

HOME BANCSHARES INC
Form 10-Q
May 07, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended March 31, 2018

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition period from _____ to _____

Commission File Number: 000-51904

HOME BANCSHARES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Arkansas
(State or other jurisdiction of

71-0682831
(I.R.S. Employer

incorporation or organization)

Identification No.)

719 Harkrider, Suite 100, Conway, Arkansas
(Address of principal executive offices)

72032
(Zip Code)

(501) 339-2929

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

Common Stock Issued and Outstanding: 173,371,669 shares as of May 7, 2018.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

the effects of future local, regional, national and international economic conditions, including inflation or a decrease in commercial real estate and residential housing values;

changes in the level of nonperforming assets and charge-offs, and credit risk generally;

the risks of changes in interest rates or the level and composition of deposits, loan demand and the values of loan collateral, securities and interest-sensitive assets and liabilities;

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

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

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

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

diversion of management time on acquisition-related issues;

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

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

increased regulatory requirements and supervision that will apply as a result of our exceeding \$10 billion in total assets;

legislation and regulation affecting the financial services industry as a whole, and the Company and its subsidiaries in particular, including the effects resulting from the reforms enacted by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and the adoption of regulations by regulatory bodies under the Dodd-Frank Act;

governmental monetary and fiscal policies, as well as legislative and regulatory changes, including as a result of initiatives of the administration of President Donald J. Trump;

the effects of terrorism and efforts to combat it;

political instability;

risks associated with our customer relationship with the Cuban government and our correspondent banking relationship with Banco Internacional de Comercio, S.A. (BICSA), a Cuban commercial bank, through our recently completed acquisition of Stonegate Bank;

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

an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting our bank subsidiary or our customers;

the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with competitors offering banking products and services by mail, telephone and the Internet;

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

higher defaults on our loan portfolio than we expect; and

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

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this Cautionary Note. Our actual results may differ significantly from those we discuss in these forward-looking statements. For other factors, risks and uncertainties that could cause our actual results to differ materially from estimates and projections contained in these forward-looking statements, see the Risk Factors sections of our Form 10-K filed with the Securities and Exchange Commission (the SEC) on February 27, 2018.

Table of Contents**PART I: FINANCIAL INFORMATION****Item 1: Financial Statements****Home BancShares, Inc.****Consolidated Balance Sheets**

(In thousands, except share data)		March 31, 2018	December 31, 2017
		(Unaudited)	
Assets			
Cash and due from banks	\$	185,479	\$ 166,915
Interest-bearing deposits with other banks		325,122	469,018
Cash and cash equivalents		510,601	635,933
Federal funds sold		1,825	24,109
Investment securities available-for-sale		1,693,018	1,663,517
Investment securities held-to-maturity		213,731	224,756
Loans receivable		10,325,736	10,331,188
Allowance for loan losses		(110,212)	(110,266)
Loans receivable, net		10,215,524	10,220,922
Bank premises and equipment, net		235,607	237,439
Foreclosed assets held for sale		20,134	18,867
Cash value of life insurance		147,424	146,866
Accrued interest receivable		45,361	45,708
Deferred tax asset, net		78,328	76,564
Goodwill		927,949	927,949
Core deposit and other intangibles		47,726	49,351
Other assets		186,001	177,779
Total assets	\$	14,323,229	\$ 14,449,760
Liabilities and Stockholders Equity			
Deposits:			
Demand and non-interest-bearing	\$	2,473,602	\$ 2,385,252
Savings and interest-bearing transaction accounts		6,437,408	6,476,819
Time deposits		1,485,605	1,526,431
Total deposits		10,396,615	10,388,502
Securities sold under agreements to repurchase		150,315	147,789
FHLB and other borrowed funds		1,115,061	1,299,188
Accrued interest payable and other liabilities		54,845	41,959
Subordinated debentures		368,212	368,031

Total liabilities	12,085,048	12,245,469
Stockholders equity:		
Common stock, par value \$0.01; shares authorized 200,000,000 in 2018 and 2017; shares issued and outstanding 173,603,132 in 2018 and 173,632,983 in 2017	1,736	1,736
Capital surplus	1,671,141	1,675,318
Retained earnings	585,586	530,658
Accumulated other comprehensive loss	(20,282)	(3,421)
Total stockholders equity	2,238,181	2,204,291
Total liabilities and stockholders equity	\$ 14,323,229	\$ 14,449,760

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Income

(In thousands, except per share data)	Three Months Ended March 31, 20182017 (Unaudited)	
Interest income:		
Loans	\$ 148,065	\$ 105,762
Investment securities		
Taxable	8,970	5,478
Tax-exempt	3,006	2,944
Deposits other banks	929	308
Federal funds sold	6	2
Total interest income	160,976	114,494
Interest expense:		
Interest on deposits	14,806	5,486
Federal funds purchased	1	
FHLB and other borrowed funds	4,580	3,589
Securities sold under agreements to repurchase	376	165
Subordinated debentures	5,004	439
Total interest expense	24,767	9,679
Net interest income	136,209	104,815
Provision for loan losses	1,600	3,914
Net interest income after provision for loan losses	134,609	100,901
Non-interest income:		
Service charges on deposit accounts	6,075	5,982
Other service charges and fees	10,155	8,917
Trust fees	446	456
Mortgage lending income	2,657	2,791
Insurance commissions	679	545
Increase in cash value of life insurance	654	310
Dividends from FHLB, FRB, Bankers Bank & other	877	1,149
Gain on acquisitions		3,807
Gain on sale of SBA loans	182	188
Gain (loss) on sale of branches, equipment and other assets, net	7	(56)
Gain (loss) on OREO, net	405	121
Gain (loss) on securities, net		423

Other income	3,668	1,837
Total non-interest income	25,805	26,470
Non-interest expense:		
Salaries and employee benefits	35,014	27,421
Occupancy and equipment	8,983	6,681
Data processing expense	3,986	2,723
Other operating expenses	15,397	18,316
Total non-interest expense	63,380	55,141
Income before income taxes	97,034	72,230
Income tax expense	23,970	25,374
Net income	\$ 73,064	\$ 46,856
Basic earnings per share	\$ 0.42	\$ 0.33
Diluted earnings per share	\$ 0.42	\$ 0.33

See Condensed Notes to Consolidated Financial Statements.

