BANK OF THE OZARKS INC
Form 10-Q
May 06, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016

o 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 0-22759

BANK OF THE OZARKS, INC.

(Exact name of registrant as specified in its charter)

ARKANSAS	71-0556208
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

17901 CHENAL PARKWAY, LITTLE ROCK, ARKANSAS	72223
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (501) 978-2265

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 x No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

Class	Outstanding at April 29, 2016
Common Stock, $0.01 par value per share	90,727,237

BANK OF THE OZARKS, INC.

FORM 10-Q

March 31, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
BANK OF THE OZARKS, INC.

CONSOLIDATED BALANCE SHEETS

	Unaudited March 31, 2016	December 31, 2015
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and due from banks	$616,508	$ 89,122
Interest earning deposits	6,253	1,866
Cash and cash equivalents	622,761	90,988
Investment securities - available for sale (“AFS”)	627,946	602,348
Non-purchased loans and leases	7,591,339	6,528,634
Purchased loans	1,678,351	1,806,037
Total loans and leases	9,269,690	8,334,671
Allowance for loan and lease losses	(61,760)	(60,854)
Net loans and leases	9,207,930	8,273,817
Premises and equipment, net	299,850	296,238
Foreclosed assets	22,248	22,870
Accrued interest receivable	33,327	25,499
Bank owned life insurance (“BOLI”)	345,288	300,427
Intangible assets, net	150,865	152,340
Other, net	117,204	114,932
Total assets	$11,427,419	$ 9,879,459
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Deposits:		
Demand non-interest bearing	$1,621,811	$ 1,515,482
Savings and interest bearing transaction	4,935,235	4,017,504
Time	3,069,779	2,438,482
Total deposits	9,626,825	7,971,468
Repurchase agreements with customers	65,883	65,800
Other borrowings	41,933	204,540
Subordinated debentures	117,823	117,685
Accrued interest payable and other liabilities	63,705	52,172
Total liabilities	9,916,169	8,411,665
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock; $0.01 par value; 1,000,000 shares authorized; no shares outstanding at March 31, 2016 or at December 31, 2015	—	—
Common stock; $0.01 par value; 125,000,000 shares authorized;	907	906

90,714,199, and 90,612,388 shares issued at March 31, 2016 and December 31, 2015, respectively		
Additional paid-in capital	752,029	755,995
Retained earnings	744,713	706,628
Accumulated other comprehensive income	10,431	7,959
Treasury stock, at cost, none at March 31, 2016 and 133,492 shares at December 31, 2015	—	(6,857)
Total stockholders' equity before noncontrolling interest	1,508,080	1,464,631
Noncontrolling interest	3,170	3,163
Total stockholders' equity	1,511,250	1,467,794
Total liabilities and stockholders' equity	$11,427,419	$ 9,879,459

See accompanying notes to consolidated financial statements.

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BANK OF THE OZARKS, INC.

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands, except per share amounts)	
Interest income:		
Non-purchased loans and leases	$87,010	$50,432
Purchased loans	29,023	32,860
Investment securities:		
Taxable	2,270	3,485
Tax-exempt	3,432	4,669
Deposits with banks and federal funds sold	6	9
Total interest income	121,741	91,455
Interest expense:		
Deposits	7,850	3,537
Repurchase agreements with customers	19	17
Other borrowings	302	1,703
Subordinated debentures	1,053	709
Total interest expense	9,224	5,966
Net interest income	112,517	85,489
Provision for loan and lease losses	2,017	6,315
Net interest income after provision for loan and lease losses	110,500	79,174
Non-interest income:		
Service charges on deposit accounts	7,657	6,627
Mortgage lending income	1,284	1,507
Trust income	1,507	1,432
BOLI income	2,861	3,623
Other income from purchased loans, net	3,052	8,908
Gains on sales of other assets	1,027	2,829
Net gains on investment securities	—	2,534
Other	2,477	1,607
Total non-interest income	19,865	29,067
Non-interest expense:		
Salaries and employee benefits	23,362	22,597
Net occupancy and equipment	8,531	7,291
Other operating expenses	15,793	20,296
Total non-interest expense	47,686	50,184

Income before taxes	82,679	58,057
Provision for income taxes	30,984	18,139
Net income	51,695	39,918
Earnings attributable to noncontrolling interest	(7)	(24)
Net income available to common stockholders	$51,688	$39,894
Basic earnings per common share	$0.57	$0.48
Diluted earnings per common share	$0.57	$0.47
Dividends declared per common share	$0.15	$0.13

See accompanying notes to consolidated financial statements.

