, a charge-off should be taken in the period it is determined. If a partial charge-off occurs, the quarterly 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. Non-covered loans collectively evaluated for impairment increased by approximately $143.8 million from $6.28 billion at December 31, 2015 to $6.43 billion at March 31, 2016. The percentage of the allowance for loan losses for non-covered loans allocated to non-covered loans collectively evaluated for impairment to the total non-covered loans collectively evaluated for impairment increased from 0.99% at December 31, 2015 to 1.01% at March 31, 2016. This increase is the result of the normal changes associated with the calculation of the allocation of the allowance for loan losses and includes routine changes from the previous year end reporting period such as organic loan growth, unallocated allowance, asset quality and net charge-offs.

Charge-offs and Recoveries. Total non-covered charge-offs increased to $3.9 million for the three months ended March 31, 2016, compared to $3.2 million for the same period in 2015. Total non-covered recoveries increased to $1.3 million for the three months ended March 31, 2016, compared to $541,000 for the same period in 2015. For the three months ended March 31, 2016, net charge-offs were $3.2 million for Arkansas, net recoveries were $649,000 for Florida, net charge-offs were $21,000 for Alabama, and net charge-offs were zero for Centennial CFG, equaling a net charge-off position of $2.5 million.

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During the first three months of 2016, there were $3.9 million in non-covered charge-offs and $1.3 million in non-covered recoveries. While these charge-offs and recoveries consisted of many relationships, there was one individual relationship 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-off are placed on non-accrual status until it is proven that the borrower s repayment ability with respect to the remaining principal balance can be reasonably assured. This is usually established over a period of 6-12 months of timely payment performance.

Table 17 shows the allowance for loan losses, charge-offs and recoveries for non-covered loans as of and for the three-month periods ended March 31, 2016 and 2015.

Table 17: Analysis of Allowance for Loan Losses for Non-Covered Loans

	Three Months Ended March 31,	
	2016	**2015**
	(Dollars in thousands)	
Balance, beginning of period	$ 66,636	$ 52,471
Loans charged off		
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	1,158	802
Construction/land development	41	83
Agricultural		
Residential real estate loans:		
Residential 1-4 family	1,279	864
Multifamily residential	30	
Total real estate	2,508	1,749
Consumer	31	88
Commercial and industrial	883	829
Agricultural		
Other	454	484
Total loans charged off	3,876	3,150
Recoveries of loans previously charged off		
Real estate:		
Commercial real estate loans:		
Non-farm/non-residential	38	1
Construction/land development	19	58
Agricultural		
Residential real estate loans:		
Residential 1-4 family	459	157
Multifamily residential	7	

Total real estate	523	216
Consumer	20	18
Commercial and industrial	529	31
Agricultural		
Other	271	276
Total recoveries	1,343	541
Net loans charged off (recovered)	2,533	2,609
Provision for loan losses for non-covered loans	5,677	2,869
Balance, March 31	$ 69,780	$ 52,731
Net charge-offs (recoveries) on loans not covered by loss share to average non-covered loans	0.15%	0.22%
Allowance for loan losses for non-covered loans to total non-covered loans(1)	1.03	1.07
Allowance for loan losses for non-covered loans to net charge-offs (recoveries)	685	498

(1) See Management s Discussion and Analysis of Financial Condition and Results of Operations Table 26, for additional information on non-GAAP tabular disclosure.

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Allocated Allowance for Loan Losses for Non-Covered Loans. We use a risk rating and specific reserve methodology in the calculation and allocation of our allowance for loan losses for non-covered loans. 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. Because a portion of our portfolio has not matured to the degree necessary to obtain reliable loss data from which to calculate estimated future losses, the unallocated portion of the allowance is an integral component of the total allowance. Although unassigned to a particular credit relationship or product segment, this portion of the allowance is vital to safeguard against the imprecision inherent in estimating credit losses.

The changes for the period ended March 31, 2016 and the year ended December 31, 2015 in the allocation of the allowance for loan losses for non-covered loans 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 18 presents the allocation of allowance for loan losses for non-covered loans as of March 31, 2016 and December 31, 2015.

