HOME BANCSHARES INC
Form 424B3
September 04, 2014
Table of Contents

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Registration No. 333-198241

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Home BancShares, Inc. (which we refer to as HBI) and Broward Financial Holdings, Inc. (which we refer to as BFHI) have entered into an Agreement and Plan of Merger dated July 30, 2014 (which we refer to sometimes as the Merger Agreement), providing for the combination of the two companies. Under the Merger Agreement, a wholly owned subsidiary of HBI will merge with and into BFHI, with BFHI remaining as the surviving entity and thereby becoming a wholly owned subsidiary of HBI (which transaction we refer to as the merger). Broward Bank of Commerce, a wholly owned subsidiary of BFHI (which we refer to as Broward Bank) will, as soon as reasonably practicable following the merger and as part of a single integrated transaction, merge with and into Centennial Bank, an Arkansas state bank and wholly-owned subsidiary of HBI, with Centennial Bank remaining as the surviving entity (we refer to the two mergers together as the mergers). Before we complete the merger, the shareholders of BFHI must approve the Merger Agreement. A special meeting of BFHI shareholders will be held on October 2, 2014 for that purpose.

Under the terms of the Merger Agreement, the aggregate merger consideration payable by HBI to BFHI shareholders will be approximately $33,060,001, subject to adjustment as described in the Merger Agreement, consisting of (i) approximately $3,306,000 in cash and (ii) shares of HBI common stock with a total value of approximately $29,754,001. Assuming that, prior to the closing of the merger, all outstanding BFHI stock options are terminated and settled for shares of BFHI common stock and all outstanding BFHI stock warrants are fully exercised, which would result in an aggregate of 1,996,663 shares of BFHI common stock outstanding at closing, each share of BFHI common stock would be exchanged for consideration valued at $16.5576, consisting of a combination of (i) cash in the amount of $1.6558 and (ii) HBI common stock with a value of approximately $14.9018. The number of shares of HBI common stock issuable for each share of BFHI common stock will not be determined until the effective time of the merger, and will be based on the volume-weighted average closing price of HBI common stock on the NASDAQ Global Select Market reporting system for the 20 trading days immediately prior to the date the merger closes, as set forth in more detail in the Merger Agreement and described in this proxy statement/prospectus. We expect the mergers, taken together, to be a tax-free transaction for BFHI shareholders, to the extent they receive HBI common stock for their shares of BFHI common stock.

The market price of HBI common stock will fluctuate before the merger. You should obtain a current stock price quotation for HBI common stock. HBI common stock is traded on The NASDAQ Global Select Market under the symbol HOMB.

The Merger Agreement provides that if the 20-day average closing price of the HBI common stock as of the closing date is equal to or greater than $37.95 or is equal to or below $28.05 (which we sometimes refer to collectively as the collar), then the price used to determine the number of shares of HBI common stock issuable for each share of BFHI common stock will be fixed at $37.95 or $28.05, respectively (subject to adjustment in the event of a stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or similar transaction). Assuming no adjustments are made to the aggregate merger consideration, if the 20-day average closing price of the HBI common stock as of the closing date of the merger is equal to or greater than $37.95, the number of shares of HBI common stock to be issued to BFHI shareholders in connection with the merger will be approximately 784,031 shares. If the 20-day average closing price of the HBI common stock as of the closing date of the merger is equal to or below $28.05, the number of shares of HBI common stock to be issued to BFHI shareholders in connection with the merger will be approximately 1,060,748 shares.

As more fully described in this proxy statement/prospectus and the Merger Agreement, the aggregate merger consideration may be adjusted as follows: (i) increased based on BFHI s adjusted third quarter net income as described in the Merger Agreement; (ii) decreased based on any BFHI stock warrants not exercised before the closing of the merger; and (iii) decreased for director and officer insurance costs exceeding $100,000.

Because of the potential adjustments to be made to the aggregate merger consideration, the collar restriction, and the potential issuance of shares upon the exercise of BFHI stock warrants and upon the termination or exercise of BFHI stock options, the final per share merger consideration will not be determined until after the date of the special meeting of BFHI shareholders. Therefore, at the time of the special meeting, you will not know the precise amount of cash or number of shares of HBI common stock you may receive upon the completion of the merger. Moreover, the actual value of the per

share consideration received by BFHI shareholders could be significantly less than $16.5576.

BFHI s board of directors has unanimously determined that the combination of BFHI and Centennial Bank is in the best interests of BFHI shareholders based upon its analysis, investigation and deliberation, and BFHI s board of directors unanimously recommends that the BFHI shareholders vote **FOR** the approval of the Merger Agreement and **FOR** the approval of the other BFHI proposal described in this proxy statement/prospectus.

You should read this entire proxy statement/prospectus, including the appendices and the documents incorporated by reference into the document, carefully because it contains important information about the merger and the related transactions. In particular, you should read carefully the information under the section entitled Risk Factors beginning on page 12.

The shares of HBI common stock to be issued to BFHI shareholders in the merger are not deposits or savings accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger described in this proxy statement/prospectus or the HBI common stock to be issued in the merger, or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated September 3, 2014.

Table of Contents

BROWARD FINANCIAL HOLDINGS, INC.

101 Northeast 3rd Avenue

Fort Lauderdale, Florida 33301

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 2, 2014

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Broward Financial Holdings, Inc. (BFHI) will be held at the Fort Lauderdale Women s Club, 20 South Andrews Avenue, Fort Lauderdale, Florida 33301, at 4:00 p.m. Eastern Time, on October 2, 2014, for the following purposes:

1. To approve the Agreement and Plan of Merger (the Merger Agreement) dated as of July 30, 2014, by and among Home BancShares, Inc., Centennial Bank, BFHI, Broward Bank of Commerce and HOMB Acquisition Sub II, Inc. (which we refer to as Sub) (the Merger Proposal).

2. To approve one or more adjournments of the BFHI special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the Merger Proposal (the Adjournment Proposal).

BFHI will transact no other business at the special meeting, except for business properly brought before the special meeting or any adjournment or postponement of such meeting.

The Merger Proposal is described in more detail in the attached proxy statement/prospectus, which you should read carefully in its entirety before you vote. A copy of the Merger Agreement is attached as **Appendix A** to the proxy statement/prospectus.

BFHI s board of directors has set August 29, 2014, as the record date for the BFHI special meeting. All holders of record of BFHI common stock at the close of business on the record date will be notified of the special meeting. Only holders of record of BFHI common stock at the close of business on August 29, 2014, will be entitled to vote at the BFHI special meeting and any adjournments or postponements thereof. Any shareholder entitled to attend and vote at the BFHI special meeting is entitled to appoint a proxy to attend and vote on such shareholder s behalf. Such proxy need not be a holder of BFHI common stock.

Holders of BFHI common stock are entitled to assert appraisal rights pursuant to Florida Statues Annotated §607.1301 to §607.1333 in connection with the approval of the Merger Agreement. The appraisal rights law provides that, if the merger is consummated, a shareholder will be entitled to payment in cash of the fair value of only those shares held by the shareholder (i) which are not voted in favor of approval of the Merger Agreement, and (ii) with respect to which the shareholder has given written notice to the corporation before the vote regarding the Merger Agreement is taken that such shareholder is asserting appraisal rights.

Your vote is very important. To ensure your representation at the BFHI special meeting, please complete and return the enclosed proxy card. Please vote promptly whether or not you expect to attend the BFHI special meeting. Submitting a proxy now will not prevent you from being able to vote in person at the BFHI special meeting.

BFHI s board of directors has unanimously adopted and approved the Merger Agreement and the transactions contemplated thereby and recommends that you vote **FOR** the Merger Proposal and **FOR** the Adjournment Proposal.

By Order of the Board of Directors

/s/ Keith P. Costello

President and Chief Executive Officer

September 3, 2014

Table of Contents

WHERE YOU CAN FIND MORE

INFORMATION

HBI files annual, quarterly and special reports, proxy statements and other business and financial information with the Securities and Exchange Commission (the SEC). You may read and copy any materials that HBI files with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 ((800) 732-0330) for further information on the public reference room. In addition, HBI files reports and other business and financial information with the SEC electronically, and the SEC maintains a website located at *www.sec.gov* containing this information. You will also be able to obtain these documents, free of charge, from HBI by accessing HBI s website at *www.homebancshares.com* under the heading Investor Relations. Copies can also be obtained, free of charge, by directing a written request to Home BancShares, Inc., Attention: Corporate Secretary, 719 Harkrider Street, Suite 100, Conway, Arkansas 72032.

HBI has filed a registration statement on Form S-4 to register with the SEC up to 1,089,626 shares of HBI common stock (the number of shares has been calculated based on an average closing price of HBI common stock of $28.05 (which is the lowest stock price listed on the chart on page 6). This proxy statement/prospectus is a part of that registration statement. As permitted by SEC rules, this proxy statement/prospectus does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and copy the registration statement, including any amendments, schedules and exhibits at the addresses set forth below. Statements contained in this proxy statement/prospectus as to the contents of any contract or other documents referred to in this proxy statement/prospectus are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the registration statement. This proxy statement/prospectus incorporates important business and financial information about HBI that is not included in or delivered with this proxy statement/prospectus, including incorporating by reference documents that HBI has previously filed with the SEC. These documents contain important information about HBI and its financial condition. See Documents Incorporated by Reference on page 91. These documents are available without charge to you upon written or oral request to HBI s principal executive offices. The address and telephone number of such principal executive office is listed below:

Home BancShares, Inc.

719 Harkrider Street, Suite 100

Conway, Arkansas 72032

Attention: Corporate Secretary

(501) 328-4770

To obtain timely delivery of these documents, you must request the information no later than September 18, 2014, in order to receive them before BFHI s special meeting of shareholders.

HBI common stock is traded on The NASDAQ Global Select Market under the symbol HOMB.