BANK OF THE OZARKS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Net income	$51,695	$39,918
Other comprehensive income:		
Unrealized gains and losses on investment securities AFS	4,195	2,914
Tax effect of unrealized gains and losses on investment securities AFS	(1,723)	(1,110)
Reclassification of gains and losses on investment securities AFS included in net income	—	(2,534)
Tax effect of reclassification of gains and losses on investment securities AFS included in net income	—	965
Total other comprehensive income	2,472	235
Total comprehensive income	$54,167	$40,153

See accompanying notes to consolidated financial statements.

BANK OF THE OZARKS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Unaudited

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Non-Controlling Interest	Total
	(Dollars in thousands, except per share amounts)						
Balances – January 1, 2015	$799	$324,354	$571,454	$ 14,132	$(2,349)	$ 3,452	$911,842
Net income	—	—	39,918	—	—	—	39,918
Earnings attributable to noncontrolling interest	—	—	(24)	—	—	24	—
Total other comprehensive income	—	—	—	235	—	—	235
Common stock dividends paid, $0.13 per share	—	—	(10,413)	—	—	—	(10,413)
Issuance of 53,000 shares of common stock for exercise of stock options	—	547	—	—	—	—	547
Issuance of 243,300 shares of unvested restricted common stock	2	(2,351)	—	—	2,349	—	—
Excess tax benefit on exercise and forfeiture of stock options and restricted common stock	—	330	—	—	—	—	330
Stock-based compensation expense	—	1,897	—	—	—	—	1,897
Forfeiture of 27,250 shares of unvested restricted common stock	—	—	—	—	—	—	—
Issuance of 6,637,243 shares of common stock for acquisition of Intervest Bancshares Corporation, net of issuance costs of	66	238,310	—	—	—	—	238,376

$100,000							
Balances – March 31, 2015	$867	$563,087	$600,935	$ 14,367	$—	$ 3,476	$1,182,732
Balances – January 1, 2016	$906	$755,995	$706,628	$ 7,959	$(6,857)	$ 3,163	$1,467,794
Net income	—	—	51,695	—	—	—	51,695
Earnings attributable to noncontrolling interest	—	—	(7)	—	—	7	—
Total other comprehensive income	—	—	—	2,472	—	—	2,472
Common stock dividends paid, $0.15 per share	—	—	(13,603)	—	—	—	(13,603)
Issuance of 27,200 shares of common stock for exercise of stock options	—	322	—	—	—	—	322
Issuance of 213,907 of unvested restricted common stock	1	(6,858)	—	—	6,857	—	—
Excess tax benefit on exercise and forfeiture of stock options and restricted common stock	—	550	—	—	—	—	550
Stock-based compensation expense	—	2,020	—	—	—	—	2,020
Forfeiture of 5,804 shares of unvested restricted common stock	—	—	—	—	—	—	—
Balances – March 31, 2016	$907	$752,029	$744,713	$ 10,431	$—	$ 3,170	$1,511,250

See accompanying notes to consolidated financial statements.

BANK OF THE OZARKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$51,695	$39,918
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,970	2,131
Amortization	1,865	1,596
Earnings attributable to noncontrolling interest	(7)	(24)
Provision for loan and lease losses	2,017	6,315
Provision for losses on foreclosed assets	670	2,203
Net amortization of investment securities AFS	230	70
Net gains on investment securities AFS	—	(2,534)
Originations of mortgage loans held for sale	(47,322)	(62,508)
Proceeds from sales of mortgage loans held for sale	45,059	58,990
Accretion of purchased loans	(9,651)	(15,101)
Gains on sales of other assets	(1,027)	(2,829)
Prepayment penalty on Federal Home Loan Bank of Dallas advances	—	2,480
Deferred income tax benefit	(1,921)	(277)
Increase in cash surrender value of BOLI	(2,861)	(1,364)
BOLI death benefits in excess of cash surrender value	—	(2,259)
Stock-based compensation expense	2,020	1,897
Excess tax benefit on stock-based compensation	(550)	(330)
Changes in assets and liabilities:		
Accrued interest receivable	(7,828)	(3,253)
Other assets, net	(2,135)	30,347
Accrued interest payable and other liabilities	12,091	8,043
Net cash provided by operating activities	45,315	63,511
Cash flows from investing activities:		
Proceeds from sales of investment securities AFS	—	30,117
Proceeds from maturities/calls/paydowns of investment securities AFS	58,176	50,187
Purchases of investment securities AFS	(79,810)	—
Net increase of non-purchased loans and leases	(1,064,677)	(351,740)
Net payments received on purchased loans	135,373	191,892
Purchases of premises and equipment	(6,582)	(4,003)
Purchases of BOLI	(42,000)	—
Proceeds from sales of other assets	5,654	19,207
Cash received from (invested in) unconsolidated investments and noncontrolling interest	223	(286)
Net cash received in merger and acquisition transaction	—	274,235
Net cash (used) provided by investing activities	(993,643)	209,609
Cash flows from financing activities:		
Net increase in deposits	1,655,357	35,631