Table 18: Allocation of Allowance for Loan Losses for Non-Covered Loans

	As of March 31, 2016		As of December 31, 2015	
	Allowance Amount	% of loans[(1)]	Allowance Amount	% of loans[(1)]
	(Dollars in thousands)			
Real estate:				
Commercial real estate loans:				
Non-farm/non-residential	$ 28,879	42.5%	$ 26,326	45.1%
Construction/land development	11,581	14.4	10,656	14.4
Agricultural	476	1.1	468	1.1
Residential real estate loans:				
Residential 1-4 family	10,722	16.9	10,147	17.2
Multifamily residential	2,077	6.5	2,241	6.5
Total real estate	53,735	81.4	49,838	84.3
Consumer	470	0.7	544	0.8
Commercial and industrial	10,001	15.8	9,305	12.9
Agricultural	5,038	0.9	4,463	1.0
Other		1.2		1.0
Unallocated	536		2,486	
Total	$ 69,780	100.0%	$ 66,636	100.0%

(1) Percentage of loans in each category to loans receivable not covered by loss share.

Allowance for Loan Losses for Covered Loans

Allowance for loan losses for covered loans were $2.5 million and $2.6 million at March 31, 2016 and December 31, 2015, respectively.

Total charge-offs for covered loans decreased to $71,000 for the three months ended March 31, 2016, compared to $772,000 for the same period in 2015. Total recoveries for covered loans decreased to $9,000 for the three months ended March 31, 2016, compared to $265,000 for the same period in 2015. There was zero and $918,000 provision for loan losses taken on covered loans during the three months ended March 31, 2016 and 2015, respectively.

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Table 19 shows the allowance for loan losses, charge-offs and recoveries for covered loans as of and for the three-month periods ended March 31, 2016 and 2015.

Table 19: Analysis of Allowance for Loan Losses for Covered Loans

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Dollars in thousands)	
Balance, beginning of year	$ 2,588	$ 2,540
Loans charged off	71	772
Recoveries of loans previously charged off	9	265
Net loans charged off (recovered)	62	507
Provision for loan losses forecasted outside of loss share		(295)
Provision for loan losses before benefit attributable to FDIC loss share agreements		2,057
Benefit attributable to FDIC loss share agreements		(844)
Net provision for loan losses for covered loans		918
Reclass of provision for loan losses attributable to FDIC loss share agreements		
Increase (decrease) in FDIC indemnification asset		844
Balance, March 31	$ 2,526	$ 3,795

Investments and 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 March 31, 2016.

As of March 31, 2016 and December 31, 2015 we had $299.1 million and $309.0 million of held-to-maturity securities, respectively. Of the $299.1 million of held-to-maturity securities, $7.3 million were invested in U.S. Government-sponsored enterprises, $129.7 million were invested in mortgage-backed securities and $162.1 million were invested in state and political subdivisions as of March 31, 2016. Of the $309.0 million of held-to-maturity securities, $7.4 million were invested in U.S. Government-sponsored enterprises, $134.2 million were invested in mortgage-backed securities and $167.5 million were invested in state and political subdivisions as of December 31, 2015.

Securities available-for-sale are reported at fair value with unrealized holding gains and losses reported as a separate component of stockholders equity as other comprehensive income. 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. Available-for-sale securities were $1.21 billion as of March 31, 2016 and December 31, 2015.

As of March 31, 2016, $597.5 million, or 49.5%, of our available-for-sale securities were invested in mortgage-backed securities, compared to $565.3 million, or 46.9%, of our available-for-sale securities as of December 31, 2015. To reduce our income tax burden, $217.6 million, or 18.0%, of our available-for-sale securities portfolio as of March 31, 2016, was primarily invested in tax-exempt obligations of state and political subdivisions, compared to $219.1 million, or 18.2%, of our available-for-sale securities as of December 31, 2015. Also, we had approximately $341.4 million, or 28.3%, invested in obligations of U.S. Government-sponsored enterprises as of March 31, 2016, compared to $368.5 million, or 30.5%, of our available-for-sale securities as of December 31, 2015.