Table of Contents**Home BancShares, Inc.****Consolidated Statements of Comprehensive Income**

(In thousands)	Three Months Ended March 31, 2018 2017 (Unaudited)	
Net income available to all stockholders	\$ 73,064	\$ 46,856
Net unrealized gain (loss) on available-for-sale securities	(21,633)	1,428
Less: reclassification adjustment for realized (gains) losses included in income		(423)
Other comprehensive income (loss), before tax effect	(21,633)	1,005
Tax effect on other comprehensive (loss) income	5,762	(395)
Other comprehensive income (loss)	(15,871)	610
Comprehensive income	\$ 57,193	\$ 47,466

Home BancShares, Inc.**Consolidated Statements of Stockholders' Equity****Three Months Ended March 31, 2018 and 2017**

(In thousands, except share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at January 1, 2017	1,405	869,737	455,948	400	1,327,490
Comprehensive income:					
Net income			46,856		46,856
Other comprehensive income (loss)				610	610
Net issuance of 91,081 shares of common stock from exercise of stock options	1	101			102
Issuance of 2,738,038 shares of common stock from acquisition of GHI, net of issuance costs of approximately \$195	27	77,290			77,317
Share-based compensation net issuance of 140,500 shares of restricted common stock	1	1,854			1,855
Cash dividends Common Stock, \$0.0900 per share			(12,662)		(12,662)

Balances at March 31, 2017 (unaudited)	\$ 1,434	\$ 948,982	\$ 490,142	\$ 1,010	\$ 1,441,568
Comprehensive income:					
Net income			88,227		88,227
Other comprehensive income (loss)				(4,431)	(4,431)
Net issuance of 94,035 shares of common stock from exercise of stock options	1	979			980
Issuance of 30,863,658 shares of common stock from acquisition of Stonegate, net of issuance costs of approximately \$630	309	741,324			741,633
Repurchase of 857,800 shares of common stock	(9)	(20,816)			(20,825)
Share-based compensation net issuance of 91,266 shares of restricted common stock	1	4,849			4,850
Cash dividends Common Stock, \$0.3100 per share			(47,711)		(47,711)
Balances at December 31, 2017	\$ 1,736	\$ 1,675,318	\$ 530,658	\$ (3,421)	\$ 2,204,291
Comprehensive income:					
Net Income			73,064		73,064
Other comprehensive income (loss)				(15,871)	(15,871)
Net issuance of 142,116 shares of common stock from exercise of stock options	1	899			900
Impact of adoption of new accounting standards ⁽¹⁾			990	(990)	
Repurchase of 303,637 shares of common stock	(3)	(7,111)			(7,114)
Share-based compensation net issuance of 147,000 shares of restricted common stock	2	2,035			2,037
Cash dividends Common Stock, \$0.1100 per share			(19,126)		(19,126)
Balances at March 31, 2018 (unaudited)	\$ 1,736	\$ 1,671,141	\$ 585,586	\$ (20,282)	\$ 2,238,181

(1) Represents the impact of adopting Accounting Standard Update (ASU) 2016-01. See Note 1 to the consolidated financial statements for more information.

See Condensed Notes to Consolidated Financial Statements.

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

(In thousands)	Three Months Ended March 31,	
	2018	2017
(Unaudited)		
Operating Activities		
Net income	\$ 73,064	\$ 46,856
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,317	2,674
Amortization/(accretion)	5,127	3,724
Share-based compensation	2,037	1,855
(Gain) loss on assets	1,962	(833)
Gain on acquisitions		(3,807)
Provision for loan losses	1,600	3,914
Deferred income tax effect	3,998	2,130
Increase in cash value of life insurance	(654)	(310)
Originations of mortgage loans held for sale	(72,636)	(78,691)
Proceeds from sales of mortgage loans held for sale	80,250	84,244
Changes in assets and liabilities:		
Accrued interest receivable	347	(244)
Indemnification and other assets	(8,219)	(1,645)
Accrued interest payable and other liabilities	12,886	3,012
Net cash provided by (used in) operating activities	103,079	62,879
Investing Activities		
Net (increase) decrease in federal funds sold	22,284	(150)
Net (increase) decrease in loans, excluding purchased loans	(10,724)	(29,229)
Purchases of investment securities available-for-sale	(141,812)	(206,216)
Proceeds from maturities of investment securities available-for-sale	86,674	39,615
Proceeds from sale of investment securities available-for-sale	809	15,538
Purchases of investment securities held-to-maturity		(163)
Proceeds from maturities of investment securities held-to-maturity	10,899	7,411
Proceeds from foreclosed assets held for sale	3,391	6,165
Proceeds from sale of SBA Loans	2,837	4,170
Purchases of premises and equipment, net	(3,941)	(5,636)
Return of investment on cash value of life insurance		592
Net cash proceeds (paid) received market acquisitions		41,363
Net cash provided by (used in) investing activities	(29,583)	(126,540)

Financing Activities

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Net increase (decrease) in deposits, excluding deposits acquired	8,113	181,025
Net increase (decrease) in securities sold under agreements to repurchase	2,526	2,503
Net increase (decrease) in FHLB and other borrowed funds	(184,127)	93,328
Proceeds from exercise of stock options	900	102
Repurchase of common stock	(7,114)	
Common stock issuance costs market acquisitions		(195)
Tax benefits from stock options exercised		
Dividends paid on common stock	(19,126)	(12,662)
Net cash provided by (used in) financing activities	(198,828)	264,101
Net change in cash and cash equivalents	(125,332)	200,440
Cash and cash equivalents beginning of year	635,933	216,649
Cash and cash equivalents end of period	\$ 510,601	\$ 417,089

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.

Condensed Notes to Consolidated Financial Statements

(Unaudited)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

Operating Segments

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

Use of Estimates

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

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

Principles of Consolidation

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

Reclassifications

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

Interim financial information

The accompanying unaudited consolidated financial statements as of March 31, 2018 and 2017 have been prepared in condensed format, and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

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The information furnished in these interim statements reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for each respective period presented. Such adjustments are of a normal recurring nature. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for any other quarter or for the full year. The interim financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2017 Form 10-K, filed with the Securities and Exchange Commission.