Net repayments of other borrowings	(162,608)	(32,018)
Net increase in repurchase agreements with customers	83	11,382
Proceeds from exercise of stock options	322	547
Excess tax benefit on stock-based compensation	550	330
Cash dividends paid on common stock	(13,603)	(10,413)
Net cash provided by financing activities	1,480,101	5,459
Net increase in cash and cash equivalents	531,773	278,579
Cash and cash equivalents – beginning of period	90,988	150,203
Cash and cash equivalents – end of period	$622,761	$428,782

See accompanying notes to consolidated financial statements.

BANK OF THE OZARKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

1. Organization and Principles of Consolidation

Bank of the Ozarks, Inc. (the "Company") is a bank holding company headquartered in Little Rock, Arkansas, which operates under the rules and regulations of the Board of Governors of the Federal Reserve System. The Company owns a wholly-owned state chartered bank subsidiary – Bank of the Ozarks (the "Bank"), eight 100%-owned finance subsidiary business trusts – Ozark Capital Statutory Trust II ("Ozark II"), Ozark Capital Statutory Trust III ("Ozark III"), Ozark Capital Statutory Trust IV ("Ozark IV"), Ozark Capital Statutory Trust V ("Ozark V") (collectively, the "Ozark Trusts"), Intervest Statutory Trust II ("Intervest II"), Intervest Statutory Trust III ("Intervest III"), Intervest Statutory Trust IV ("Intervest IV") and Intervest Statutory Trust V ("Intervest V"), (collectively, the "Intervest Trusts"; and together with Ozark Trusts, the "Trusts") and, indirectly through the Bank, a subsidiary engaged in the development of real estate, a subsidiary that owns private aircraft and various other entities that hold foreclosed assets or tax credits or engage in other activities. The Company and Bank are subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory authorities. The consolidated financial statements include the accounts of the Company, the Bank, the real estate subsidiary, the aircraft subsidiary and certain of those various other entities in accordance with accounting principles generally accepted in the United States ("GAAP"). Significant intercompany transactions and amounts have been eliminated in consolidation.

At March 31, 2016, the Company had 176 offices, including 82 in Arkansas, 28 in Georgia, 25 in North Carolina, 22 in Texas, 10 in Florida, three in Alabama and two offices each in South Carolina, New York and California.

2. Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") in Article 10 of Regulation S-X and in accordance with the instructions to Form 10-Q and GAAP for interim financial information. Certain information, accounting policies and footnote disclosures normally included in complete financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In the opinion of management, all adjustments considered necessary, consisting of normal recurring items, have been included for a fair presentation of the accompanying consolidated financial statements. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the full year or future periods.

Certain reclassifications of prior period amounts have been made to conform with the current period presentation. These reclassifications had no impact on previously reported net income. During the second and fourth quarter of 2015, the Company revised its initial estimates regarding the expected recovery of certain acquired loans and deferred tax assets in its February 10, 2015 acquisition of Intervest Bancshares Corporation ("Intervest"). As a result, certain amounts previously reported in the Company's 2015 interim consolidated financial statements have been recast.

3. Pending Acquisitions
Community & Southern Holdings, Inc.

On October 19, 2015, the Company entered into a definitive agreement and plan of merger (the "C&S Agreement") with Community & Southern Holdings, Inc. ("C&S") and its wholly-owned bank subsidiary, Community & Southern Bank, whereby the Company will acquire all of the outstanding common stock and equity awards of C&S in a transaction valued at approximately $799.6 million. Community & Southern Bank, headquartered in Atlanta, Georgia, operates 46 banking offices throughout Georgia and one banking office in Jacksonville, Florida. At March 31, 2016, C&S had approximately $4.1 billion in total assets, approximately $3.1 billion in total loans, approximately $3.6 billion in total deposits and approximately $477 million in total stockholders' equity.