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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 $6.50 billion for the three-month period ended March 31, 2016. Total deposits as of March 31, 2016 were $6.58 billion, for an annualized increase of 8.7% from December 31, 2015. 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. Additionally, we participate in the Certificates of Deposit Account Registry Service (CDARS), which provides for reciprocal (two-way) transactions among banks for the purpose of giving our customers the potential for FDIC insurance of up to $50.0 million. Although classified as brokered deposits for regulatory purposes, funds placed through the CDARS program are our customer relationships that management views as core funding. We also participate in the One-Way Buy Insured Cash Sweep (ICS) service, which provides for one-way buy transactions among banks for the purpose of purchasing cost-effective floating-rate funding without collateralization or stock purchase requirements. Management believes these sources represent a reliable and cost efficient alternative funding source for the Company. However, to the extent that our condition or reputation deteriorates, or to the extent that there are significant changes in market interest rates which we do not elect to match, we may experience an outflow of brokered deposits. In that event we would be required to obtain alternate sources for funding.

Table 20 reflects the classification of the brokered deposits as of March 31, 2016 and December 31, 2015.

Table 20: Brokered Deposits

	March 31, 2016	December 31, 2015
	(In thousands)	
Time Deposits	$ 65,064	$ 55,149
CDARS	36,530	26,920
Insured Cash Sweep and Other Transaction Accounts	234,279	117,185
Total Brokered Deposits	$ 335,873	$ 199,254

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 rate, which is the cost to banks of immediately available overnight funds, was lowered on December 16, 2008 to a historic low of 0.25% to 0% where it remained until December 16, 2015 when the rate was increased slightly to 0.50% to 0.25%.

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Table 21 reflects the classification of the average deposits and the average rate paid on each deposit category, which is in excess of 10 percent of average total deposits, for the three-month periods ended March 31, 2016 and 2015.

Table 21: Average Deposit Balances and Rates

	Three Months Ended March 31, 2016 Average Amount	2016 Average Rate Paid	2015 Average Amount	2015 Average Rate Paid
	(Dollars in thousands)			
Non-interest-bearing transaction accounts	$ 1,514,169	%	$ 1,227,323	%
Interest-bearing transaction accounts	3,147,270	0.25	2,637,311	0.22
Savings deposits	446,644	0.06	403,565	0.06
Time deposits:				
$100,000 or more	860,890	0.51	672,832	0.67
Other time deposits	532,701	0.40	663,152	0.41
Total	$ 6,501,674	0.22%	$ 5,604,183	0.24%

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 $6.5 million, or 5.0%, from $128.4 million as of December 31, 2015 to $121.9 million as of March 31, 2016.

FHLB Borrowed Funds

Our FHLB borrowed funds were $1.33 billion and $1.41 billion at March 31, 2016 and December 31, 2015, respectively. At March 31, 2016 and December 31, 2015, all $1.33 billion and $1.41 billion, respectively of the outstanding balance were issued as long-term advances. Our remaining FHLB borrowing capacity was $913.9 million and $581.9 million as of March 31, 2016 and December 31, 2015, respectively. We received additional borrowing capacity during the first quarter of 2016 as a result of our fourth quarter of 2015 organic loan growth and acquisition of FBBI. Maturities of borrowings as of March 31, 2016 include: 2016 $15.9 million; 2017 $735.5 million; 2018 $319.3 million; 2019 $128.2 million; 2020 $131.4 million; after 2020 $484,000. Expected maturities will differ from contractual maturities because FHLB may have the right to call or we may have the right to prepay certain obligations.

Subordinated Debentures

Subordinated debentures, which consist of guaranteed payments on trust preferred securities, were $60.8 million as of March 31, 2016 and December 31, 2015.

The trust preferred securities are tax-advantaged issues 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 aggregate, constitute a full and unconditional guarantee by us of each respective trust s obligations under the trust securities issued by each respective trust.