Revenue Recognition.

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

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

Other service charges and fees These represent credit card interchange fees and Centennial CFG loan fees. The interchange fees are recorded in the period the performance obligation is satisfied which is generally the cash basis based on an agreed upon contract with Mastercard. The Centennial CFG loan fees are based on loan or other negotiated agreements with customers and are accounted for under ASC Topic 310.

Mortgage lending income This represents fee income on secondary market lending which is accounted for under ASC Topic 310 and transfer of loans based on a bid agreement with the investor which is accounted for under ASC Topic 860, *Transfers and Servicing*.

Earnings per Share

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

**Three Months Ended
March 31,
2018 2017
(In thousands,**

	except per share data)	
Net income	\$ 73,064	\$ 46,856
Average shares outstanding	173,761	141,785
Effect of common stock based compensation	622	707
Average diluted shares outstanding	174,383	142,492
Basic earnings per share	\$ 0.42	\$ 0.33
Diluted earnings per share	0.42	0.33

2. Business Combinations

Acquisition of Stonegate Bank

On September 26, 2017, the Company, completed the acquisition of all of the issued and outstanding shares of common stock of Stonegate Bank (Stonegate), and merged Stonegate into Centennial. The Company paid a purchase price to the Stonegate shareholders of approximately \$792.4 million for the Stonegate acquisition. Under the terms of the merger agreement, shareholders of Stonegate received 30,863,658 shares of HBI common stock valued at approximately \$742.3 million plus approximately \$50.1 million in cash in exchange for all outstanding shares of Stonegate common stock. In addition, the holders of outstanding stock options of Stonegate received approximately \$27.6 million in cash in connection with the cancellation of their options immediately before the acquisition closed, for a total transaction value of approximately \$820.0 million.

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Including the effects of the purchase accounting adjustments, as of acquisition date, Stonegate had approximately \$2.89 billion in total assets, \$2.37 billion in loans and \$2.53 billion in customer deposits. Stonegate formerly operated its banking business from 24 locations in key Florida markets with significant presence in Broward and Sarasota counties.

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

	Stonegate Bank		
	Acquired from Stonegate	Fair Value Adjustments	As Recorded by HBI
	(Dollars in thousands)		
Assets			
Cash and due from banks	\$ 100,958	\$	\$ 100,958
Interest-bearing deposits with other banks	135,631		135,631
Federal funds sold	1,515		1,515
Investment securities	103,041	474	103,515
Loans receivable	2,446,149	(74,067)	2,372,082
Allowance for loan losses	(21,507)	21,507	
Loans receivable, net	2,424,642	(52,560)	2,372,082
Bank premises and equipment, net	38,868	(3,572)	35,296
Foreclosed assets held for sale	4,187	(801)	3,386
Cash value of life insurance	48,000		48,000
Accrued interest receivable	7,088		7,088
Deferred tax asset, net	27,340	11,990	39,330
Goodwill	81,452	(81,452)	
Core deposit and other intangibles	10,505	20,364	30,869
Other assets	9,598	255	9,853
Total assets acquired	\$ 2,992,825	\$ (105,302)	\$ 2,887,523
Liabilities			
Deposits			
Demand and non-interest-bearing	\$ 585,959	\$	\$ 585,959
Savings and interest-bearing transaction accounts	1,776,256		1,776,256
Time deposits	163,567	(85)	163,482
Total deposits	2,525,782	(85)	2,525,697
FHLB borrowed funds	32,667	184	32,851
Securities sold under agreements to repurchase	26,163		26,163
Accrued interest payable and other liabilities	8,100	(484)	7,616

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Subordinated debentures	8,345	1,489	9,834
Total liabilities assumed	2,601,057	1,104	2,602,161
Equity			
Total equity assumed	391,768	(391,768)	
Total liabilities and equity assumed	\$ 2,992,825	\$ (390,664)	2,602,161
Net assets acquired			285,362
Purchase price			792,370
Goodwill			\$ 507,008

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The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above:

Cash and due from banks, interest-bearing deposits with other banks and federal funds sold The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment securities Investment securities were acquired from Stonegate with an approximately \$474,000 adjustment to market value based upon quoted market prices.

Loans Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and current discount rates. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns.

The Company evaluated \$2.37 billion of the loans purchased in conjunction with the acquisition in accordance with the provisions of FASB ASC Topic 310-20, *Nonrefundable Fees and Other Costs*, which were recorded with a \$73.3 million discount. As a result, the fair value discount on these loans is being accreted into interest income over the weighted average life of the loans using a constant yield method. The remaining \$74.3 million of loans evaluated were considered purchased credit impaired loans within the provisions of FASB ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, and were recorded with a \$23.3 million discount. These purchase credit impaired loans will recognize interest income through accretion of the difference between the carrying amount of the loans and the expected cash flows. The acquired Stonegate loan balance and the fair value adjustment on loans receivable includes \$22.6 million of discount on purchased loans, respectively.

Bank premises and equipment Bank premises and equipment were acquired from Stonegate with a \$3.6 million adjustment to market value. This represents the difference between current appraisals completed in connection with the acquisition and book value acquired.

Foreclosed assets held for sale These assets are presented at the estimated fair values that management expects to receive when the properties are sold, net of related costs of disposal.

Cash value of life insurance Cash value of life insurance was acquired from Stonegate at market value.

Accrued interest receivable Accrued interest receivable was acquired from Stonegate at market value.

Deferred tax asset The current and deferred income tax assets and liabilities are recorded to reflect the differences in the carrying values of the acquired assets and assumed liabilities for financial reporting purposes and the cost basis for federal income tax purposes, at the Company's statutory federal and state income tax rate which was 39.225% at the time of acquisition.

Core deposit intangible This intangible asset represents the value of the relationships that Stonegate had with its deposit customers. The fair value of this intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base, and the net maintenance cost attributable to customer deposits. The Company recorded \$30.9 million of core deposit intangible.

Deposits The fair values used for the demand and savings deposits that comprise the transaction accounts acquired, by definition equal the amount payable on demand at the acquisition date. The \$85,000 fair value adjustment applied for time deposits was because the weighted average interest rate of Stonegate's certificates of deposits were estimated

to be below the current market rates.