TABLE OF CONTENTS

	Page
QUESTIONS AND ANSWERS	1
SUMMARY	6
RISK FACTORS	12
SELECTED FINANCIAL DATA OF BFHI	25
SELECTED CONSOLIDATED FINANCIAL DATA OF HBI	26
UNAUDITED PRO FORMA COMBINED CONSOLIDATED INCOME STATEMENT OF HBI	29
MARKET PRICE AND DIVIDEND INFORMATION	32
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	33
THE MERGER	34
THE MERGER AGREEMENT	51
MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER	62
DESCRIPTION OF HBI S CAPITAL STOCK	65
COMPARISON OF RIGHTS OF HOLDERS OF HBI AND BFHI COMMON STOCK	67
CERTAIN INFORMATION CONCERNING HBI	74
BFHI SPECIAL MEETING OF SHAREHOLDERS	75
BFHI PROPOSALS	78
CERTAIN INFORMATION CONCERNING BFHI	79
CERTAIN LEGAL MATTERS	91
EXPERTS	91
SUBMISSION OF HBI ANNUAL MEETING SHAREHOLDER PROPOSALS	91
DOCUMENTS INCORPORATED BY REFERENCE	91

Appendix A	Agreement and Plan of Merger dated as of July 30, 2014, by and among Home BancShares, Inc., Centennial Bank, Broward Financial Holdings, Inc., Broward Bank of Commerce and HOMB Acquisition Sub II, Inc.
Appendix B	Opinion of Hovde Group, LLC
Appendix C	Florida Statutes Annotated §607.1301 to §607.1333, regarding Appraisal Rights

Table of Contents

QUESTIONS AND ANSWERS

The following questions and answers briefly address some commonly asked questions about the merger and the shareholder special meeting of BFHI shareholders. They may not include all the information that is important to the shareholders of BFHI. Shareholders of BFHI should each read this entire proxy statement/prospectus carefully, including the appendices and other documents referred to in this proxy statement/prospectus.

Q: Why am I receiving these materials?

A: BFHI is sending these materials to its shareholders to help them decide how to vote their shares of BFHI common stock with respect to the proposed merger and the other matters to be considered at the BFHI special meeting described below.

The merger cannot be completed unless BFHI shareholders approve the Merger Agreement. BFHI is holding a special meeting of shareholders to vote on the Merger Agreement as described in BFHI Special Meeting of Shareholders. Information about the special meeting and the merger is contained in this proxy statement/prospectus.

This proxy statement/prospectus constitutes a prospectus of HBI and a proxy statement of BFHI. It is a prospectus because HBI will issue shares of its common stock in exchange for shares of BFHI common stock in the merger. It is a proxy statement because the board of directors of BFHI is soliciting proxies from BFHI s shareholders.

Q: What will BFHI shareholders receive in the merger?

A: Under the terms of the Merger Agreement, BFHI shareholders will receive their pro rata share of the total consideration (which we refer to sometimes as the Purchase Price) of approximately $33,060,001, subject to adjustment, as follows: (i) increased based on BFHI s adjusted third quarter net income as described in the Merger Agreement; (ii) decreased based on any BFHI stock warrants not exercised before the closing of the merger; and (iii) decreased for director and officer insurance costs exceeding $100,000. The aggregate consideration consists of (i) cash equal to ten percent (10%) of the Purchase Price; and (ii) shares of HBI common stock valued at the volume-weighted average closing price of HBI common stock on The NASDAQ Global Select Market reporting system for the 20 trading days immediately prior to the date the merger closes with a total value of ninety percent (90%) of the Purchase Price. See The Merger Terms of the Merger beginning on page 34 for a more detailed discussion of the calculation of the Purchase Price and adjustments thereto.

Q: What will a BFHI shareholder receive for each share of BFHI common stock?

A: Based on a Purchase Price of $33,060,001 (with no adjustment) and 1,996,663 shares of BFHI common stock outstanding at closing (which is equal to the sum of 1,649,512 shares the number of shares outstanding on the date the Merger Agreement was signed, plus 300,001 shares issuable upon full exercise of all BFHI stock warrants outstanding on the date of the Merger Agreement, plus 47,150 shares issuable upon a cashless settlement and termination of all BFHI stock options outstanding on the date of the Merger Agreement), each share of BFHI common stock will be exchanged for consideration valued at $16.5576, consisting of a combination of (i) cash in the amount of approximately $1.6558 and (ii) HBI common stock with a value of approximately $14.9018. If all outstanding BFHI stock options are fully exercised before termination, resulting in 2,064,513 shares of BFHI common stock outstanding at closing, each share of BFHI common stock will be exchanged for consideration valued at $16.0135, consisting of a combination of (i) cash in the amount of approximately $1.6014 and (ii) HBI common stock with a value of approximately $14.4121.

The number of shares of HBI common stock issuable for each share of BFHI common stock will not be determined until the effective time of the merger, and will be based on the volume-weighted average closing

1

Table of Contents

price of HBI common stock on The NASDAQ Global Select Market reporting system for the 20 trading days immediately prior to the date the merger closes, as set forth in more detail in the Merger Agreement and described in this proxy statement/prospectus. See The Merger Terms of the Merger beginning on page 34 for a more detailed discussion of the per-share merger consideration.

Q: How are outstanding BFHI stock options addressed in the Merger Agreement?

A: At or prior to the closing of the merger, each outstanding and unexercised BFHI stock option will be terminated by BFHI and shall entitle the holder to either the issuance of 0.41 shares of BFHI Common Stock for each BFHI stock option terminated or a cash payment at the effective time of the merger equal to the difference between the option exercise price and the equivalent dollar value of the merger consideration.

Q: How are outstanding BFHI stock warrants addressed in the Merger Agreement?

A: As a condition precedent to HBI s obligation to close the merger, BFHI shall have received full payment of the exercise price of the BFHI stock warrants ($3,000,000). Upon exercise of the BFHI stock warrants, the holder shall be entitled to receive shares of BFHI common stock which will be exchanged in the merger for HBI common stock. If full payment from the exercise of warrants is not received by BFHI, HBI may terminate the Merger Agreement or proceed with the merger, but reduce the Purchase Price by an amount equal to 1.2 times the aggregate exercise price of the BFHI stock warrants for which payment was not received. However, the condition that the BFHI stock warrants be fully exercised before the closing of the merger may be satisfied by BFHI if it substitutes for any unexercised BFHI stock warrants, on a dollar-for-dollar basis, cash received by BFHI from the exercise of currently outstanding BFHI stock options.

Q: When do HBI and BFHI expect to complete the merger?

A: HBI and BFHI expect to complete the merger after all conditions to the merger in the Merger Agreement are satisfied or waived, including after shareholder approval is received at the special meeting of BFHI shareholders, all required regulatory approvals are received and $3,000,000 from the exercise of the BFHI stock options and stock warrants is received. HBI and BFHI currently expect to complete the merger in the fourth quarter of 2014. It is possible, however, that as a result of factors outside of either company s control, the merger may be completed at a later time, or may not be completed at all.

Q: How will the merger consideration received by BFHI shareholders affect HBI shareholders?

A: As a result of HBI s issuance of new shares to BFHI shareholders, current HBI shareholders will experience dilution in terms of percentage of ownership. Following the closing of the merger, current HBI shareholders will own approximately 98.57% of the outstanding common stock of HBI, and current BFHI shareholders will own approximately 1.43% of the outstanding common stock of HBI. These percentages assume an issuance of 961,357 shares which has been calculated based upon a Purchase Price of $33,060,001 (with no adjustment) and an HBI common stock price of $30.95 (the closing price on the date the Merger Agreement was signed). The percentages will increase or decrease based on the HBI common stock price as described in more detail in the chart on page 8.

Q: What am I being asked to vote on?

A: BFHI shareholders are being asked to vote on the following proposals:

1. To approve the Merger Agreement (referred to as the Merger Proposal); and

2. To approve one or more adjournments of the BFHI special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the Merger Proposal (referred to as the Adjournment Proposal).

Table of Contents

Q: How does the board of directors of BFHI recommend that I vote?

A: BFHI s board of directors unanimously recommends that BFHI shareholders vote **FOR** the BFHI proposals described in this proxy statement/prospectus.

For a discussion of interests of BFHI s directors and officers in the merger that may be different from, or in addition to, the interests of BFHI shareholders generally, see The Merger Interests of BFHI Directors and Officers in the Merger and Golden Parachute Compensation, beginning on page 49.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, BFHI shareholders should complete, sign and date the enclosed proxy card and return it in the enclosed envelope as soon as possible so that their shares will be represented at BFHI s special meeting.

Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Q: How do I cast my vote?

A: If you are a shareholder of record of BFHI as of the record date for the BFHI special meeting, you may vote by signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided. You may also cast your vote in person at BFHI s special meeting.

Q: When and where is the BFHI special meeting?

A: The special meeting of BFHI shareholders will be held at the Fort Lauderdale Women s Club, 20 South Andrews Avenue, Fort Lauderdale, Florida 33301, at 4:00 p.m. Eastern Time, on October 2, 2014. All shareholders of BFHI as of the record date, or their duly appointed proxies, may attend the BFHI special meeting.

Q: If my BFHI shares are held in street name by a broker or other nominee, will my broker or nominee vote my shares for me?

A: If your BFHI shares are held in street name in a stock brokerage account or by a bank or other nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to BFHI or by voting in person at the special meeting unless you provide a legal proxy, which you must obtain from your bank or broker.

Brokers or other nominees who hold shares in street name for a beneficial owner typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, brokers or other nominees are not allowed to exercise their voting discretion on matters that are determined to be non-routine without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker or other nominee that are represented at the BFHI special meeting but with respect to which the broker or other nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker or other nominee does not have discretionary voting power on such proposal. If you are a BFHI shareholder and you do not instruct your broker or other nominee on how to vote your shares, your broker or other nominee may not vote your shares on the Merger Proposal or the Adjournment Proposal, which broker non-votes will have the effect of a vote AGAINST the Merger Proposal, but will have no effect on the Adjournment Proposal.

Q: What vote is required to approve each proposal to be considered at the BFHI special meeting?

A: Approval of the Merger Proposal requires the affirmative vote of the holders of at least a majority of the outstanding shares of BFHI common stock. Approval of the Adjournment Proposal requires the affirmative

Table of Contents

vote of at least a majority of the shares of BFHI voting on such proposal, provided that a quorum is present at the BFHI special meeting. Abstentions and broker non-votes are not considered votes cast, but are included in determining whether there is a quorum present.

BFHI s directors and certain officers entered into voting agreements with HBI pursuant to which they agreed to vote approximately 648,550 total shares in favor of the merger. These shares represent approximately 39.32% of the BFHI common stock entitled to vote at the BFHI special meeting (excluding any shares issued upon exercise of BFHI warrants or options).

Q: What if I abstain from voting or do not vote?

A: For the purposes of the BFHI special meeting, an abstention, which occurs when a BFHI shareholder attends the BFHI special meeting, either in person or by proxy, but abstains from voting, will have the effect of a vote AGAINST the Merger Proposal, but will have no effect on the Adjournment Proposal.

Q: May I change my vote or revoke my proxy after I have delivered my proxy or voting instruction card?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting:

- by sending written notice of revocation to the corporate secretary of BFHI;
- by sending a completed proxy card bearing a later date than your original proxy card; or
- by attending the special meeting and voting in person if you so request and if your shares are registered in your name rather than in the name of a broker, bank or other nominee; however, your attendance alone will not revoke any proxy.