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Stockholders Equity

Stockholders equity was $1.23 billion at March 31, 2016 compared to $1.20 billion at December 31, 2015, an annualized increase of 9.4%. The increase in stockholders equity is primarily associated with the $30.9 million increase in retained earnings plus the $2.3 million of comprehensive income offset by the $5.2 million of decrease in capital surplus as a result of the $8.8 million repurchase of common stock net of activity related to stock based compensation during the quarter. As of March 31, 2016 and December 31, 2015, our equity to asset ratio was 13.1% and 12.9%, respectively. Book value per share was $17.49 as of March 31, 2016, compared to $17.11 as of December 31, 2015, an 8.9% annualized increase.

Common Stock Cash Dividends. We declared cash dividends on our common stock of $0.150 per share and $0.125 per share for each of the three-month periods ended March 31, 2016 and 2015, respectively. The common stock dividend payout ratio for the three months ended March 31, 2016 and 2015 was 25.44% and 27.14%, respectively.

Stock Repurchase Program. During the first three months of 2016, we utilized a portion of our previously approved stock repurchase program. This program authorized the repurchase of 2,376,000 shares of our common stock. We repurchased a total of 230,900 shares with a weighted-average stock price of $38.30 per share during the first quarter of 2016. Shares repurchased to date under the program total 1,809,128 shares. The remaining balance available for repurchase is 566,872 shares at March 31, 2016.

Liquidity and Capital Adequacy Requirements

Risk-Based Capital. We, as well as our bank subsidiary, are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and other discretionary actions by regulators that, if enforced, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators as to components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Management believes that, as of March 31, 2016 and December 31, 2015, we met all regulatory capital adequacy requirements to which we were subject.

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Table 22 presents our risk-based capital ratios as of March 31, 2016 and December 31, 2015.

Table 22: Risk-Based Capital

	As of March 31, 2016	As of December 31, 2015
	(Dollars in thousands)	
Tier 1 capital		
Stockholders equity	$ 1,227,782	$ 1,199,757
Goodwill and core deposit intangibles, net	(389,963)	(385,957)
Unrealized (gain) loss on available-for-sale securities	(6,465)	(4,285)
Deferred tax assets		
Total common equity Tier 1 capital	831,354	809,515
Qualifying trust preferred securities	59,000	59,000
Total Tier 1 capital	890,354	868,515
Tier 2 capital		
Qualifying allowance for loan losses	72,306	69,224
Total Tier 2 capital	72,306	69,224
Total risk-based capital	$ 962,660	$ 937,739
Average total assets for leverage ratio	$ 8,940,659	$ 8,766,685
Risk weighted assets	$ 7,989,253	$ 7,710,439
Ratios at end of period		
Common equity Tier 1 capital	10.41%	10.50
Leverage ratio	9.96	9.91%
Tier 1 risk-based capital	11.14	11.26
Total risk-based capital	12.05	12.16
Minimum guidelines		
Common equity Tier 1 capital	4.50%	4.50
Leverage ratio	4.00	4.00%
Tier 1 risk-based capital	6.00	6.00
Total risk-based capital	8.00	8.00
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.

Non-GAAP Financial Measurements

Our accounting and reporting policies conform to generally accepted accounting principles in the United States (GAAP) and the prevailing practices in the banking industry. However, due to the application of purchase accounting from our significant number of historical acquisitions (especially Liberty), we believe certain non-GAAP measures and ratios that exclude the impact of these items are useful to the investors and users of our financial statements to evaluate our performance, including net interest margin and the allowance for loan losses for non-covered loans to total non-covered loans.

Because of our significant number of historical acquisitions, our net interest margin and the allowance for loan losses for non-covered loans to total non-covered loans were impacted by accretion and amortization of the fair value adjustments recorded in purchase accounting. The accretion and amortization affect certain operating ratios as we accrete loan discounts to interest income and amortize premiums and discounts on time deposits to interest expense.