FHLB borrowed funds The fair value of FHLB borrowed funds is estimated based on borrowing rates currently available to the Company for borrowings with similar terms and maturities.

Securities sold under agreements to repurchase Securities sold under agreements to repurchase were acquired from Stonegate at market value.

Accrued interest payable and other liabilities Accrued interest payable and other liabilities were acquired from Stonegate at market value.

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Subordinated debentures The fair value of subordinated debentures is estimated based on borrowing rates currently available to the Company for borrowings with similar terms and maturities.

The unaudited pro-forma combined consolidated financial information presents how the combined financial information of HBI and Stonegate might have appeared had the businesses actually been combined. The following schedule represents the unaudited pro forma combined financial information as of the years ended December 31, 2017 and 2016, assuming the acquisition was completed as of January 1, 2017 and 2016, respectively:

	Years Ended December 31,	
	2017	2016
	(In thousands, except per share data)	
Total interest income	\$ 610,697	\$ 538,258
Total non-interest income	107,179	95,555
Net income available to all shareholders	143,979	206,081
Basic earnings per common share	\$ 0.79	\$ 1.20
Diluted earnings per common share	0.79	1.20

The unaudited pro-forma consolidated financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company had the companies actually been combined at the beginning of the period presented and had the impact of possible significant revenue enhancements and expense efficiencies from in-market cost savings, among other factors, been considered and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during this period.

Acquisition of The Bank of Commerce

On February 28, 2017, the Company completed its acquisition of all of the issued and outstanding shares of common stock of The Bank of Commerce (BOC), a Florida state-chartered bank that operated in the Sarasota, Florida area, pursuant to an acquisition agreement, dated December 1, 2016, by and between HBI and Bank of Commerce Holdings, Inc. (BCHI), parent company of BOC. The Company merged BOC with and into Centennial effective as of the close of business on February 28, 2017.

The acquisition of BOC was conducted in accordance with the provisions of Section 363 of the United States Bankruptcy Code (the Bankruptcy Code) pursuant to a voluntary petition for relief under Chapter 11 of the Bankruptcy Code filed by BCHI with the United States Bankruptcy Court for the Middle District of Florida (the Bankruptcy Court). The sale of BOC by BCHI was subject to certain bidding procedures approved by the Bankruptcy Court, under which the Company submitted an initial bid to purchase the outstanding shares of BOC and was deemed to be the successful bidder after a subsequent auction was held. The Bankruptcy Court entered a final order on December 9, 2016 approving the sale of BOC to the Company pursuant to and in accordance with the acquisition agreement.

Under the terms of the acquisition agreement, the Company paid an aggregate of approximately \$4.2 million in cash for the acquisition, which included the purchase of all outstanding shares of BOC common stock, the discounted purchase of certain subordinated debentures issued by BOC from the existing holders of the subordinated debentures, and an expense reimbursement to BCHI for approved administrative claims in connection with the bankruptcy

proceeding.

BOC formerly operated three branch locations in the Sarasota, Florida area. Including the effects of the purchase accounting adjustments, as of acquisition date, BOC had approximately \$178.1 million in total assets, \$118.5 million in loans after \$5.8 million of loan discounts, and \$139.8 million in deposits.

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

	The Bank of Commerce		
	Acquired from BOC	Fair Value Adjustments (Dollars in thousands)	As Recorded by HBI
Assets			
Cash and due from banks	\$ 4,610	\$	\$ 4,610
Interest-bearing deposits with other banks	14,360		14,360
Investment securities	25,926	(113)	25,813
Loans receivable	124,289	(5,751)	118,538
Allowance for loan losses	(2,037)	2,037	
Loans receivable, net	122,252	(3,714)	118,538
Bank premises and equipment, net	1,887		1,887
Foreclosed assets held for sale	8,523	(3,165)	5,358
Accrued interest receivable	481		481
Deferred tax asset, net		4,198	4,198
Core deposit intangible		968	968
Other assets	1,880		1,880
Total assets acquired	\$ 179,919	\$ (1,826)	\$ 178,093
Liabilities			
Deposits			
Demand and non-interest-bearing	\$ 27,245	\$	\$ 27,245
Savings and interest-bearing transaction accounts	32,300		32,300
Time deposits	79,945	270	80,215
Total deposits	139,490	270	139,760
FHLB borrowed funds	30,000	42	30,042
Accrued interest payable and other liabilities	564	(255)	309
Total liabilities assumed	\$ 170,054	\$ 57	170,111
Net assets acquired			7,982
Purchase price			4,175
Pre-tax gain on acquisition			\$ 3,807

The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above:

Cash and due from banks and interest-bearing deposits with other banks The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment securities Investment securities were acquired from BOC with an \$113,000 adjustment to market value based upon quoted market prices.

Loans Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and current discount rates. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns.

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The Company evaluated \$106.8 million of the loans purchased in conjunction with the acquisition in accordance with the provisions of FASB ASC Topic 310-20, *Nonrefundable Fees and Other Costs*, which were recorded with a \$3.0 million discount. As a result, the fair value discount on these loans is being accreted into interest income over the weighted-average life of the loans using a constant yield method. The remaining \$17.5 million of loans evaluated were considered purchased credit impaired loans within the provisions of FASB ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, and were recorded with a \$2.8 million discount. These purchase credit impaired loans will recognize interest income through accretion of the difference between the carrying amount of the loans and the expected cash flows.

Bank premises and equipment Bank premises and equipment were acquired from BOC at market value.

Foreclosed assets held for sale These assets are presented at the estimated fair values that management expects to receive when the properties are sold, net of related costs to sell.

Accrued interest receivable Accrued interest receivable was acquired from BOC at market value.

Deferred tax asset The current and deferred income tax assets and liabilities are recorded to reflect the differences in the carrying values of the acquired assets and assumed liabilities for financial reporting purposes and the cost basis for federal income tax purposes, at the Company's statutory federal and state income tax rate which was 39.225% at the time of acquisition.

Core deposit intangible This intangible asset represents the value of the relationships that BOC had with its deposit customers. The fair value of this intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base, and the net maintenance cost attributable to customer deposits. The Company recorded \$968,000 of core deposit intangible.