If you choose either of the first two methods, you must take the described action (and, in the case of the second method, your proxy card must be received) no later than five (5) days prior to the special meeting.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Q: What happens if I sell my BFHI shares after the record date but before the special meeting?

A: The record date for the BFHI special meeting is earlier than both the date of such meeting and the date that the merger is expected to be completed. If you transfer your BFHI common stock after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (provided that such shares remain outstanding on the date of the special meeting), but you will not have the right to receive any merger consideration for the transferred BFHI shares. You will only be entitled to receive the merger consideration for BFHI shares that you own at the effective time of the merger.

Q: What do I do if I receive more than one proxy statement/prospectus or set of voting instructions?

A: If you hold shares directly as a record holder and also in street name or otherwise through a nominee, you may receive more than one proxy statement/prospectus and/or set of voting instructions relating to the special meeting. These should each be voted or returned separately to ensure that all of your shares are voted.

Q: What are the federal income tax consequences of the merger?

A: Gain (but not loss), if any, will be recognized by BFHI shareholders in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash (excluding any cash received in lieu of a fractional share) and the fair market value of the HBI common stock received pursuant to the merger over the adjusted tax basis in the BFHI common stock surrendered), and (2) the amount of cash received by such holder of BFHI common stock (excluding any cash received in lieu of a fractional share). The consequences of the merger to any particular shareholder will depend on that shareholder s particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine your tax consequences from the merger.

No gain or loss will be recognized by HBI or BFHI as a result of merger. The obligation of HBI and BFHI to complete the merger is conditioned upon the receipt of a legal opinion to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code).

For a more detailed discussion of the material United States federal income tax consequences of the transaction, see Material United States Federal Income Tax Consequences of the Merger beginning on page 62.

Q: Do I have appraisal or dissenters rights?

A: BFHI shareholders are entitled to appraisal rights under Florida Statutes Annotated § 607.1301 *et seq.*, a copy of which is attached as **Appendix C** to this proxy statement/prospectus. If you wish to assert appraisal rights, you must deliver to BFHI, at or prior to the BFHI special meeting, written notice of your intent to demand payment for your shares if the merger is consummated and you must not vote for approval of the Merger Proposal. The procedure for dissenting is described in more detail in The Merger section under the heading Appraisal Rights beginning on page 36.

HBI shareholders are not entitled to any appraisal or dissenters rights.

Q: Should I send in my stock certificates now?

A: No. Please do not send your stock certificates with your proxy card. If you are a holder of BFHI common stock, you will receive written instructions from Computershare Trust Company, N.A., after the merger is completed on how to exchange your stock certificates for HBI common stock.

Q: Whom should I contact if I have any questions about the proxy materials or the special meeting?

A: If you have any questions about the merger or any of the proposals to be considered at the special meeting, need assistance in submitting your proxy or voting your shares or need additional copies of this proxy statement/prospectus or the enclosed proxy card, you should contact either HBI or BFHI as follows:

Home BancShares, Inc.

P.O. Box 966
Conway, Arkansas 72032
Attn: Investor Relations Officer
Telephone: (501) 328-4770

Broward Financial Holdings, Inc.

101 Northeast 3rd Avenue
Fort Lauderdale, Florida 33301
Attn: President and Chief Executive Officer
Telephone: (954) 761-4900

Table of Contents

SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It may not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer you in order to fully understand the merger and the related transactions. See Where You Can Find More Information included elsewhere in this proxy statement/prospectus. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.

The Companies (pages 74 and 79)

HBI

HBI is a Conway, Arkansas headquartered bank holding company registered under the federal Bank Holding Company Act of 1956. HBI is primarily engaged in providing a broad range of commercial and retail banking and related financial services to businesses, real estate developers and investors, individuals and municipalities through its wholly owned community bank subsidiary, Centennial Bank. Centennial Bank has locations in Arkansas, Florida and South Alabama.

HBI s total assets, total deposits, total revenue and net income for each of the past three years are as follows:

	As of or for the Years Ended December 31,		
	2013	2012	2011
		(In thousands)	
Total assets	$ 6,811,861	$ 4,242,130	$ 3,604,117
Total deposits	5,393,046	3,483,452	2,858,031
Total revenue (interest income plus non-interest income)	257,491	225,104	213,115
Net income available to all stockholders	66,520	63,022	54,741

HBI s common stock is traded on The NASDAQ Global Select Market under the symbol HOMB.

HBI s principal executive office is located at 719 Harkrider, Suite 100, Conway, Arkansas, and its telephone number is (501) 328-4770. HBI s internet address is *www.homebancshares.com*. Additional information about HBI is included under Certain Information Concerning HBI and Where You Can Find More Information included elsewhere in this proxy statement/prospectus.

BFHI

BFHI is a bank holding company headquartered in Fort Lauderdale, Florida. Broward Bank, BFHI s wholly owned subsidiary, is a Florida-chartered non-member state bank which commenced operations in 2008. Broward Bank is a full service commercial bank, providing a wide range of business and consumer financial services to its customers primarily in Broward County, Florida. At June 30, 2014, BFHI had total assets of approximately $168.7 million, total loans of approximately $110.8 million, total deposits of approximately $143.7 million, and total shareholders equity of approximately $20.2 million.

BFHI s common stock is not listed on any exchange or quoted on any automated services, and there is no established trading market for shares of BFHI common stock.

BFHI s principal office is located at 101 Northeast 3rd Avenue, Fort Lauderdale, Florida 33301 and its telephone number at that location is (954) 761-4900. BFHI s internet address is *www.browardbankofcommerce.com*. Additional information about BFHI is included under Certain Information Concerning BFHI included elsewhere in this proxy statement/prospectus.

Acquisition Sub

A corporation (Acquisition Sub) will be formed prior to the closing of the merger, and will be a wholly owned subsidiary of HBI. Acquisition Sub will not conduct any activities other than those incidental to its formation and the matters contemplated by the Merger Agreement.

The Merger (page 34)

The Merger Agreement provides that, subject to its terms and conditions and in accordance with Arkansas law, Acquisition Sub will merge with and into BFHI, with BFHI being the surviving corporation in the merger and thereby becoming a wholly owned subsidiary of HBI. This transaction is referred to in this proxy statement/prospectus as the merger. As soon as reasonably practicable, following the merger and as part of a single integrated transaction, Broward Bank will be merged with and into Centennial Bank, which is HBI s wholly owned bank subsidiary, with Centennial Bank being the surviving corporation in that second step merger.

Under the terms of the Merger Agreement, BFHI shareholders will receive aggregate merger consideration of approximately $33,060,001 (assuming no adjustments are made to the Purchase Price) to $33,960,001 (the maximum amount which may be received as a result of adjustments to the Purchase Price). Each BFHI shareholder therefore will receive a pro rata share of the total merger consideration, which consists of (i) approximately $3,306,000 to $3,396,000 in cash, and (ii) shares of HBI common stock with a total value of approximately $29,754,001 to $30,564,001, based on the volume-weighted average closing price of HBI common stock for the 20 trading days immediately prior to the date the merger closes (the HBI Average Closing Price). Based on 1,996,663 outstanding shares of BFHI common stock (which is equal to the sum of 1,649,512 shares the number of shares outstanding on the date the Merger Agreement was signed, plus 300,001 shares issuable upon full exercise of all BFHI stock warrants outstanding on the date of the Merger Agreement, plus 47,150 shares issuable upon a cashless termination of all BFHI stock options outstanding on the date of the Merger Agreement), BFHI shareholders will receive in exchange for each share of BFHI common stock merger consideration valued at approximately $16.5576 (at a $33,060,001 Purchase Price) to $17.0084 (at a $33,960,001 Purchase Price).

Table of Contents

The number of shares of HBI common stock comprising the portion of the per-share merger consideration to be paid in shares of HBI common stock will vary based on the HBI Average Closing Price. The following table illustrates, for a range of potentially applicable HBI Average Closing Prices, the number of shares of HBI common stock that would be exchanged for each share of BFHI common stock, assuming that 1,996,663 shares or 2,064,513 shares (which is equal to the sum of 1,649,512 shares the number of shares outstanding on the date the Merger Agreement was signed, plus 300,001 shares issuable upon full exercise of all BFHI stock warrants outstanding on the date of the Merger Agreement, plus 115,000 shares issuable upon full exercise of all BFHI stock options outstanding on the date of the Merger Agreement) of BFHI common stock are outstanding immediately before the merger based on a Purchase Price of $33,060,001 or $33,960,001. The actual consideration will be based on the actual HBI Average Closing Price, which will be computed at the time of the merger. The HBI Average Closing Prices shown on this table are for illustration only. Cash will be paid in lieu of issuing fractional shares of HBI common stock.

If the applicable HBI Average Closing Price is:	Per-Share Stock Consideration* Each share of BFHI common stock will exchange for the following fractional share of HBI common stock:			
	If Purchase Price is $33,060,001 and 1,996,663 shares of BFHI Common Stock are outstanding	If Purchase Price is $33,960,001 and 1,996,663 shares of BFHI Common Stock are outstanding	If Purchase Price is $33,060,001 and 2,064,513 shares of BFHI Common Stock are outstanding	If Purchase Price is $33,960,001 and 2,064,513 shares of BFHI Common Stock are outstanding
$28.05**	0.5313	0.5457	0.5138	0.5278
$29.00	0.5139	0.5278	0.4970	0.5105
$30.00	0.4967	0.5103	0.4804	0.4935
$30.95**	0.4815	0.4946	0.4657	0.4783
$31.00	0.4807	0.4938	0.4649	0.4776
$32.00	0.4657	0.4784	0.4504	0.4626
$33.00	0.4516	0.4639	0.4367	0.4486
$34.00	0.4383	0.4502	0.4239	0.4354
$35.00	0.4258	0.4374	0.4118	0.4230
$36.00	0.4139	0.4252	0.4003	0.4112
$37.00	0.4028	0.4137	0.3895	0.4001
$37.95**	0.3927	0.4034	0.3798	0.3901

* The Per-Share Stock Consideration will be based on the actual HBI Average Closing Price, which will be computed at the time of the merger; the HBI Average Closing Prices shown on this table are for illustration only. Cash will be paid in lieu of issuing fractional shares of HBI common stock.

** On July 30, 2014, the date the Merger Agreement was signed, the closing price of a share of HBI common stock was $30.95. The Merger Agreement provides that if the HBI Average Closing Price is equal to or greater than $37.95, then the HBI Average Closing Price will be $37.95. Additionally, if the HBI Average Closing Price is equal to or below $28.05, then the HBI Average Closing Price will be $28.05.