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We had $1.99 billion of purchased non-covered loans, which includes $129.8 million of discount for credit losses on non-covered loans acquired, at March 31, 2016. We have $53.8 million and $76.0 million remaining of non-accretable discount for credit losses on non-covered loans acquired and accretable discount for credit losses on non-covered loans acquired, respectively, as of March 31, 2016. We had $2.10 billion of purchased non-covered loans, which includes $139.5 million of discount for credit losses on non-covered loans acquired, at December 31, 2015. For purchased credit-impaired financial assets, GAAP requires a discount embedded in the purchase price that is attributable to the expected credit losses at the date of acquisition, which is a different approach from non-purchased-credit-impaired assets. While the discount for credit losses on purchased non-covered loans is not available for credit losses on non-purchased non-covered loans, management believes it is useful information to show the same accounting as if applied to all loans, including those acquired in a business combination.

We believe these non-GAAP measures and ratios, when taken together with the corresponding GAAP measures and ratios, provide meaningful supplemental information regarding our performance. We believe investors benefit from referring to these non-GAAP measures and ratios in assessing our operating results and related trends, and when planning and forecasting future periods. However, these non-GAAP measures and ratios should be considered in addition to, and not as a substitute for or preferable to, ratios prepared in accordance with GAAP. In Tables 23 through 26 below, we have provided a reconciliation of, where applicable, the most comparable GAAP financial measures and ratios to the non-GAAP financial measures and ratios, or a reconciliation of the non-GAAP calculation of the financial measure for the periods indicated:

Table 23: Average Yield on Loans

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Dollars in thousands)	
Interest income on loans receivable FTE	$ 97,103	$ 75,590
Purchase accounting accretion	10,361	10,198
Non-GAAP interest income on loans receivable FTE	$ 86,742	$ 65,392
Average loans	$ 6,729,060	$ 5,068,580
Average purchase accounting loan discounts (1)	149,763	191,378
Average loans (non-GAAP)	$ 6,878,823	$ 5,259,958
Average yield on loans (reported)	5.80%	6.05%
Average contractual yield on loans (non-GAAP)	5.07	5.04

(1) Balance includes $129.8 million and $134.7 million of discount for credit losses for non-covered loans acquired as of March 31, 2016 and 2015, respectively.

Table 24: Average Cost of Deposits

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Interest expense on deposits	$ 3,634	$ 3,258
Amortization of time deposit (premiums)/discounts, net	369	144
Non-GAAP interest expense on deposits	$ 4,003	$ 3,402
Average interest-bearing deposits	$ 4,987,505	$ 4,376,860
Average unamortized CD (premium)/discount, net	(1,461)	(723)
Average interest-bearing deposits (non-GAAP)	$ 4,986,044	$ 4,376,137
Average cost of deposits (reported)	0.29%	0.30%
Average contractual cost of deposits (non-GAAP)	0.32	0.32

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Table 25: Net Interest Margin

	Three Months Ended March 31, 2016	2015
	(Dollars in thousands)	
Net interest income FTE	$ 100,030	$ 80,926
Total purchase accounting accretion	10,730	10,342
Non-GAAP net interest income FTE	$ 89,300	$ 70,584
Average interest-earning assets	$ 8,362,523	$ 6,645,160
Average purchase accounting loan discounts[1]	149,763	191,378
Average interest-earning assets (non-GAAP)	$ 8,512,286	$ 6,836,538
Net interest margin (reported)	4.81%	4.94%
Net interest margin (non-GAAP)	4.22	4.19

(1) Balance includes $129.8 million and $134.7 million of discount for credit losses for non-covered loans acquired as of March 31, 2016 and 2015, respectively.

Table 26: Allowance for Loan Losses for Non-Covered Loans to Total Non-Covered Loans

	As of March 31, 2016 Non-Covered Loans	Purchased Non-Covered Loans	Total
	(Dollars in thousands)		
Loan balance reported (A)	$ 4,800,813	$ 1,991,357	$ 6.792.170
Loan balance reported plus discount (B)	4,800,813	2,121,194	6,922,007
Allowance for loan losses for non-covered loans (C)	69,780		69,780
Discount for credit losses on non-covered loans acquired (D)		129,837	129,837
Total allowance for loan losses for non-covered loans plus discount for credit losses on non-covered loans acquired (E)	$ 69,780	$ 129,837	$ 199,617
Allowance for loan losses for non-covered loans to total non-covered loans (C/A)	1.45%	N/A	1.03%
	N/A	6.12%	N/A

Discount for credit losses on non-covered loans acquired to non-covered loans acquired plus discount for credit losses on non-covered loans acquired (D/B)			
Allowance for loan losses for non-covered loans plus discount for credit losses on non-covered loans acquired to total non-covered loans plus discount for credit losses on non-covered loans acquired (E/B)	N/A	N/A	2.88%

Note: Discount for credit losses on purchased credit impaired loans acquired are accounted for on a pool by pool basis and are not available to cover credit losses on non-acquired loans or other pools.