Deposits The fair values used for the demand and savings deposits that comprise the transaction accounts acquired, by definition equal the amount payable on demand at the acquisition date. The \$270,000 fair value adjustment applied for time deposits was because the weighted-average interest rate of BOC's certificates of deposits was estimated to be above the current market rates.

FHLB borrowed funds The fair value of FHLB borrowed funds is estimated based on borrowing rates currently available to the Company for borrowings with similar terms and maturities.

Accrued interest payable and other liabilities The fair value used represents the adjustment of certain estimated liabilities from BOC.

The Company's operating results for the period ended December 31, 2017, include the operating results of the acquired assets and assumed liabilities subsequent to the acquisition date. Due to the fair value adjustments recorded and the fact BOC total assets acquired are less than 5% of total assets as of December 31, 2017 excluding BOC as recorded by HBI as of acquisition date, historical results are not believed to be material to the Company's results, and thus no pro-forma information is presented.

Acquisition of Giant Holdings, Inc.

On February 23, 2017, the Company completed its acquisition of Giant Holdings, Inc. (GHI), parent company of Landmark Bank, N.A. (Landmark), pursuant to a definitive agreement and plan of merger whereby GHI merged with and into HBI and, immediately thereafter, Landmark merged with and into Centennial. The Company paid a purchase

price to the GHI shareholders of approximately \$96.0 million for the GHI acquisition. Under the terms of the agreement, shareholders of GHI received 2,738,038 shares of its common stock valued at approximately \$77.5 million as of February 23, 2017, plus approximately \$18.5 million in cash in exchange for all outstanding shares of GHI common stock.

GHI formerly operated six branch locations in the Ft. Lauderdale, Florida area. Including the effects of the purchase accounting adjustments, as of acquisition date, GHI had approximately \$398.1 million in total assets, \$327.8 million in loans after \$8.1 million of loan discounts, and \$304.0 million in deposits.

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

	Giant Holdings, Inc.		
	Acquired from GHI	Fair Value Adjustments (Dollars in thousands)	As Recorded by HBI
Assets			
Cash and due from banks	\$ 41,019	\$	\$ 41,019
Interest-bearing deposits with other banks	4,057	1	4,058
Investment securities	1,961	(5)	1,956
Loans receivable	335,886	(6,517)	329,369
Allowance for loan losses	(4,568)	4,568	
Loans receivable, net	331,318	(1,949)	329,369
Bank premises and equipment, net	2,111	608	2,719
Cash value of life insurance	10,861		10,861
Accrued interest receivable	850		850
Deferred tax asset, net	2,286	1,807	4,093
Core deposit and other intangibles	172	3,238	3,410
Other assets	254	(489)	(235)
Total assets acquired	\$ 394,889	\$ 3,211	\$ 398,100
Liabilities			
Deposits			
Demand and non-interest-bearing	\$ 75,993	\$	\$ 75,993
Savings and interest-bearing transaction accounts	139,459		139,459
Time deposits	88,219	324	88,543
Total deposits	303,671	324	303,995
FHLB borrowed funds	26,047	431	26,478
Accrued interest payable and other liabilities	14,552	18	14,570
Total liabilities assumed	344,270	773	345,043
Equity			
Total equity assumed	50,619	(50,619)	
Total liabilities and equity assumed	\$ 394,889	\$ (49,846)	345,043

Net assets acquired	53,057
Purchase price	96,015
Goodwill	\$ 42,958

The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above:

Cash and due from banks and interest-bearing deposits with other banks The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment securities Investment securities were acquired from GHI with an approximately \$5,000 adjustment to market value based upon quoted market prices.

Loans Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and current discount rates. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns.

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The Company evaluated \$315.6 million of the loans purchased in conjunction with the acquisition in accordance with the provisions of FASB ASC Topic 310-20, *Nonrefundable Fees and Other Costs*, which were recorded with a \$3.6 million discount. As a result, the fair value discount on these loans is being accreted into interest income over the weighted-average life of the loans using a constant yield method. The remaining \$20.3 million of loans evaluated were considered purchased credit impaired loans within the provisions of FASB ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, and were recorded with a \$4.5 million discount. These purchase credit impaired loans will recognize interest income through accretion of the difference between the carrying amount of the loans and the expected cash flows. The acquired GHI loan balance includes \$1.6 million of discount on purchased loans.

Bank premises and equipment Bank premises and equipment were acquired from GHI with a \$608,000 adjustment to market value. This represents the difference between current appraisals completed in connection with the acquisition and book value acquired.

Cash value of life insurance Cash value of life insurance was acquired from GHI at market value.

Accrued interest receivable Accrued interest receivable was acquired from GHI at market value.

Deferred tax asset The current and deferred income tax assets and liabilities are recorded to reflect the differences in the carrying values of the acquired assets and assumed liabilities for financial reporting purposes and the cost basis for federal income tax purposes, at the Company's statutory federal and state income tax rate which was 39.225% at the time of acquisition.

Core deposit intangible This intangible asset represents the value of the relationships that GHI had with its deposit customers. The fair value of this intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base, and the net maintenance cost attributable to customer deposits. The Company recorded \$3.4 million of core deposit intangible.

Deposits The fair values used for the demand and savings deposits that comprise the transaction accounts acquired, by definition equal the amount payable on demand at the acquisition date. The \$324,000 fair value adjustment applied for time deposits was because the weighted-average interest rate of GHI's certificates of deposits was estimated to be above the current market rates.

FHLB borrowed funds The fair value of FHLB borrowed funds is estimated based on borrowing rates currently available to the Company for borrowings with similar terms and maturities.

Accrued interest payable and other liabilities The fair value used represents the adjustments of certain estimated liabilities from GHI.