Under the terms of the C&S Agreement, each outstanding share of common stock of C&S and each outstanding C&S stock option, warrant, restricted stock unit and deferred stock unit will be converted into the right to receive shares of the Company's common stock, plus cash in lieu of any fractional share, all subject to certain conditions and potential adjustments. The number of Company shares to be issued will be determined based on the Company's fifteen day volume weighted average stock price as of the second business day prior to the closing date, subject to a minimum price of $34.10 per share and a maximum price of $56.84 per share. Upon the closing of the transaction, which is expected to occur in the second quarter of 2016, C&S will merge into the Company and Community & Southern Bank will merge into the Bank. Completion of the transaction is subject to certain closing conditions, including receipt of regulatory approvals.

C1 Financial, Inc.

On November 9, 2015, the Company entered into a definitive agreement and plan of merger (the “C1 Agreement”) with C1 Financial, Inc. (“C1”) and its wholly-owned bank subsidiary, C1 Bank, whereby the Company will acquire all of the outstanding common stock of C1 in a transaction valued at approximately $402.5 million. C1 Bank, headquartered in St. Petersburg, Florida, operates 33 banking offices throughout the west coast of Florida and in Miami-Dade and Orange Counties. At March 31, 2016, C1 had approximately $1.8 billion in total assets, approximately $1.4 billion in total loans, approximately $1.3 billion in total deposits and approximately $206 million in total stockholders’ equity.

Under the terms of the C1 Agreement, each outstanding share of common stock of C1 will be converted into the right to receive shares of the Company’s common stock, plus cash in lieu of any fractional or de minimis shares, all subject to certain conditions and potential adjustments. The number of Company shares to be issued will be determined based on the Company’s ten day average closing stock price as of the second business day prior to the closing date, subject to a minimum price of $39.79 per share and a maximum price of $66.31 per share. Upon the closing of the transaction, which is expected to occur in the second quarter of 2016, C1 will merge into the Company and C1 Bank will merge into the Bank. Completion of the transaction is subject to certain closing conditions, including receipt of regulatory approvals.

4. Earnings Per Common Share (“EPS”)

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding after consideration of the dilutive effect, if any, of outstanding common stock options using the treasury stock method. For the three months ended March 31, 2016 and 2015, options to purchase 659,858 shares and 535,000 shares, respectively, of the Company’s common stock were excluded from the diluted EPS calculations as inclusion of these options would have been anti-dilutive.

The following table presents the computation of basic and diluted EPS for the periods indicated.

	Three Months Ended March 31,	
	2016	2015
	(In thousands, except per share amounts)	
Numerator:		
Distributed earnings allocated to common stockholders	$13,603	$10,413
Undistributed earnings allocated to common stockholders	38,085	29,481
Net income available to common stockholders	$51,688	$39,894
Denominator:		

Denominator for basic EPS – weighted-average common shares	90,687	83,699
Effect of dilutive securities – stock options	564	710
Denominator for diluted EPS – weighted-average common shares and assumed conversions	91,251	84,409
Basic EPS	$0.57	$0.48
Diluted EPS	$0.57	$0.47

5. Investment Securities

At March 31, 2016 and December 31, 2015, the Company classified all of its investment securities portfolio as AFS. Accordingly, investment securities are stated at estimated fair value in the consolidated financial statements with unrealized gains and losses, net of related income tax, reported as a separate component of stockholders’ equity and included in accumulated other comprehensive income.

The following table presents the amortized cost and estimated fair value of investment securities AFS as of the dates indicated. The Company's investment in the "CRA qualified investment fund" includes shares held in a mutual fund that qualifies under the Community Reinvestment Act of 1977 for community reinvestment purposes. The Company's holdings of "other equity securities" include Federal Home Loan Bank of Dallas ("FHLB") and First National Banker's Bankshares, Inc. ("FNBB") shares which do not have readily determinable fair values and are carried at cost.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
March 31, 2016:				
Obligations of state and political subdivisions	$419,403	$ 13,327	$ (88)	$432,642
U.S. Government agency securities	180,904	4,033	(224)	184,713
Corporate obligations	3,542	—	—	3,542
CRA qualified investment fund	1,044	5	—	1,049
Other equity securities	6,000	—	—	6,000
Total	$610,893	$ 17,365	$ (312)	$627,946
December 31, 2015:				
Obligations of state and political subdivisions	$415,095	$ 12,321	$ (138)	$427,278
U.S. Government agency securities	146,265	1,720	(1,035)	146,950
Corporate obligations	3,562	—	—	3,562
CRA qualified investment fund	1,038	—	(10)	1,028
Other equity securities	23,530	—	—	23,530
Total	$589,490	$ 14,041	$ (1,183)	$602,348