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	As of December 31, 2015		
	Non-Covered Loans	Purchased Non-Covered Loans	Total
	(Dollars in thousands)		
Loan balance reported (A)	$ 4,482,601	$ 2,096,800	$ 6,579,401
Loan balance reported plus discount (B)	4,482,601	2,236,298	6,718,899
Allowance for loan losses for non-covered loans (C)	66,636		66,636
Discount for credit losses on non-covered loans acquired (D)		139,498	139,498
Total allowance for loan losses for non-covered loans plus discount for credit losses on non-covered loans acquired (E)	$ 66,636	$ 139,498	$ 206,134
Allowance for loan losses for non-covered loans to total non-covered loans (C/A)	1.49%	N/A	1.01%
Discount for credit losses on non-covered loans acquired to non-covered loans acquired plus discount for credit losses on non-covered loans acquired (D/B)	N/A	6.24%	N/A
Allowance for loan losses for non-covered loans plus discount for credit losses on non-covered loans acquired to total non-covered loans plus discount for credit losses on non-covered loans acquired (E/B)	N/A	N/A	3.07%

Note: Discount for credit losses on purchased credit impaired loans acquired are accounted for on a pool by pool basis and are not available to cover credit losses on non-acquired loans or other pools.

We had $398.6 million, $399.4 million, and $343.6 million total goodwill, core deposit intangibles and other intangible assets as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively. Because of our level of intangible assets and related amortization expenses, management believes diluted earnings per share excluding intangible amortization, tangible book value per share, return on average assets excluding intangible amortization, return on average tangible equity excluding intangible amortization and tangible equity to tangible assets are useful in evaluating our company. These calculations, which are similar to the GAAP calculation of diluted earnings per share, tangible book value, return on average assets, return on average equity, and equity to assets, are presented in Tables 27 through 31, respectively.

Table 27: Diluted Earnings Per Share Excluding Intangible Amortization

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands, except per share data)	

GAAP net income	$	41,427	$	31,119
Intangible amortization after-tax		514		686
Earnings excluding intangible amortization	$	41,941	$	31,805
GAAP diluted earnings per share	$	0.59	$	0.46
Intangible amortization after-tax		0.01		0.01
Diluted earnings per share excluding intangible amortization	$	0.60	$	0.47

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Table 28: Tangible Book Value Per Share

	As of March 31, 2016	As of December 31, 2015
	(In thousands, except per share data)	
Book value per share: A/B	$ 17.49	$ 17.11
Tangible book value per share: (A-C-D)/B	11.81	11.41
(A) Total equity	$ 1,227,782	$ 1,199,757
(B) Shares outstanding	70,190	70,121
(C) Goodwill	$ 377,983	$ 377,983
(D) Core deposit and other intangibles	20,598	21,443

Table 29: Return on Average Assets Excluding Intangible Amortization

	Three Months Ended March 31, 2016	2015
	(Dollars in thousands)	
Return on average assets: A/C	1.79%	1.67%
Return on average assets excluding intangible amortization: B/(C-D)	1.89	1.79
(A) Net income	$ 41,427	$ 31,119
Intangible amortization after-tax	514	686
(B) Earnings excluding intangible amortization	$ 41,941	$ 31,805
(C) Average assets	$ 9,330,622	$ 7,541,808
(D) Average goodwill, core deposits and other intangible assets	398,231	344,230