For illustrative purposes only, assuming the HBI Average Closing Price is $30.95 and the Purchase Price is $33,060,001 and there are 1,996,663 shares of BFHI common stock outstanding immediately before the merger, a BFHI shareholder holding 100 shares of BFHI common stock will receive $165.58 in cash for the cash portion of the merger consideration, 48 shares of HBI common stock, and $4.64 in cash in lieu of the resulting fractional share.

Based on the assumption that 961,357 shares of HBI common stock will be issued to BFHI shareholders (based on a Purchase Price with no adjustment ($33,060,001), a $30.95 HBI Average Closing Price and no cash in lieu of fractional shares paid), BFHI shareholders would own approximately 1.43% of HBI s common stock after the merger is completed, excluding any shares of HBI common stock they may already own.

Table of Contents

Recommendation of BFHI s Board of Directors (page 41)

BFHI s board of directors recommends that holders of BFHI common stock vote **FOR** the Merger Proposal, and **FOR** the Adjournment Proposal.

For further discussion of BFHI s reasons for the merger and the recommendations of BFHI s board of directors, see The Merger Background of the Merger and The Merger Recommendation of BFHI s Board of Directors and Reasons for the Merger.

Opinion of BFHI s Financial Advisor (page 42)

On July 29, 2014, Hovde Group, LLC (Hovde), BFHI s financial advisor in connection with the merger, provided the BFHI board of directors with an overview of its analyses performed as of the date of the meeting and advised the board that its analyses were as of such date and based upon and subject to various qualifications and assumptions described in the meeting. Hovde delivered its opinion to the board on July 29, 2014, that, as of such date and subject to and based upon the qualifications and assumptions set forth in its written opinion, the merger consideration was fair, from a financial point of view, to the shareholders of BFHI.

The full text of Hovde s opinion, dated July 29, 2014, is attached as **Appendix B** to this proxy statement/prospectus. You should read the opinion in its entirety for a discussion of, among other things, the assumptions made, procedures followed, matters considered and any limitations on the review undertaken by Hovde in rendering its opinion.

Hovde s opinion is addressed to BFHI s board of directors and addresses only the fairness of the merger consideration to be received by BFHI shareholders from a financial point of view and does not address the merits of the underlying decision by BFHI to enter into the Merger Agreement, the merits to the merger as compared to other alternatives potentially available to BFHI or the relative effects of any alternative transaction in which BFHI might engage. Hovde will be paid a fee for its services in connection with the delivery of its opinion, and will be reimbursed by BFHI for certain of its expenses.

Interests of BFHI Directors and Officers in the Merger (page 49)

Certain of BFHI s directors and officers may have interests in the merger as individuals in addition to, or different from, their interests as shareholders of BFHI, including, but not limited to, (i) share issuances or cash payments in connection with the termination of their stock options; (ii) cash payments in connection with the termination of their employment agreements; and (iii) continuation of indemnification after the merger.

HBI has agreed to indemnify present and former directors and officers of BFHI and its subsidiaries against certain costs, damages or liabilities incurred in connection with claims, investigations and other actions arising out of or pertaining to matters existing or occurring at or prior to the effective time of the merger, and to provide them with director s and officer s liability insurance coverage for a period of six years following the merger.

Appraisal Rights (page 36)

BFHI shareholders are entitled to appraisal rights under Florida Statutes Annotated § 607.1301 *et seq.*, a copy of which is attached as **Appendix C** to this proxy statement/prospectus. Those rights, if properly exercised, will allow a shareholder who does not wish to accept the consideration provided for by the Merger Agreement instead to obtain payment in cash of the fair value of the shareholder s shares of BFHI common stock. If you wish to assert appraisal rights, you must deliver to BFHI, at or prior to the BFHI special meeting, written notice of your intent to demand payment for your shares if the proposed merger is consummated and you must not vote for approval of the Merger Proposal. The procedure for dissenting is described in more detail in The Merger section under the heading Appraisal Rights.

Table of Contents

HBI shareholders are not entitled to any appraisal or dissenters rights.

Regulatory Matters (page 37)

Each of HBI and BFHI has agreed to use its reasonable best efforts to obtain all regulatory approvals required to complete the merger and the other transactions contemplated by the Merger Agreement. These approvals include approval from the Federal Reserve Board, the Arkansas State Bank Department and the Florida Office of Financial Regulation, among others. HBI and BFHI have filed, or are in the process of filing, applications and notifications to obtain these regulatory approvals. There can be no assurances that such approvals will be received on a timely basis, or as to the ability of HBI and BFHI to obtain the approvals on satisfactory terms or the absence of litigation challenging such approvals. See The Merger Regulatory Approvals.

Conditions to Completion of the Merger (page 58)

Currently, HBI and BFHI expect to complete the merger in the fourth quarter of 2014. As more fully described in this proxy statement/prospectus and in the Merger Agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. We cannot provide assurance as to when or if all of the conditions to the merger can or will be satisfied or waived by the appropriate party.

Termination of the Merger Agreement (page 59)

The Merger Agreement can be terminated at any time prior to completion of the merger by mutual consent, or by either party in the following circumstances:

- a governmental entity that must grant a required regulatory approval has denied approval and such denial has become final and non-appealable, or an injunction or legal prohibition against the transaction becomes final and non-appealable;
- the merger has not been consummated by March 31, 2015, or under certain circumstances, April 30, 2015 (unless the failure of the closing to occur by such date is due to the failure of the party seeking to terminate the Merger Agreement to perform or observe its covenants and agreements);
- the other party breaches any of its covenants or agreements or representations or warranties under the Merger Agreement in a manner that would cause the closing conditions not to be satisfied and which is not cured within 30 days following written notice to the party committing the breach, or the breach, by its nature, cannot be cured within such time (provided that the terminating party is not then in material breach of any representation, warranty, covenant, or other agreement contained in the Merger Agreement); or
- BFHI s shareholders fail to approve the Merger Proposal, provided that the failure to obtain such shareholder approval was not caused by the terminating party s material breach of any of its obligations under the Merger Agreement.

Additionally, the Merger Agreement may be terminated by (i) BFHI in order to enter into an agreement providing for a Superior Proposal (as defined in the Merger Agreement), upon payment to HBI of a termination fee $1,700,000, or (ii) HBI, if the holders of 5% or more of the outstanding shares of BFHI common stock provide notice of dissent and do not vote in favor of the merger, or (iii) HBI, if BFHI has not received at least $3,000,000 from the exercise of BFHI stock warrants and BFHI stock options.

Table of Contents

Expenses and Termination Fees (pages 59 and 61)

Except for the registration fee and other fees paid to the SEC in connection with the merger, which will be paid by HBI, and any termination fees, all fees and expenses incurred in connection with the merger (including the costs and expense of printing and mailing this proxy statement/prospectus) will be paid by the party incurring such fees or expenses.

BFHI is required to pay HBI a termination fee of $1,700,000 if the Merger Agreement is terminated by BFHI in order to enter into an agreement providing for a Superior Proposal (as defined in the Merger Agreement) or by HBI because (i) BFHI violated the no solicitation provision of the Merger Agreement, (ii) the board of directors of BFHI failed to recommend the merger; (iii) the BFHI board of directors has recommended, proposed, or publicly announced its intention to recommend or propose to engage in a transaction resulting in a Superior Proposal; or (iv) BFHI has failed to call, give notice of, convene and hold the BFHI shareholder meeting in accordance with the Merger Agreement.

Matters to Be Considered at the Special Meeting (page 75)

BFHI shareholders will be asked to vote on the following proposals:

- to approve the Merger Agreement (the Merger Proposal); and
- to approve one or more adjournments of the BFHI special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the Merger Proposal (the Adjournment Proposal).

Approval of the Merger Proposal is required for the completion of the merger. BFHI s board of directors recommends that BFHI shareholders vote **FOR** the proposals set forth above. For further discussion of the BFHI special meeting, see BFHI Special Meeting of Shareholders.

Approval of the Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of BFHI. Certain directors and officers have entered into voting agreements pursuant to which they have agreed to vote approximately 648,550 shares in favor of the merger. These shares represent approximately 39.32% of the BFHI common stock entitled to vote at the BFHI special meeting (excluding any shares issued upon exercise of BFHI warrants or options).

Rights of BFHI Shareholders Will Change as a Result of the Merger (page 67)

The rights of BFHI shareholders are governed by Florida law and by its articles of incorporation and bylaws. Upon the completion of the merger, BFHI shareholders will no longer have any direct interest in BFHI. Those BFHI shareholders receiving shares of HBI common stock as merger consideration will only participate in the combined company s future earnings and potential growth through their ownership of HBI common stock. All of the other incidents of direct stock ownership in BFHI will be extinguished upon completion of the merger. The rights of former BFHI shareholders that become HBI shareholders will be governed by Arkansas law and HBI s articles of incorporation and bylaws. Therefore, BFHI shareholders that receive HBI common stock in the merger will have different rights once they become HBI shareholders. See Comparison of Rights of Holders of HBI and BFHI Common Stock.

Table of Contents

RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including HBI s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and the matters addressed under the caption Cautionary Note Regarding Forward-Looking Statements, BFHI shareholders should consider the matters described below carefully in determining whether to vote to approve the Merger Agreement and the transactions contemplated by the Merger Agreement.

Risk Factors Relating to the Merger

Because the market price of HBI common stock may fluctuate, you cannot be sure of the value of each share of HBI common stock that you will receive.

Upon completion of the merger, each share of BFHI common stock (other than certain shares owned by BFHI) will be converted into the right to receive merger consideration consisting of cash and shares of HBI common stock, pursuant to the terms of the Merger Agreement. The value of each share of HBI common stock to be received by BFHI shareholders will be based on the volume-weighted average price of HBI common stock during the 20 trading day period before the effective time of the merger. This average price may vary from the closing price of HBI common stock on the date that the merger was announced, on the date that this proxy statement/prospectus was mailed to BFHI shareholders, on the date of the special meeting of the BFHI shareholders, and on the date the merger is completed. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations, among other things. Many of these factors are beyond the control of HBI and BFHI. BFHI shareholders should obtain current market quotations for shares of HBI common stock before voting their shares at the BFHI special meeting.

HBI may fail to realize all of the anticipated benefits of the merger.

The success of the merger will depend, in part, on HBI s ability to successfully combine the HBI and BFHI organizations. If HBI is not able to achieve this objective, the anticipated benefits of the merger may not be realized fully or at all or may take longer than expected to be realized.

HBI and BFHI have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process or other factors could result in the loss or departure of key employees, the disruption of the ongoing business of BFHI or inconsistencies in standards, controls, procedures and policies. It is also possible that clients, customers, depositors and counterparties of BFHI could choose to discontinue their relationships with the combined company post-merger because they prefer doing business with BFHI or for any other reason, which would adversely affect the future performance of the combined company. These transition matters could have an adverse effect on each of HBI and BFHI during the pre-merger period and for an undetermined time after the completion of the merger.