The following table shows estimated fair value of investment securities AFS having gross unrealized losses and the amount of such unrealized losses, aggregated by investment category and length of time that individual investment securities have been in a continuous unrealized loss position, as of the dates indicated.

	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)					
March 31, 2016:						
Obligations of state and political subdivisions	$15,218	$ 70	$6,029	$ 18	$21,247	$ 88
U.S. Government agency securities	28,682	183	9,701	41	38,383	224
Total temporarily impaired securities	$43,900	$ 253	$15,730	$ 59	$59,630	$ 312
December 31, 2015:						
Obligations of state and political subdivisions	$18,018	$ 114	$6,167	$ 24	$24,185	$ 138
U.S. Government agency securities	72,671	930	4,381	105	77,052	1,035
CRA qualified investment fund	1,029	10	—	—	1,029	10

Total temporarily impaired securities	$91,718	$ 1,054	$10,548	$ 129	$102,266	$ 1,183

In evaluating the Company's unrealized loss positions for other-than-temporary impairment of its investment securities portfolio, management considers the credit quality of the issuer, the nature and cause of the unrealized loss, the severity and duration of the impairments and other factors. At March 31, 2016 and December 31, 2015, management determined the unrealized losses were the result of fluctuations in interest rates and did not reflect deteriorations of the credit quality of the investments. Accordingly, management considers these unrealized losses to be temporary in nature. The Company does not have the intent to sell these investment securities with unrealized losses and, more likely than not, will not be required to sell these investment securities before fair value recovers to amortized cost.

The following table shows the amortized cost and estimated fair value of investment securities AFS by maturity or estimated date of repayment as of the date indicated.

	March 31, 2016	
Maturity or Estimated Repayment	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	
One year or less	$34,825	$35,295
After one year to five years	114,639	116,819
After five years to ten years	170,303	174,998
After ten years	291,126	300,834
Total	$610,893	$627,946

For purposes of this maturity distribution, all investment securities AFS are shown based on their contractual maturity date or estimated date of repayment, except (i) FHLB and FNBB equity securities and the CRA qualified investment fund with no contractual maturity date are shown in the longest maturity category and (ii) U.S. Government agency securities and municipal housing authority securities backed by residential mortgages are allocated among various maturities based on an estimated repayment schedule utilizing Bloomberg median prepayment speeds or other estimates of prepayment speeds and interest rate levels at the measurement date. 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.

The following table is a summary of sales activities in the Company's investment securities AFS for the periods indicated.

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Sales proceeds	$—	$30,117
Gross realized gains		2,535

Gross realized losses	—	(1)
Net gains on investment securities	$—	$2,534

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6. Allowance for Loan and Lease Losses (“ALLL”) and Credit Quality Indicators
Allowance for Loan and Lease Losses

The following table is a summary of activity within the ALLL for the periods indicated.

	Three Months Ended March 31, 2016	2015
	(Dollars in thousands)	
Beginning balance	$60,854	$52,918
Non-purchased loans and leases charged off	(1,347)	(4,079)
Recoveries of non-purchased loans and leases previously charged off	253	308
Net non-purchased loans and leases charged off	(1,094)	(3,771)
Purchased loans charged off	(65)	(1,414)
Recoveries of purchased loans previously charged off	48	99
Net purchased loans charged off	(17)	(1,315)
Net charge-offs - total loans and leases	(1,111)	(5,086)
Provision for loan and lease losses:		
Non-purchased loans and leases	2,000	5,000
Purchased loans	17	1,315
Total provision	2,017	6,315
Ending balance	$61,760	$54,147
ALLL allocated to non-purchased loans and leases	$60,560	$54,147
ALLL allocated to purchased loans	1,200	—
Total ALLL	$61,760	$54,147

As of March 31, 2016, the Company had identified purchased loans where it had determined it was probable that the Company would be unable to collect all amounts according to the contractual terms thereof (for purchased loans without evidence of credit deterioration at date of acquisition) or the expected performance of such loans had deteriorated from its performance expectations established in conjunction with the determination of the Day 1 Fair Values or since its most recent review of such portfolio’s performance (for purchased loans with evidence of credit deterioration at date of acquisition). At March 31, 2016, the Company had $7.0 million of impaired purchased loans compared to $8.1 million at December 31, 2015.