Table 30: Return on Average Tangible Equity Excluding Intangible Amortization

	Three Months Ended March 31, 2016	2015
	(Dollars in thousands)	
Return on average equity: A/C	13.77%	12.33%
Return on average tangible equity excluding intangible amortization: B/(C-D)	20.79	18.99
(A) Net income	$ 41,427	$ 31,119
(B) Earnings excluding intangible amortization	41,941	31,805
(C) Average equity	1,210,267	1,023,481

(D) Average goodwill, core deposits and other intangible assets	398,231	344,230

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Table 31: Tangible Equity to Tangible Assets

	As of March 31, 2016	As of December 31, 2015
	(Dollars in thousands)	
Equity to assets: B/A	13.07%	12.92%
Tangible equity to tangible assets: (B-C-D)/(A-C-D)	9.21	9.00
(A) Total assets	$ 9,397,451	$ 9,289,122
(B) Total equity	1,227,782	1,199,757
(C) Goodwill	377,983	377,983
(D) Core deposit and other intangibles	20,598	21,443

Recently Issued Accounting Pronouncements

See Note 23 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-sale investment securities and scheduled repayments and maturities of loans. We maintain adequate levels of cash and cash equivalents to meet our day-to-day needs. As of March 31, 2016, our cash and cash equivalents were $158.1 million, or 1.68% of total assets, compared to $255.8 million, or 2.8% of total assets, as of December 31, 2015. Our available-for-sale investment securities and federal funds sold were $1.21 billion as of March 31, 2016 and December 31, 2015.

Our investment portfolio is comprised of approximately 82.1% or $1.24 billion of securities which mature in less than five years. As of March 31, 2016 and December 31, 2015, $1.19 billion and $1.25 billion, respectively, of securities were pledged as collateral for various public fund deposits and securities sold under agreements to repurchase.

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 March 31, 2016, our total deposits were $6.58 billion, or 70.0% of total assets, compared to $6.44 billion, or 69.3% of total assets, as of December 31, 2015. We attract our deposits primarily from individuals, business, and municipalities located in our market areas.

We may occasionally use our Fed funds lines of credit in order to temporarily satisfy short-term liquidity needs. We have Fed funds lines with three other financial institutions pursuant to which we could have borrowed up to $60.0 million on an unsecured basis as of March 31, 2016 and December 31, 2015. These lines may be terminated by the respective lending institutions at any time.

We also maintain lines of credit with the Federal Home Loan Bank. Our FHLB borrowed funds were $1.33 billion and $1.41 million at March 31, 2016 and December 31, 2015, respectively. At March 31, 2016 and December 31, 2015, all $1.33 billion and $1.41 billion, respectively of the outstanding balance were issued as long-term advances. Our FHLB borrowing capacity was $913.9 million and $581.9 million as of March 31, 2016 and December 31, 2015, 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-pricing relationships for each of our products. Many of our assets are floating rate loans, which are assumed to re-price immediately, and proportional to the change in market rates, depending on their contracted index. Some loans and investments include the opportunity of prepayment (embedded options), and accordingly the simulation model uses indexes to estimate these prepayments and reinvest their proceeds at current yields. Our non-term deposit products re-price more 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.

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

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

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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 March 31, 2016, our gap position was asset sensitive with a one-year cumulative repricing gap as a percentage of total earning assets of 3.4%. 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 32 presents a summary of the repricing schedule of our interest-earning assets and interest-bearing liabilities (gap) as of March 31, 2016.

Table 32: 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	$ 42,866	$	$	$	$	$	$	$ 42,866
Federal funds sold	7,050							7,050
Investment securities	200,980	73,129	54,992	139,993	230,680	437,332	369,717	1,506,823
Loans receivable	1,792,125	445,120	569,822	918,458	1,014,074	1,767,097	345,516	6,852,212
Total earning assets	2,043,021	518,249	624,814	1,058,451	1,244,754	2,204,429	715,233	8,408,952
Interest-bearing liabilities								
Interest-bearing transaction and savings deposits	372,930	294,294	441,441	882,882	550,390	533,399	527,532	3,602,868
Time deposits	182,838	210,071	222,697	334,175	347,202	112,421	2,682	1,412,086
Federal funds purchased								
Securities sold under repurchase agreements	121,906							121,906
	815,552	117	15,191	342	110,060	394,971		1,336,233