The results of operations of HBI after the merger may be affected by factors different from those currently affecting the results of operations of HBI and BFHI.

The businesses of HBI and BFHI differ in certain respects and, accordingly, the results of operations of the combined company and the market price of HBI s common stock may be affected by factors different from those currently affecting the independent results of operations of HBI and BFHI. For a discussion of the business of HBI and certain factors to be considered in connection with HBI s business, see Information Concerning Home BancShares and the documents incorporated by reference in this proxy statement/prospectus and referred to under Where You Can Find More Information. For a discussion of the business of BFHI, see Information Concerning BFHI.

The Merger Agreement limits BFHI s ability to pursue an alternative transaction and requires BFHI to pay a termination fee under certain circumstances relating to alternative acquisition proposals.

The Merger Agreement prohibits BFHI from soliciting, initiating, encouraging or knowingly facilitating certain alternative acquisition proposals with any third party, subject to exceptions set forth in the Merger Agreement. The Merger Agreement also provides for the payment by BFHI to HBI of a termination fee of $1,700,000 in the event that the Merger Agreement is terminated in connection with another acquisition proposal or under certain other circumstances. These provisions may discourage a potential competing acquiror that might have an interest in acquiring BFHI from considering or proposing such an acquisition. See The Merger Agreement Termination; Termination Fee included elsewhere in this proxy statement/prospectus.

The fairness opinion that BFHI has obtained, has not been, and is not expected to be, updated to reflect any changes in circumstances that may have occurred since the signing of the Merger Agreement.

The fairness opinion issued to BFHI, regarding the fairness, from a financial point of view, of the consideration to be paid in connection with the merger, speaks only as to its date. Changes in the operations and prospects of HBI or BFHI, general market and economic conditions and other factors which may be beyond the control of HBI and BFHI, and on which the fairness opinion was based, may have altered the value of HBI or BFHI or the market prices of shares of HBI or BFHI as of the date of this proxy statement/prospectus, or may alter such values and market prices by the time the merger is completed. The financial advisor does not have any obligation to update, revise or reaffirm its opinion to reflect subsequent developments, and has not done so. Because BFHI does not currently anticipate asking its financial advisor to update the opinion, the opinion will not address the fairness of the merger consideration from a financial point of view at the time the merger is completed. BFHI s board of directors recommendation that BFHI shareholders vote **FOR** approval of the Merger Agreement is, however, made as of the date of this proxy statement/prospectus. For a description of the opinion that BFHI received from its financial advisor, see Opinion of BFHI s Financial Advisor included elsewhere in this proxy statement/prospectus.

The merger is subject to the receipt of consents and approvals from governmental entities that may impose conditions that could have an adverse effect on the combined company following the merger.

Before the merger may be completed, various approvals and consents must be obtained from the Federal Reserve Board, the Arkansas State Bank Department, the Florida Office of Financial Regulation and various other securities, antitrust, and regulatory authorities. These governmental entities may impose conditions on the granting of such approvals and consents. Although HBI and BFHI do not currently expect that any such material conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger. In addition, each of HBI and BFHI has agreed to use their commercially reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to consummate the merger. Such actions may entail costs and may adversely affect HBI, BFHI, or the combined company following the merger.

The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may adversely affect BFHI.

The merger is subject to customary conditions to closing, including the receipt of required regulatory approvals and approval of the BFHI shareholders. If any condition to the merger is not satisfied or waived, to the extent permitted by law, the merger will not be completed. In addition, HBI and BFHI may terminate the Merger Agreement under certain circumstances even if the Merger Agreement is approved by BFHI shareholders. If HBI and BFHI do not complete the merger, neither company would realize any of the expected benefits of having completed the merger. If the merger is not completed and BFHI s board of directors seeks another merger or business combination, BFHI shareholders cannot be certain that BFHI will be able to find a party willing to offer equivalent or more attractive consideration than the consideration HBI has agreed to provide in the merger. If the merger is not completed, additional risks could materialize, which could materially and adversely affect the business, financial condition and results of BFHI. For more information on closing conditions to the Merger Agreement, see The Merger Agreement Conditions to the Merger included elsewhere in this proxy statement/prospectus.

The combined company expects to incur substantial expenses related to the merger.

The combined company expects to incur substantial expenses in connection with completing the merger and combining the business, operations, networks, systems, technologies, policies and procedures of the two companies. Although HBI and BFHI have assumed that a certain level of transaction and combination expenses would be incurred, there are a number of factors beyond their control that could affect the total amount or the timing of their combination expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Due to these factors, the transaction and combination expenses associated with the merger could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the combination of the businesses following the completion of the merger. As a result of these expenses, both HBI and BFHI expect to take charges against their earnings before and after the completion of the merger. The charges taken in connection with the merger are expected to be significant, although the aggregate amount and timing of such charges are uncertain at present.

Shares of HBI common stock to be received by BFHI shareholders as a result of the merger will have rights different from the shares of BFHI common stock.

Upon completion of the merger, the rights of former BFHI shareholders who receive HBI common stock in the merger and thereby become HBI shareholders will be governed by the articles of incorporation and bylaws of HBI. The rights associated with BFHI common stock are different from the rights associated with HBI common stock. See Comparison of Rights of Holders of HBI and BFHI Common Stock beginning on page 67 for a discussion of the different rights associated with HBI common stock.

Certain BFHI directors and officers may have interests in the merger different from the interests of BFHI shareholders.

In considering the recommendations of the board of directors of BFHI, BFHI shareholders should be aware that certain directors and officers of BFHI have interests in the merger that may differ from, or may be in addition to, the interests of BFHI shareholders generally. The board of directors of BFHI was aware of these interests and considered them, among other matters, when it adopted the Merger Agreement and in making its recommendations that the BFHI shareholders approve the Merger Proposal. These interests include:

- Certain BFHI directors and officers may receive cash payments in connection with the termination of their stock options;

- Certain BFHI officers are parties to employment agreements that provide severance and other benefits upon or following a change in control of BFHI in connection with a qualifying termination of employment; and

- BFHI directors and officers are entitled to indemnification and insurance coverage under the Merger Agreement.

For a more complete description of the interests of BFHI directors and officers in the merger, see The Merger Interests of BFHI s Directors and Officers in the Merger.

Table of Contents

Risk Factors Relating to HBI and HBI s Business.

HBI s decisions regarding credit risk could be inaccurate and its allowance for loan losses may be inadequate, which would materially and adversely affect HBI.

HBI s management makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and the value of the real estate and other assets serving as collateral for the repayment of its secured loans. HBI endeavors to maintain an allowance for loan losses that it considers adequate to absorb future losses that may occur in its loan portfolio. In determining the size of the allowance, HBI analyzes its loan portfolio based on its historical loss experience, volume and classification of loans, volume and trends in delinquencies and non-accruals, national and local economic conditions, and other pertinent information. The economic conditions particularly in its Florida market have improved but not to pre-recession levels. These conditions may continue or could even worsen. During the first six months of 2014, the allowance for loan losses for non-covered loans increased by 23.6%. As of June 30, 2014, HBI s allowance for loan losses for non-covered loans was approximately $48.2 million, or 1.17% of its total loans receivable not covered by loss share.

If HBI s assumptions are incorrect, its current allowance may be insufficient to absorb future loan losses, and increased loan loss reserves may be needed to respond to different economic conditions or adverse developments in its loan portfolio. When there is an economic downturn, it is more difficult for HBI to estimate the losses that it will experience in its loan portfolio. In addition, federal and state regulators periodically review its allowance for loan losses and may require HBI to increase its allowance for loan losses or recognize further loan charge-offs based on judgments different than those of its management. Any increase in its allowance for loan losses or loan charge-offs could have a negative effect on HBI s operating results.

HBI s high concentration of real estate loans exposes it to increased lending risk.

As of June 30, 2014, the primary composition of HBI s total loan portfolio was as follows:

- commercial real estate loans (excludes construction/land development) of $1.91 billion, or 43.3% of total loans;
- construction/land development loans of $648.0 million, or 14.7% of total loans;
- commercial and industrial loans of $454.8 million, or 10.3% of total loans;
- residential real estate loans of $1.21 billion, or 27.5% of total loans; and
- consumer loans of $56.2 million, or 1.3% of total loans.

Commercial real estate, construction/land development and commercial and industrial loans, which comprised 68.3% of HBI s total loan portfolio as of June 30, 2014, exposes it to a greater risk of loss than HBI s residential real estate and consumer loans, which comprised 28.8% of its total loan portfolio as of June 30, 2014. Commercial real estate and land development loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential loans. Consequently, an adverse development with respect to one commercial loan or one credit relationship exposes HBI to a significantly greater risk of loss compared to an adverse development with respect to one residential mortgage loan.

Approximately 87.2% of HBI s loans as of June 30, 2014, are to borrowers in Alabama, Arkansas and Florida, the three states in which HBI has its primary market areas. An adverse development with respect to the market conditions of these specific market areas could expose HBI to a greater risk of loss than a portfolio that is spread among a larger geography base.

HBI s concentration in commercial real estate loans exposes it to greater risk associated with those types of loans. The repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the related real estate or commercial project. If the cash flows from the project are reduced, a

Table of Contents

borrower s ability to repay the loan may be impaired. This cash flow shortage may result in the failure to make loan payments. In such cases, HBI may be compelled to modify the terms of the loan, or in the most extreme cases, it may have to foreclose. In addition, the nature of these loans is such that they are generally less predictable and more difficult to evaluate and monitor. As a result, repayment of these loans may, to a greater extent than residential loans, be subject to adverse conditions in the real estate market or economy.

HBI has 85.6% of its loans as real estate loans primarily in Arkansas, Florida and South Alabama, and this poses a concentration risk, especially if the Florida area does not continue to improve or once again deteriorates resulting in depressed sales prices and low sales volume, combined with increased delinquencies and foreclosures on residential and commercial real estate loans.

Depressed local economic and housing markets have led to loan losses and reduced earnings in the past and could lead to additional loan losses and reduced earnings.

Beginning in 2007, the Florida markets experienced a dramatic reduction in housing and real estate values, coupled with significantly higher unemployment. These conditions contributed to increased non-performing loans and reduced asset quality during this time period. While market conditions in the Florida markets have begun to improve, HBI continues to experience higher non-performing loans and reduced asset quality in these markets as compared to pre-recession levels. As of June 30, 2014, HBI s non-performing, non-covered loans totaled approximately $45.0 million, or 1.09% of total non-covered loans. Non-performing, non-covered assets were approximately $66.0 million as of this same date, or 1.04% of total non-covered assets. In addition, HBI had approximately $16.0 million in accruing non-covered loans that were between 30 and 89 days delinquent as of June 30, 2014. If these markets do not continue to improve or once again deteriorate, they may lead to additional valuation adjustments on HBI s loan portfolios and real estate owned as it continues to reassess the market value of its loan portfolio, the losses associated with the loans in default and the net realizable value of real estate owned.