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The amortized cost and estimated fair value of investment securities that are classified as available-for-sale and held-to-maturity are as follows:

	March 31, 2018			
	Available-for-Sale			
	Amortized	Gross	Gross	Estimated
	Cost	Unrealized	Unrealized	Fair Value
		Gains	(Losses)	
		(In thousands)		
U.S. government-sponsored enterprises	\$ 395,309	\$ 937	\$ (4,159)	\$ 392,087
Residential mortgage-backed securities	515,792	441	(11,852)	504,381
Commercial mortgage-backed securities	517,551	71	(12,883)	504,739
State and political subdivisions	253,766	2,224	(3,141)	252,849
Other securities	37,821	1,458	(317)	38,962
Total	\$ 1,720,239	\$ 5,131	\$ (32,352)	\$ 1,693,018

	Held-to-Maturity			
	Gross			
	Amortized	Unrealized	Gross	Estimated
	Cost	Gains	(Losses)	Fair Value
		(In thousands)		
U.S. government-sponsored enterprises	\$ 4,043	\$	\$ (14)	\$ 4,029
Residential mortgage-backed securities	54,057	27	(1,055)	53,029
Commercial mortgage-backed securities	15,970	23	(268)	15,725
State and political subdivisions	139,661	1,818	(130)	141,349
Total	\$ 213,731	\$ 1,868	\$ (1,467)	\$ 214,132

	December 31, 2017			
	Available-for-Sale			
	Amortized	Gross	Gross	Estimated
	Cost	Unrealized	Unrealized	Fair Value
		Gains	(Losses)	
		(In thousands)		
U.S. government-sponsored enterprises	\$ 407,387	\$ 899	\$ (1,982)	\$ 406,304
Residential mortgage-backed securities	481,981	538	(4,919)	477,600
Commercial mortgage-backed securities	497,870	332	(4,430)	493,772
State and political subdivisions	247,292	3,783	(774)	250,301
Other securities	34,617	1,225	(302)	35,540
Total	\$ 1,669,147	\$ 6,777	\$ (12,407)	\$ 1,663,517

		Held-to-Maturity		
	Amortized	Gross	Gross	Estimated
	Cost	Unrealized	Unrealized	Fair Value
		Gains	(Losses)	
		(In thousands)		
U.S. government-sponsored enterprises	\$ 5,791	\$ 15	\$ (15)	\$ 5,791
Residential mortgage-backed securities	56,982	107	(402)	56,687
Commercial mortgage-backed securities	16,625	114	(40)	16,699
State and political subdivisions	145,358	3,031	(27)	148,362
Total	\$ 224,756	\$ 3,267	\$ (484)	\$ 227,539

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Assets, principally investment securities, having a carrying value of approximately \$1.19 and \$1.18 billion at March 31, 2018 and December 31, 2017, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Also, investment securities pledged as collateral for repurchase agreements totaled approximately \$150.3 and \$147.8 million at March 31, 2018 and December 31, 2017, respectively.

The amortized cost and estimated fair value of securities classified as available-for-sale and held-to-maturity at March 31, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)			
Due in one year or less	\$ 294,998	\$ 292,191	\$ 60,454	\$ 61,310
Due after one year through five years	936,617	922,056	91,149	91,000
Due after five years through ten years	367,552	360,108	12,183	12,006
Due after ten years	121,072	118,663	49,945	49,816
Total	\$ 1,720,239	\$ 1,693,018	\$ 213,731	\$ 214,132

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

During the three-month period ended March 31, 2018, approximately \$809,000 in available-for-sale securities were sold. No realized gains or losses were recorded on the sales for the three month period ended March 31, 2018. The income tax expense/benefit to net security gains and losses was 26.135% of the gross amounts.

During the three-month period ended March 31, 2017, approximately \$15.2 million, in available-for-sale securities were sold. The gross realized gains on the sales for the three month period ended March 31, 2017 totaled approximately \$423,000. The income tax expense/benefit to net security gains and losses was 39.225% of the gross amounts.

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

During the three-month period ended March 31, 2018, no securities were deemed to have other-than-temporary impairment.

For the three months ended March 31, 2018, the Company had investment securities with approximately \$9.3 million in unrealized losses, which have been in continuous loss positions for more than twelve months. Excluding impairment write downs taken in prior periods, the Company's assessments indicated that the cause of the market depreciation was primarily the change in interest rates and not the issuer's financial condition, or downgrades by rating agencies. In addition, approximately 71.6% of the Company's investment portfolio matures in five years or less. As a result, the Company has the ability and intent to hold such securities until maturity.

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The following shows gross unrealized losses and estimated fair value of investment securities classified as available-for-sale and held-to-maturity with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual investment securities have been in a continuous loss position as of March 31, 2018 and December 31, 2017:

	Less Than 12 Months		March 31, 2018 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. government-sponsored enterprises	\$ 215,209	\$ (3,024)	\$ 44,139	\$ (1,149)	\$ 259,348	\$ (4,173)
Residential mortgage-backed securities	406,785	(9,538)	101,902	(3,369)	508,687	(12,907)
Commercial mortgage-backed securities	367,845	(9,635)	115,292	(3,516)	483,137	(13,151)
State and political subdivisions	102,212	(2,278)	20,638	(993)	122,850	(3,271)
Other securities			9,767	(317)	9,767	(317)
Total	\$ 1,092,051	\$ (24,475)	\$ 291,738	\$ (9,344)	\$ 1,383,789	\$ (33,819)

	Less Than 12 Months		December 31, 2017 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. government-sponsored enterprises	\$ 234,213	\$ (1,288)	\$ 40,122	\$ (709)	\$ 274,335	\$ (1,997)
Residential mortgage-backed securities	389,541	(3,656)	99,989	(1,665)	489,530	(5,321)
Commercial mortgage-backed securities	314,301	(2,343)	120,365	(2,127)	434,666	(4,470)
State and political subdivisions	41,299	(331)	20,980	(470)	62,279	(801)
Other securities			9,852	(302)	9,852	(302)
Total	\$ 979,354	\$ (7,618)	\$ 291,308	\$ (5,273)	\$ 1,270,662	\$ (12,891)

Income earned on securities for the three months ended March 31, 2018 and 2017, is as follows:

**Three Months
Ended
March 31,
2018 2017**

	(In thousands)	
Taxable:		
Available-for-sale	\$ 8,465	\$ 4,794
Held-to-maturity	505	684
Non-taxable:		
Available-for-sale	1,349	1,547
Held-to-maturity	1,657	1,397
Total	\$ 11,976	\$ 8,422

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The various categories of loans receivable are summarized as follows:

	March 31, 2018	December 31, 2017
	(In thousands)	
Real estate:		
Commercial real estate loans		
Non-farm/non-residential	\$ 4,658,209	\$ 4,600,117
Construction/land development	1,641,834	1,700,491
Agricultural	81,151	82,229
Residential real estate loans		
Residential 1-4 family	1,915,346	1,970,311
Multifamily residential	464,194	441,303
Total real estate	8,760,734	8,794,451
Consumer	40,842	46,148
Commercial and industrial	1,324,173	1,297,397
Agricultural	50,770	49,815
Other	149,217	143,377
Total loans receivable	\$ 10,325,736	\$ 10,331,188

During the three-month period ended March 31, 2018, the Company sold \$2.7 million of the guaranteed portion of certain SBA loans, which resulted in a gain of approximately \$182,000. During the three-month period ended March 31, 2017, the Company sold \$4.0 million of the guaranteed portion of certain SBA loans, which resulted in a gain of approximately \$188,000.