The following tables are a summary of the Company’s ALLL for the periods indicated.

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
	(Dollars in thousands)				
Three months ended March 31, 2016:					
Real estate:					
Residential 1-4 family	$8,672	$ (243)	$ 24	$ 976	$9,429
Non-farm/non-residential	16,796	(12)	—	1,977	18,761
Construction/land development	18,176	(20)	2	(2,899)	15,259
Agricultural	3,388	(7)	—	303	3,684
Multifamily residential	3,031	—	—	883	3,914
Commercial and industrial	2,574	(11)	33	803	3,399
Consumer	707	(33)	12	21	707
Direct financing leases	3,835	(660)	11	1,049	4,235
Other	2,475	(361)	171	(1,113)	1,172
Purchased loans	1,200	(65)	48	17	1,200
Total	$60,854	$ (1,412)	$ 301	$ 2,017	$61,760
Three months ended March 31, 2015:					
Real estate:					
Residential 1-4 family	$5,482	$ (529)	$ 11	$ 693	$5,657
Non-farm/non-residential	17,190	(205)	12	769	17,766
Construction/land development	15,960	(302)	37	1,885	17,580
Agricultural	2,558	(13)	—	(19)	2,526
Multifamily residential	2,147	—	—	276	2,423
Commercial and industrial	4,873	(2,447)	16	859	3,301
Consumer	818	(45)	21	30	824
Direct financing leases	2,989	(186)	6	449	3,258
Other	901	(352)	205	58	812
Purchased loans	—	(1,414)	99	1,315	—
Total	$52,918	$ (5,493)	$ 407	$ 6,315	$54,147

The following table is a summary of the Company's ALLL and recorded investment in non-purchased loans and leases as of the dates indicated.

	ALLL			Non-Purchased Loans and Leases		
	ALLL for Individually Evaluated Impaired Loans and Leases	ALLL for All Other Loans and Leases	Total ALLL[1]	Individually Evaluated Impaired Loans and Leases	All Other Loans and Leases	Total Loans and Leases
	(Dollars in thousands)					
March 31, 2016:						
Real estate:						
Residential 1-4 family	$282	$9,147	$9,429	$2,382	$377,949	$380,331
Non-farm/non-residential	30	18,731	18,761	917	2,474,290	2,475,207
Construction/land development	48	15,211	15,259	3,811	3,096,424	3,100,235
Agricultural	471	3,213	3,684	1,331	79,843	81,174
Multifamily residential	—	3,914	3,914	83	668,187	668,270
Commercial and industrial	492	2,907	3,399	722	234,584	235,306
Consumer	2	705	707	21	28,282	28,303
Direct financing leases	—	4,235	4,235	—	140,296	140,296
Other	—	1,172	1,172	7	482,210	482,217
Total	$1,325	$59,235	$60,560	$9,274	$7,582,065	$7,591,339
December 31, 2015:						
Real estate:						
Residential 1-4 family	$297	$8,375	$8,672	$2,030	$348,224	$350,254
Non-farm/non-residential	31	16,765	16,796	940	2,009,926	2,010,866
Construction/land development	48	18,128	18,176	5,556	2,820,019	2,825,575
Agricultural	475	2,913	3,388	1,313	73,127	74,440
Multifamily residential	—	3,031	3,031	83	440,745	440,828
Commercial and industrial	487	2,087	2,574	714	230,567	231,281
Consumer	2	705	707	24	27,721	27,745
Direct financing leases	—	3,835	3,835	—	147,735	147,735
Other	—	2,475	2,475	7	419,903	419,910
Total	$1,340	$58,314	$59,654	$10,667	$6,517,967	$6,528,634

[1] Excludes $1.2 million of ALLL allocated to the Company's purchased loans at both March 31, 2016 and December 31, 2015.

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The following table is a summary of impaired non-purchased loans and leases as of and for the three months ended March 31, 2016.

Principal Balance	Net Charge-offs to Date	Principal Balance, Net of Charge-offs	Specific ALLL