HBI s non-performing assets adversely affect its net income in various ways. If economic and market conditions do not continue to improve, HBI could incur additional losses relating to increased non-performing loans. HBI does not record interest income on non-accrual loans or other real estate owned, thereby adversely affecting its income, and its loan administration costs. When HBI takes collateral in foreclosures and similar proceedings, it is required to mark the related loan to the then-fair market value of the collateral, which may result in a loss. These loans and other real estate owned also increase its risk profile and the capital HBI s regulators believe is appropriate in light of such risks. In addition, the resolution of non-performing assets requires significant commitments of time from management and HBI s directors, which can be detrimental to the performance of their other responsibilities. These effects, individually or in the aggregate, could have an adverse effect on HBI s financial condition and results of operations.

While HBI believes its allowance for loan losses is adequate as of June 30, 2014, as additional facts become known about relevant internal and external factors that affect loan collectability and HBI s assumptions, it may result in HBI making additions to the provision for loan losses during 2014. Any failure by management to closely monitor the status of the market and make the necessary changes could have a negative effect on HBI s operating results.

Additionally, HBI s success significantly depends upon the growth in population, income levels, deposits and housing starts in its markets. Generally, trends in these factors were negative in the few years following 2007 in the Florida markets and have only partially recovered as of June 30, 2014. If the communities in which HBI operates do not grow or if prevailing economic conditions locally or nationally continue to remain challenging, HBI s business may be adversely affected. HBI is less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Moreover, HBI cannot give any assurance it will benefit from any market growth or favorable economic conditions in its primary market areas if they do occur.

Table of Contents

If the value of real estate in the Florida markets were to stop improving or once again deteriorate, a significant portion of HBI s loans in the Florida market that were not acquired from the FDIC could become under-collateralized, which could have a material adverse effect on HBI.

As of June 30, 2014, non-covered loans in the Florida market totaled $756.1 million, or 18.3% of HBI s non-covered loans receivable. Of the Florida loans for which HBI does not have loss sharing, approximately 92.7% were secured by real estate. In the prior years, the difficult local economic conditions have adversely affected the values of HBI s real estate collateral in Florida and it could do so again if the markets were to stop improving or once again deteriorate in the future. The real estate collateral in each case provides an alternate source of repayment on HBI s loans in the event of default by the borrower but may deteriorate in value during the time credit is extended. If HBI is required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, HBI s earnings and capital could be adversely affected.

Because HBI has a concentration of exposure to a number of individual borrowers, a significant loss on any of those loans could materially and adversely affect HBI.

HBI has a concentration of exposure to a number of individual borrowers. Under applicable law, Centennial Bank is generally permitted to make loans to one borrowing relationship up to 20% of its Tier 1 capital plus the allowance for loan losses. As of June 30, 2014, the legal lending limit of Centennial Bank for secured loans was approximately $126.2 million. Currently, HBI s board of directors has established an in-house lending limit of $20.0 million to any one borrowing relationship without obtaining the approval of both HBI s Chairman John W. Allison and HBI s director Richard H. Ashley.

A portion of HBI s loans are to customers who have been adversely affected by the home building industry.

Customers who are builders and developers face greater difficulty in selling their homes in markets where the decrease in housing and real estate values are more pronounced. Consequently, HBI has faced delinquencies and non-performing assets as these customers have been forced to default on their loans. If the housing markets were to stop improving or once again deteriorate, additional downgrades, provisions for loan losses and charge-offs relating to HBI s loan portfolio may occur.

HBI s cost of funds may increase as a result of general economic conditions, interest rates and competitive pressures.

HBI s cost of funds may increase as a result of general economic conditions, interest rates and competitive pressures. HBI has traditionally obtained funds principally through local deposits, and HBI has a base of lower cost transaction deposits. Generally, HBI believes local deposits are a more stable source of funds than other borrowings because interest rates paid for local deposits are typically lower than interest rates charged for borrowings from other institutional lenders. In addition, local deposits reflect a mix of transaction and time deposits, whereas brokered deposits typically are less stable time deposits, which may need to be replaced with higher cost funds. HBI s costs of funds and its profitability and liquidity are likely to be adversely affected, if and to the extent HBI has to rely upon higher cost borrowings from other institutional lenders or brokers to fund loan demand or liquidity needs, and changes in HBI s deposit mix and growth could adversely affect its profitability and the ability to expand its loan portfolio.

The loss of key officers may materially and adversely affect HBI.

HBI s success depends significantly on the Chairman, John W. Allison, and HBI s executive officers, especially C. Randall Sims, Randy E. Mayor, Brian S. Davis and Kevin D. Hester and on its regional bank presidents Tracy M. French, Robert F. Birch and Russell Davis Carter, III. Centennial Bank, in particular, relies heavily on its management team s relationships in its local communities to generate business. Because HBI does not have employment agreements or non-compete agreements with its employees, its executive officers and

Table of Contents

regional bank presidents are free to resign at any time and accept an employment offer from another company, including a competitor. The loss of services from a member of HBI s current management team may materially and adversely affect its business, financial condition, results of operations and future prospects.

Recent legislation imposes certain executive compensation and corporate governance requirements, which could adversely affect HBI and its business, including its ability to recruit and retain qualified employees.

On January 25, 2011, the SEC adopted a final rule implementing certain executive compensation and corporate governance provisions of the Dodd-Frank Act. These provisions make applicable to all public companies certain executive compensation requirements similar to those imposed on participants in the TARP Capital Purchase Program. The SEC rule requires public companies to provide their shareholders with non-binding advisory votes (i) at least once every three years on the compensation paid to their named executive officers, and (ii) at least once every six years on whether they should have a say on pay vote every one, two or three years. A separate, non-binding advisory shareholder vote will be required regarding golden parachute compensation arrangements for named executive officers when a shareholder vote takes place on mergers, acquisitions, dispositions or other transactions that would trigger the parachute payments. Also, the SEC is required to ensure that national listing exchanges, such as the New York Stock Exchange and the NASDAQ, prohibit the listing of any companies that fail to adopt clawback policies pursuant to which incentive-based compensation paid to executives will be subject to clawback based on financial results which were subsequently restated within three years of such payment. The amount of the clawback is the amount in excess of what would have been paid under the restated results. As a public company, HBI is subject to the requirements of these SEC rules, whereas some of HBI s competitors are not publicly traded and therefore not subject to such rules.

These provisions and any future rules issued by the Treasury or the SEC could adversely affect HBI s ability to attract and retain management capable and motivated sufficiently to manage and operate its business through difficult economic and market conditions. If HBI is unable to attract and retain qualified employees to manage and operate its business, HBI may not be able to successfully execute its business strategy.

HBI s growth and expansion strategy may not be successful and its market value and profitability may suffer.

Growth through the acquisition of banks, particularly FDIC-assisted transactions, and *de novo* branching represent important components of its business strategy. Any future acquisitions that HBI might make will be accompanied by the risks commonly encountered in acquisitions. These risks include, among other things:

- credit risk associated with the acquired bank s loans and investments;
- difficulty of integrating operations and personnel; and
- potential disruption of its ongoing business.

HBI expects that competition for suitable acquisition candidates may be significant. HBI may compete with other banks or financial service companies with similar acquisition strategies, many of which are larger and have greater financial and other resources. HBI cannot assure you that it will be able to successfully identify and acquire suitable acquisition targets on acceptable terms and conditions.

In the current economic environment, HBI may continue to have opportunities to acquire the assets and liabilities of failed banks in FDIC-assisted transactions. These acquisitions involve risks similar to acquiring existing banks even though the FDIC might provide assistance to mitigate certain risks such as sharing in exposure to loan losses and providing indemnification against certain liabilities of the failed institution. However, because these acquisitions are structured in a manner that would not allow HBI the time normally associated with preparing for integration of an acquired institution, HBI may face additional risks in FDIC-assisted transactions. These risks include, among other things, the loss of customers, strain on management resources related to collection and management of problem loans and problems related to integration of personnel and operating systems.

Table of Contents

In addition to the acquisition of existing financial institutions, as opportunities arise, HBI plans to have some *de novo* branching. *De novo* branching and any acquisition carry with it numerous risks, including the following:

- the inability to obtain all required regulatory approvals;
- significant costs and anticipated operating losses associated with establishing a *de novo* branch or a new bank;
- the inability to secure the services of qualified senior management;
- the local market may not accept the services of a new bank owned and managed by a bank holding company headquartered outside of the market area of the new bank;
- economic downturns in the new market;
- the inability to obtain attractive locations within a new market at a reasonable cost; and
- the additional strain on management resources and internal systems and controls.

HBI cannot assure that it will be successful in overcoming these risks or any other problems encountered in connection with acquisitions (including FDIC-assisted transactions) and *de novo* branching. HBI s inability to overcome these risks could have an adverse effect on its ability to achieve its business strategy and maintain its market value and profitability.

HBI s loss-sharing agreements with the FDIC limit its ability to enter into certain change of control transactions, including the sale of significant amounts of its common stock by HBI or its shareholders, without the consent of the FDIC.

The loss-sharing agreements that HBI entered into with the FDIC in connection with its FDIC-assisted acquisitions require the consent of the FDIC in connection with certain change of control transactions, including the sale by HBI or by any individual shareholder, or group of shareholders acting in concert, of shares of its common stock totaling more than 9% of its outstanding common stock. This requirement could restrict or delay HBI s ability to raise additional capital to fund acquisition or growth opportunities or for other purposes, or to pursue a merger or consolidation transaction that management may believe is in the best interest of its shareholders. This could also restrict or delay the ability of HBI s shareholders to sell a substantial amount of its shares. In addition, if such a transaction were to occur without the FDIC s consent, HBI could lose the benefit of the loss-share coverage provided by these agreements for certain covered assets.

There may be undiscovered risks or losses associated with HBI s bank acquisitions which would have a negative impact upon its future income.