Mortgage loans held for sale of approximately \$36.7 million and \$44.3 million at March 31, 2018 and December 31, 2017, respectively, are included in residential 1-4 family loans. Mortgage loans held for sale are carried at the lower of cost or fair value, determined using an aggregate basis. Gains and losses resulting from sales of mortgage loans are recognized when the respective loans are sold to investors. Gains and losses are determined by the difference between the selling price and the carrying amount of the loans sold, net of discounts collected or paid. The Company obtains forward commitments to sell mortgage loans to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale. The forward commitments acquired by the Company for mortgage loans in process of origination are considered mandatory forward commitments. Because these commitments are structured on a mandatory basis, the Company is required to substitute another loan or to buy back the commitment if the original loan does not fund. These commitments are derivative instruments and their fair values at March 31, 2018 and December 31, 2017 were not material.

The Company had \$3.23 billion of purchased loans, which includes \$137.4 million of discount for credit losses on purchased loans, at March 31, 2018. The Company had \$49.4 million and \$88.0 million remaining of non-accretable discount for credit losses on purchased loans and accretable discount for credit losses on purchased loans, respectively, as of March 31, 2018. The Company had \$3.46 billion of purchased loans, which includes \$146.6 million of discount for credit losses on purchased loans, at December 31, 2017. The Company had \$51.9 million and

\$94.7 million remaining of non-accretable discount for credit losses on purchased loans and accretable discount for credit losses on purchased loans, respectively, as of December 31, 2017.

Table of Contents**5. Allowance for Loan Losses, Credit Quality and Other**

The Company's allowance for loan loss as March 31, 2018 and December 31, 2017 was significantly impacted by Hurricane Irma which made initial landfall in the Florida Keys and a second landfall just south of Naples, Florida, as a Category 4 hurricane on September 10, 2017. Based on initial assessments of the potential credit impact and damage to the approximately \$2.41 billion in legacy loans receivable we have in the disaster area, the Company established a \$32.9 million storm-related provision for loan losses as of December 31, 2017. As of March 31, 2018, charge-offs of \$2.2 million have been taken against the storm-related provision for loan losses.

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

	Three Months Ended March 31, 2018 (In thousands)
Allowance for loan losses:	
Beginning balance	\$ 110,266
Loans charged off	(2,540)
Recoveries of loans previously charged off	886
Net loans recovered (charged off)	(1,654)
Provision for loan losses	1,600
Balance, March 31, 2018	\$ 110,212

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

	Three Months Ended March 31, 2018						
	Construction Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
	(In thousands)						
Allowance for loan losses:							
Beginning balance	\$ 20,343	\$ 43,939	\$ 24,506	\$ 15,292	\$ 3,334	\$ 2,852	\$ 110,266
Loans charged off	(8)	(447)	(779)	(814)	(492)		(2,540)
Recoveries of loans previously charged off	30	101	361	98	296		886
Net loans recovered (charged off)	22	(346)	(418)	(716)	(196)		(1,654)

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Provision for loan losses	(261)	1,238	(474)	1,617	109	(629)	1,600
Balance, March 31	\$ 20,104	\$ 44,831	\$ 23,614	\$ 16,193	\$ 3,247	\$ 2,223	\$ 110,212

As of March 31, 2018

	Construction/ Land Development	Other Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
(In thousands)							
Allowance for loan losses:							
Period end amount allocated to:							
Loans individually evaluated for impairment	\$ 1,173	\$ 686	\$ 159	\$ 1,590	\$	\$	\$ 3,608
Loans collectively evaluated for impairment	18,872	43,667	22,617	14,304	3,236	2,223	104,919
Loans evaluated for impairment balance, March 31	20,045	44,353	22,776	15,894	3,236	2,223	108,527
Purchased credit impaired loans	59	478	838	299	11		1,685
Balance, March 31	\$ 20,104	\$ 44,831	\$ 23,614	\$ 16,193	\$ 3,247	\$ 2,223	\$ 110,212
Loans receivable:							
Period end amount allocated to:							
Loans individually evaluated for impairment	\$ 20,927	\$ 124,402	\$ 22,379	\$ 33,536	\$ 391	\$	\$ 201,635
Loans collectively evaluated for impairment	1,606,930	4,508,644	2,311,646	1,276,843	238,180		9,942,243
Loans evaluated for impairment balance, March 31	1,627,857	4,633,046	2,334,025	1,310,379	238,571		10,143,878
Purchased credit impaired loans	13,977	106,314	45,515	13,794	2,258		181,858
Balance, March 31	\$ 1,641,834	\$ 4,739,360	\$ 2,379,540	\$ 1,324,173	\$ 240,829	\$	\$ 10,325,736

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The following tables present the balances in the allowance for loan losses for the three-month period ended March 31, 2017 and the year ended December 31, 2017, and the allowance for loan losses and recorded investment in loans receivable based on portfolio segment by impairment method as of December 31, 2017. Allocation of a portion of the allowance to one type of loans does not preclude its availability to absorb losses in other categories.