FHLB and other borrowed funds								
Subordinated debentures	60,826							60,826
Total interest-bearing liabilities	1,554,052	504,482	679,329	1,217,399	1,007,652	1,040,791	530,214	6,533,919
Interest rate sensitivity gap	$ 488,969	$ 13,767	$ (54,515)	$ (158,948)	$ 237,102	$ 1,163,638	$ 185,019	$ 1,875,032
Cumulative interest rate sensitivity gap	$ 488,969	$ 502,735	$ 448,220	$ 289,272	$ 526,374	$ 1,690,012	$ 1,875,033	
Cumulative rate sensitive assets to rate sensitive liabilities	131.5%	124.4%	116.4%	107.3%	110.6%	128.1%	128.7%	
Cumulative gap as a % of total earning assets	5.8%	6.0%	5.3%	3.4%	6.3%	20.1%	22.3%	

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Item 4: CONTROLS AND PROCEDURES

Article I. 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.

Article II. 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 March 31, 2016, which have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1: Legal Proceedings

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

Item 1A: Risk Factors

Except for the risk factors set for below, there were no material changes from the risk factors set forth in Part I, Item 1A, Risk Factors, of our Form 10-K for the year ended December 31, 2015. 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

Not applicable.

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.	
2.1	Agreement and Plan of Merger among Home Bancshares, Inc., Centennial Bank, Liberty Bancshares, Inc., Liberty Bank of Arkansas and Acquisition Sub dated June 25, 2013 (incorporated by reference to Exhibit 2.1 of Home BancShares s Current Report on Form 8-K/A filed on June 27, 2013)
2.2	First Amendment to Agreement and Plan of Merger among Home Bancshares, Inc., Centennial Bank, Liberty Bancshares, Inc., Liberty Bank of Arkansas and Acquisition Sub dated July 31, 2013 (incorporated by reference to Exhibit 2.1 of Home BancShares s Current Report on Form 8-K filed on August 2, 2013)
2.3	Agreement and Plan of Merger among Home Bancshares, Inc., Centennial Bank, and Florida Traditions Bank dated April 25, 2014 (incorporated by reference to Exhibit 2.1 of Home BancShares s Current Report on Form 8-K filed on April 28, 2014)
2.4	Agreement and Plan of Merger among Home Bancshares, Inc., Centennial Bank, Broward Financial Holdings, Inc., Broward Bank of Commerce and HOMB Acquisition Sub II, Inc. dated July 30, 2014 (incorporated by reference to Exhibit 2.1 of Home BancShares s Current Report on Form 8-K filed on July 31, 2014)
2.5	Purchase and Assumption Agreement Between Banco Popular de Puerto Rico and Centennial Bank, dated as of February 18, 2015 (incorporated by reference to Exhibit 2.1 of Home BancShares s Current Report on Form 8-K/A filed on March 4, 2015)
2.6	Purchase and Assumption Agreement all Deposits among Federal Deposit Insurance Corporation, Receiver of Doral Bank. San Juan Puerto Rico, Puerto Rico Federal Deposit Insurance Corporation and Banco Popular de Puerto Rico, dated as of February 27, 2015 (incorporated by reference to Exhibit 10.25 to Banco Popular de Puerto Rico s Annual Report on Form 10-K for the year ended December 31, 2014, filed by Banco Popular de Puerto Rico on March 2, 2015 (Commission File No. 001-34084))
2.7	Agreement and Plan of Merger among Home Bancshares, Inc., Centennial Bank, Florida Business BancGroup, Inc. and Bay Cities Bank (incorporated by reference to Exhibit 2.1 of Home BancShares s Current Report on Form 8-K filed on June 22, 2015)
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)

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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	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)
12.1	Computation of Ratios of Earnings to Fixed Charges*
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*
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

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SIGNATURES

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

HOME BANCSHARES, INC.

(Registrant)

Date: May 6, 2016	/s/ C. Randall Sims C. Randall Sims, Chief Executive Officer
Date: May 6, 2016	/s/ Brian S. Davis Brian S. Davis, Chief Financial Officer

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