HBI s growth strategy includes strategic acquisitions of banks. HBI has acquired 16 banks since it started its first subsidiary bank in 1999, including six in 2010, three in 2012, one in 2013, and one in 2014 and will continue to consider strategic acquisitions, with a primary focus on Arkansas, Florida, South Alabama and other nearby markets. In most cases, other than in connection with FDIC-assisted transactions and its acquisition of Vision Bank in 2012, HBI s acquisition of a bank includes the acquisition of all of the target bank s assets and liabilities, including its loan portfolio. There may be instances when HBI, under its normal operating procedures, may find after the acquisition that there may be additional losses or undisclosed liabilities with respect to the assets and liabilities of the target bank, and, with respect to its loan portfolio, that the ability of a borrower to repay a loan may have become impaired, the quality of the value of the collateral securing a loan may fall below HBI s standards, or the allowance for loan losses may not be adequate. One or more of these factors might cause HBI to have additional losses or liabilities, additional loan charge-offs, or increases in allowances for loan losses, which would have a negative impact upon HBI s financial condition and results of operations.

Table of Contents

Changes in national and local economic conditions could lead to higher loan charge-offs in connection with HBI s acquisitions.

In connection with HBI s acquisitions since 2010, it has acquired a significant portfolio of loans. Although HBI marked down the loan portfolios it has acquired, there is no assurance that the non-impaired loans acquired by HBI will not become impaired or that the impaired loans will not suffer further deterioration in value resulting in additional charge-offs to the acquired loan portfolio. Fluctuations in national, regional and local economic conditions, including those related to local residential and commercial real estate and construction markets, may increase the level of charge-offs HBI makes to its loan portfolio, and, may consequently, reduce its net income. Such fluctuations may also increase the level of charge-offs on the loan portfolios HBI has acquired in the acquisitions and correspondingly reduce HBI s net income. These fluctuations are not predictable, cannot be controlled and may have a material adverse impact on HBI s operations and financial condition even if other favorable events occur.

Although in connection with the 2010 FDIC-assisted acquisitions HBI entered into loss sharing agreements with the FDIC, which provide a significant portion of losses related to specified loan portfolios HBI acquired will be indemnified by the FDIC, HBI is not protected from all losses resulting from charge-offs with respect to those specified loan portfolios. Additionally, the loss sharing agreements have limited terms, which begin to expire in 2015; therefore, any charge-off of related losses that HBI experiences after the term of the loss sharing agreements will not be reimbursed by the FDIC and will negatively impact HBI s net income.

The expiration of HBI s loss sharing agreements in connection with its 2010 FDIC-assisted acquisitions may result in write-downs to HBI s FDIC indemnification asset to the extent expected loan losses do not occur within the loss share coverage window, which could have a material adverse effect on HBI s financial condition.

In conjunction with HBI s FDIC-assisted transactions, HBI entered into loss sharing agreements with the FDIC which cover realized losses on loans, foreclosed real estate and certain other assets. These agreements are recorded as assets on HBI s consolidated balance sheet to the extent of the expected loss share indemnification. These loss share assets are measured separately from the loan portfolios because they are not contractually embedded in the loans and are not transferable with the loans should HBI choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss share based on the credit adjustments estimated for each loan pool and the loss share percentages.

Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses will reduce the loss share assets. Reductions to expected credit losses, to the extent such reductions to expected credit losses are the result of an improvement to the actual or expected cash flows from the covered assets, will also reduce the loss share assets. Increases in expected credit losses will require an increase to the allowance for loan losses and a corresponding increase to the loss share assets. As the loss share agreements approach the various expiration dates, there could be unexpected volatility in the indemnification asset as future expected loan losses might become projected to occur outside of the loss share coverage reimbursement window. If the loan losses projected to occur outside the loss share coverage reimbursement period are substantial, the resulting reductions in HBI s FDIC indemnification asset could have a material adverse effect on HBI s financial condition.

HBI s recent acquisitions have increased its commercial real estate loan portfolio, which have a greater credit risk than residential mortgage loans.

With HBI s 2010 FDIC-assisted acquisitions and subsequent market acquisitions, HBI s commercial loan and construction loan portfolios have become a larger portion of its total loan portfolio than it was prior to the acquisitions. This type of lending is generally considered to have more complex credit risks than traditional single-family residential lending, because the principal is concentrated in a limited number of loans with repayment dependent on the successful operation of the related real estate or construction project. Consequently, these loans are more sensitive to the current adverse conditions in the real estate market and the general economy. These loans are generally less predictable and more difficult to evaluate and monitor and collateral may be more difficult to dispose of in a market decline.

Table of Contents

HBI s acquisitions may cause it to modify its disclosure controls and procedures, which may not result in the material information that it is required to disclose in its SEC reports being recorded, processed, summarized, and reported adequately.

HBI s management is responsible for establishing and maintaining effective disclosure controls and procedures that are designed to cause the material information that it is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) to be recorded, processed, summarized, and reported to the extent applicable within the time periods required by the SEC s rules and forms. As a result of its acquisitions, HBI may be implementing changes to processes, information technology systems and other components of internal control over financial reporting as part of its integration activities. Notwithstanding any changes to its disclosure controls and procedures resulting from its evaluation of the same after the acquisition, its control systems, no matter how well designed and operated, may not result in the material information that HBI is required to disclose in its SEC reports being recorded, processed, summarized, and reported adequately. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within HBI has been detected.

HBI s failure to fully comply with the loss-sharing provisions relating to its FDIC acquisitions could jeopardize the loss-share coverage afforded to certain individual or pools of assets, rendering HBI financially responsible for the full amount of any losses related to such assets.

In connection with its FDIC acquisitions in 2010, HBI entered into loss-sharing agreements with the FDIC whereby the FDIC agreed to cover 70% or 80% of the losses on certain single family residential mortgage loans and certain commercial loans (together, covered assets), and 30%, 80% or 95% of the losses on such covered assets in excess of thresholds stated in the loss-sharing agreements. HBI s management of and application of the terms and conditions of the loss-sharing provisions of the Purchase and Assumption Agreements related to the covered assets is monitored by the FDIC through periodic reports that it must submit to the FDIC and on-site compliance visitations by the FDIC. If HBI fails to fully comply with its obligations under the loss-sharing provisions of the Purchase and Assumption Agreements relating to the acquisitions, HBI could lose the benefit of the loss-share coverage as it applies to certain individual or pools of covered assets. Without such loss-share coverage, HBI would be solely financially responsible for the losses sustained by such individual or pools of assets.

Competition from other financial institutions may adversely affect HBI s profitability.

The banking business is highly competitive. HBI experiences strong competition, not only from commercial banks, savings and loan associations and credit unions, but also from mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds and other financial services providers operating in or near its market areas. HBI competes with these institutions both in attracting deposits and in making loans.

Many of HBI s competitors are much larger national and regional financial institutions. HBI may face a competitive disadvantage against them as a result of its smaller size and resources and its lack of geographic diversification. Many of HBI s competitors are not subject to the same degree of regulation that HBI is as an FDIC-insured institution, which gives them greater operating flexibility and reduces their expenses relative to HBI s.

HBI also competes against community banks that have strong local ties. These smaller institutions are likely to cater to the same small and mid-sized businesses that HBI targets and to use a relationship-based approach similar to HBI s. In addition, HBI s competitors may seek to gain market share by pricing below the current market rates for loans and paying higher rates for deposits. Competitive pressures can adversely affect HBI s results of operations and future prospects.

Table of Contents

HBI may incur environmental liabilities with respect to properties to which it takes title.

A significant portion of HBI s loan portfolio is secured by real property. In the course of its business, HBI may own or foreclose and take title to real estate and could become subject to environmental liabilities with respect to these properties. HBI may become responsible to a governmental agency or third parties for property damage, personal injury, investigation and clean-up costs incurred by those parties in connection with environmental contamination, or may be required to investigate or clean-up hazardous or toxic substances, or chemical releases at a property. The costs associated with environmental investigation or remediation activities could be substantial. If HBI were to become subject to significant environmental liabilities, it could have a material adverse effect on HBI s results of operations and financial condition.

HBI continually encounters technological change, and it may have fewer resources than many of its competitors to continue to invest in technological improvements.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. In addition to better serving customers, effective use of technology increases efficiency and enables financial institutions to reduce costs. HBI s future success will depend, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in its operations. Many of HBI s competitors have substantially greater resources to invest in technological improvements. HBI may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its clients, which may adversely affect its results of operations and future prospects.

A failure in or breach of HBI s operational or security systems, or those of its third party service providers, including as a result of cyber-attacks, could disrupt HBI s business, result in unintentional disclosure or misuse of confidential or proprietary information, damage its reputation, increase its costs and cause losses.

As a financial institution, HBI s operations rely heavily on the secure processing, storage and transmission of confidential and other information on its computer systems and networks. Any failure, interruption or breach in security or operational integrity of these systems could result in failures or disruptions in its online banking system, customer relationship management, general ledger, deposit and loan servicing and other systems. The security and integrity of its systems could be threatened by a variety of interruptions or information security breaches, including those caused by computer hacking, cyber-attacks, electronic fraudulent activity or attempted theft of financial assets. HBI cannot assure you that any such failures, interruption or security breaches will not occur, or if they do occur that they will be adequately addressed. While HBI has certain protective policies and procedures in place, the nature and sophistication of the threats continue to evolve. HBI may be required to expend significant additional resources in the future to modify and enhance its protective measures.

Additionally, HBI faces the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate its business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, HBI s operational systems. Any failures, interruptions or security breaches in HBI s information systems could damage its reputation, result in a loss of customer business, result in a violation of privacy or other laws, or expose HBI to civil litigation, regulatory fines or losses not covered by insurance.

HBI s recent results do not indicate its future results and may not provide guidance to assess the risk of an investment in its common stock.

HBI is unlikely to sustain its historical rate of growth, and may not even be able to expand its business at all. Further, HBI s recent growth may distort some of its historical financial ratios and statistics. Various factors, such as economic conditions, regulatory and legislative considerations and competition, may also impede or prohibit HBI s ability to expand its market presence. If HBI is not able to successfully grow its business, HBI s financial condition and results of operations could be adversely affected.

Table of Contents

HBI may not be able to raise the additional capital it needs to grow and, as a result, its ability to expand its operations could be materially impaired.

Federal and state regulatory authorities require HBI and its bank subsidiary to maintain adequate levels of capital to support its operations. While HBI believes that its existing capital (which well exceeds the federal and state capital requirements) will be sufficient to support its current operations, anticipated expansion and potential acquisitions, factors such as faster than anticipated growth, reduced earnings levels, operating losses, changes in economic conditions, revisions in regulatory requirements, or additional acquisition opportunities may lead HBI to seek additional capital.

HBI s ability to raise additional capital, if needed, will depend on its financial performance and on conditions in the capital markets at that time, which are outside its control. If HBI needs additional capital but cannot raise it on terms acceptable to it, HBI s ability to expand its operations could be materially impaired.

HBI s directors and executive officers own a significant portion of its common stock and can exert significant influence over business and corporate affairs.