Year Ended December 31, 2017							
	Other Construction/ Land Development	Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
(In thousands)							
Allowance for loan losses:							
Beginning balance	\$ 11,522	\$ 28,188	\$ 16,517	\$ 12,756	\$ 4,188	\$ 6,831	\$ 80,002
Loans charged off	(207)	(1,464)	(1,891)	(645)	(499)		(4,706)
Recoveries of loans previously charged off	199	331	133	182	256		1,101
Net loans recovered (charged off)	(8)	(1,133)	(1,758)	(463)	(243)		(3,605)
Provision for loan losses	559	1,868	3,481	1,091	(575)	(2,510)	3,914
Balance, March 31	12,073	28,923	18,240	13,384	3,370	4,321	80,311
Loans charged off	(1,425)	(2,285)	(2,089)	(4,933)	(2,033)		(12,765)
Recoveries of loans previously charged off	263	711	543	282	585		2,384
Net loans recovered (charged off)	(1,162)	(1,574)	(1,546)	(4,651)	(1,448)		(10,381)
Provision for loan losses	9,432	16,590	7,812	6,559	1,412	(1,469)	40,336
Balance, December 31	\$ 20,343	\$ 43,939	\$ 24,506	\$ 15,292	\$ 3,334	\$ 2,852	\$ 110,266

As of December 31, 2017							
	Other Construction/ Land Development	Commercial Real Estate	Residential Real Estate	Commercial & Industrial	Consumer & Other	Unallocated	Total
(In thousands)							
Allowance for loan losses:							
Period end amount allocated to:							
Loans individually evaluated for	\$ 1,378	\$ 768	\$ 188	\$ 843	\$ 7	\$	\$ 3,184

impairment								
Loans collectively evaluated for impairment	18,954	42,824	23,341	14,290	3,310	2,852	105,571	
Loans evaluated for impairment balance, December 31	20,332	43,592	23,529	15,133	3,317	2,852	108,755	
Purchased credit impaired loans	11	347	977	159	17		1,511	
Balance, December 31	\$ 20,343	\$ 43,939	\$ 24,506	\$ 15,292	\$ 3,334	\$ 2,852	\$ 110,266	
Loans receivable:								
Period end amount allocated to:								
Loans individually evaluated for impairment	\$ 26,860	\$ 124,124	\$ 20,431	\$ 21,867	\$ 500	\$	\$ 193,782	
Loans collectively evaluated for impairment	1,658,519	4,442,201	2,341,081	1,261,161	236,392		9,939,354	
Loans evaluated for impairment balance, December 31	1,685,379	4,566,325	2,361,512	1,283,028	236,892		10,133,136	
Purchased credit impaired loans	15,112	116,021	50,102	14,369	2,448		198,052	
Balance, December 31	\$ 1,700,491	\$ 4,682,346	\$ 2,411,614	\$ 1,297,397	\$ 239,340	\$	\$ 10,331,188	

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The following is an aging analysis for loans receivable as of March 31, 2018 and December 31, 2017:

March 31, 2018							
	Loans Past Due 30-59 Days	Loans Past Due 60-89 Days	Loans Past Due 90 Days or More	Total Past Due (In thousands)	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days or More
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	\$ 1,126	\$ 8,043	\$ 14,011	\$ 23,180	\$ 4,635,029	\$ 4,658,209	\$ 5,300
Construction/land development	429	1,000	8,768	10,197	1,631,637	1,641,834	3,278
Agricultural	45		276	321	80,830	81,151	
Residential real estate loans							
Residential 1-4 family	3,436	2,216	18,487	24,139	1,891,207	1,915,346	2,451
Multifamily residential	472		251	723	463,471	464,194	99
Total real estate	5,508	11,259	41,793	58,560	8,702,174	8,760,734	11,128
Consumer	74	36	196	306	40,536	40,842	27
Commercial and industrial	2,234	1,283	7,321	10,838	1,313,335	1,324,173	2,068
Agricultural and other	1,308	8	179	1,495	198,492	199,987	
Total	\$ 9,124	\$ 12,586	\$ 49,489	\$ 71,199	\$ 10,254,537	\$ 10,325,736	\$ 13,223

December 31, 2017							
	Loans Past Due 30-59 Days	Loans Past Due 60-89 Days	Loans Past Due 90 Days or More	Total Past Due (In thousands)	Current Loans	Total Loans Receivable	Accruing Loans Past Due 90 Days or More
Real estate:							
Commercial real estate loans							
Non-farm/non-residential	\$ 6,331	\$ 1,480	\$ 12,719	\$ 20,530	\$ 4,579,587	\$ 4,600,117	\$ 3,119
Construction/land development	834	13	8,258	9,105	1,691,386	1,700,491	3,247
Agricultural		221	19	240	81,989	82,229	
Residential real estate loans							
Residential 1-4 family	9,066	2,013	16,612	27,691	1,942,620	1,970,311	2,175
Multifamily residential			253	253	441,050	441,303	100
Total real estate	16,231	3,727	37,861	57,819	8,736,632	8,794,451	8,641

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Consumer	252	51	171	474	45,674	46,148	26
Commercial and industrial	2,073	1,030	6,528	9,631	1,287,766	1,297,397	1,944
Agricultural and other	288	113	137	538	192,654	193,192	54
Total	\$ 18,844	\$ 4,921	\$ 44,697	\$ 68,462	\$ 10,262,726	\$ 10,331,188	\$ 10,665

Non-accruing loans at March 31, 2018 and December 31, 2017 were \$36.3 million and \$34.0 million, respectively.

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The following is a summary of the impaired loans as of March 31, 2018 and December 31, 2017:

	March 31, 2018			Three Months Ended	
	Unpaid Contractual Principal Balance	Total Recorded Investment	Allocation of Allowance for Loan Losses (In thousands)	Average Recorded Investment	Interest Recognized
Loans without a specific valuation allowance					
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	\$ 29	\$ 29	\$	\$ 29	\$
Construction/land development	19	19		42	
Agricultural	17	17		18	
Residential real estate loans					
Residential 1-4 family	155	155		135	3
Multifamily residential					
Total real estate	220	220		224	3
Consumer	16	16		17	
Commercial and industrial	202	202		154	3
Agricultural and other					
Total loans without a specific valuation allowance	438	438		395	6
Loans with a specific valuation allowance					
Real estate:					
Commercial real estate loans					
Non-farm/non-residential	33,188	31,283	676	30,161	371
Construction/land development	13,264	12,208	1,173	12,183	87
Agricultural	540				