HBI s directors and executive officers, as a group, beneficially owned 17.45% of its common stock as of December 31, 2013. Consequently, if they vote their shares in concert, they can significantly influence the outcome of all matters submitted to HBI s shareholders for approval, including the election of directors. The interests of its officers and directors may conflict with the interests of other holders of HBI s common stock, and they may take actions affecting HBI with which you disagree.

Hurricanes or other adverse weather events could negatively affect HBI s local economies or disrupt its operations, which would have an adverse effect on it.

Like other coastal areas, HBI s markets in Alabama and Florida are susceptible to hurricanes and tropical storms. Such weather events can disrupt HBI s operations, result in damage to its properties and negatively affect the local economies in which it operates. HBI cannot predict whether or to what extent damage that may be caused by future hurricanes or other weather events will affect its operations or the economies in its market areas, but such weather events could result in a decline in loan originations, a decline in the value or destruction of properties securing its loans and an increase in the delinquencies, foreclosures and loan losses. HBI s business or results of operations may be adversely affected by these and other negative effects of hurricanes or other significant weather events.

Risk Factors Related to Owning HBI s Stock

The holders of HBI s subordinated debentures have rights that are senior to those of HBI s shareholders. If HBI defers payments of interest on its outstanding subordinated debentures or if certain defaults relating to those debentures occur, HBI will be prohibited from declaring or paying dividends or distributions on, and from making liquidation payments with respect to, its common stock.

As of June 30, 2014, HBI had $60.8 million of subordinated debentures issued in connection with trust preferred securities. Payments of the principal and interest on the trust preferred securities are unconditionally guaranteed by HBI. The subordinated debentures are senior to HBI s shares of common stock. As a result, HBI must make payments on the subordinated debentures (and the related trust preferred securities) before any dividends can be paid on its common stock and, in the event of bankruptcy, dissolution or liquidation, the holders of the debentures must be satisfied before any distributions can be made to the holders of HBI s common stock. HBI has the right to defer distributions on the subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid to holders of its capital stock. If HBI elects to defer or if HBI defaults with respect to its obligations to make payments on these subordinated debentures, this would likely have a material adverse effect on the market value of its common stock. Moreover, without notice to or consent from the holders of its common stock, HBI may enter into other financing agreements that limit its ability to purchase or to pay dividends or distributions on its capital stock, including its common stock.

Table of Contents

HBI may be unable to, or choose not to, pay dividends on its common stock.

Although HBI has paid a quarterly dividend on its common stock since the second quarter of 2003 and expects to continue this practice, HBI cannot assure you of its ability to continue. HBI s ability to pay dividends depends on the following factors, among others:

- HBI may not have sufficient earnings since its primary source of income, the payment of dividends to it by Centennial Bank, is subject to federal and state laws that limit the ability of that bank to pay dividends.
- Federal Reserve Board policy requires bank holding companies to pay cash dividends on common stock only out of net income available over the past year and only if prospective earnings retention is consistent with the organization s expected future needs and financial condition.
- Before dividends may be paid on HBI s common stock in any year, payments must be made on its subordinated debentures.
- HBI s board of directors may determine that, even though funds are available for dividend payments, retaining the funds for internal uses, such as expansion of its operations, is a better strategy.

If HBI fails to pay dividends, capital appreciation, if any, of its common stock may be the sole opportunity for gains on an investment in its common stock. In addition, in the event Centennial Bank becomes unable to pay dividends to it, HBI may not be able to service its debt, pay its other obligations or pay dividends on its common stock. Accordingly, HBI s inability to receive dividends from its bank subsidiary could also have a material adverse effect on its business, financial condition and results of operations and the value of your investment in HBI s common stock.

HBI s stock trading volume may not provide adequate liquidity for investors.

Although shares of HBI s common stock are listed for trading on The NASDAQ Global Select Market, the average daily trading volume in the common stock is less than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of a sufficient number of willing buyers and sellers of the common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which HBI has no control. Given the daily average trading volume of HBI s common stock, significant sales of the common stock in a brief period of time, or the expectation of these sales, could cause a decline in the price of its common stock.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA OF BFHI

The following table presents selected consolidated financial information and other financial data for BFHI. The data for the three and six months ended June 30, 2014 are derived from unaudited financial data of BFHI, and for the years 2013 and 2012 are derived from audited consolidated financial statements of BFHI, except earnings per share data. Operating results for prior periods are not necessarily indicative of the results that might be expected for 2014 or any future period.

	As of or for the Three Months Ended June 30, 2014 (Unaudited)	As of or for the Six Months Ended June 30, 2014 (Unaudited)	As of or for the Years Ended December 31, 2013	2012
	(Dollars and shares in thousands, except per share data)			
Income statement data:				
Interest income	$ 1,880	$ 3,680	$ 6,847	$ 6,551
Interest expense	269	522	950	1,014
Net interest income before provision for loan losses	1,611	3,158	5,897	5,537
Provision for loan losses	1	(63)	427	282
Net interest income after provision	1,610	3,221	5,470	5,255
Non-interest income	148	446	717	579
Non-interest expense	1,190	2,346	4,615	4,566
Income before income taxes	568	1,321	1,572	1,268
Provision for income taxes	208	475	540	492
Net income	$ 360	$ 846	$ 1,032	$ 776
Share and per share data:				
Basic earnings per common share	$ 0.22	$ 0.52	$ 0.63	$ 0.47
Diluted earnings per share	0.17	0.41	0.50	0.38
Cash dividends declared on preferred stock	8	16	31	31
Book value per share at end of period	10.37	10.37	9.68	9.49
Common shares outstanding at end of period	1,650	1,650	1,650	1,650
Balance sheet data:				
Total assets	$ 168,714	$ 168,714	$ 159,161	$ 142,800
Cash and cash equivalents	1,661	1,661	8,145	9,100
Investment securities	49,165	49,165	41,598	31,858
Total loans	110,848	110,848	105,020	98,050
Allowance for loan losses	1,815	1,815	1,878	1,451
Loans, net	109,033	109,033	103,142	96,599
Deposits	143,682	143,682	135,763	121,924
Stockholders equity (1)	20,233	20,233	19,094	18,791
Asset quality:				
Non-performing loans (2)	$ 0	$ 0	$ 0	$ 0
Allowance for loan losses to total loans	1.64%	1.64%	1.79%	1.48%
Allowance for loan losses to non-performing loans	n/a	n/a	n/a	n/a
Total non-performing loans to total loans	0	0	0	0
Total non-performing loans to total assets	0	0	0	0
Total non-performing loans and real estate foreclosed assets to total assets	0	0	0	0

(1) Includes $3,134,000 of preferred stock.
(2) Loans where the interest is no longer accruing over 90 days or more past due.

SELECTED CONSOLIDATED FINANCIAL DATA OF HBI

Set forth below are highlights from HBI s consolidated financial data as of and for the three and six months ended June 30, 2014 and 2013 and for the years ended December 31, 2009 through December 31, 2013. The results of operations for the three and six months ended June 30, 2014 and 2013 are not necessarily indicative of the results of operations for a full year or any other interim period. HBI management prepared the unaudited information on the same basis as it prepared HBI s audited consolidated financial statements. In the opinion of HBI management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with HBI s consolidated financial statements and related notes included in HBI s Annual Report on Form 10-K for the year ended December 31, 2013 and its Quarterly Report on Form 10-Q for the three and six months ended June 30, 2014, each of which is incorporated by reference in this document and from which this information is derived. See Where You Can Find More Information on page 91.

Selected Consolidated Financial Data

	As of or for the Three Months Ended June 30,		As of or for the Six Months Ended June 30,		As of or for the Years Ended December 31,				
	2014	2013	2014	2013	2013	2012	2011	2010	2009
	(Unaudited)								
	(Dollars and shares in thousands, except per share data)								
Income statement data:									
Total interest income	$ 82,586	$ 48,085	$ 164,426	$ 96,233	$ 217,126	$ 177,135	$ 171,806	$ 151,122	$ 132,253
Total interest expense	4,543	3,244	9,383	7,043	14,531	21,535	30,551	34,708	39,943
Net interest income	78,043	44,841	155,043	89,190	202,595	155,600	141,255	116,414	92,310
Provision for loan losses	6,115	850	13,053	850	5,180	2,750	3,500	72,850	11,150
Net interest income after provision for loan losses	71,928	43,991	141,990	88,340	197,415	152,850	137,755	43,564	81,160
Non-interest income	11,539	9,805	23,720	18,830	40,365	47,969	41,309	65,049	30,659
Non-interest expense	38,620	25,855	77,977	51,718	133,307	102,368	94,722	85,001	72,883
Income before income taxes	44,847	27,941	87,733	55,452	104,473	98,451	84,342	23,612	38,936
Income tax expense	16,418	10,282	31,967	20,245	37,953	35,429	29,601	6,021	12,130
Net income	28,429	17,659	55,766	35,207	66,520	63,022	54,741	17,591	26,806
Preferred stock dividends and accretion of discount on preferred stock							1,828	2,680	2,576
Net income available to common stockholders	$ 28,429	$ 17,659	$ 55,766	$ 35,207	$ 66,520	$ 63,022	$ 52,913	$ 14,911	$ 24,230
Common share and per common share data (a):									
Basic earnings per common share	$ 0.44	$ 0.32	$ 0.86	$ 0.63	$ 1.15	$ 1.12	$ 0.93	$ 0.26	$ 0.51
Diluted earnings per common share	0.43	0.31	0.85	0.62	1.14	1.11	0.92	0.26	0.51
Diluted earnings per common share excluding intangible amortization (1)	0.44	0.32	0.87	0.64	1.18	1.14	0.95	0.29	0.53
Book value per common share	13.77	9.49	13.77	9.49	12.92	9.17	8.38	7.51	7.36
Tangible book value per common share (2) (5)	8.83	7.78	8.83	7.78	7.94	7.43	7.18	6.26	6.33
Dividends common	0.0750	0.0750	0.1500	0.1400	0.2900	0.2900	0.1340	0.1083	0.1091
Average common shares outstanding	65,140	56,234	65,131	56,228	57,908	56,274	56,832	56,722	47,254
Average diluted shares outstanding	65,545	56,577	65,523	56,555	58,252	56,630	57,224	57,200	47,768

Table of Contents

Selected Consolidated Financial Data Continued

	As of or for the Three Months Ended June 30,		As of or for the Six Months Ended June 30,		As of or for the Years Ended December 31,				
	2014	2013	2014	2013	2013	2012	2011	2010	2009
	(Unaudited)								
	(Dollars and shares in thousands, except per share data)								
Performance ratios:									
Return on average assets	1.70%	1.71%	1.67%	1.70%	1.43%	1.58%	1.50%	0.55%	1.03%
Return on average assets excluding intangible amortization (6)	1.83	1.80	1.80	1.79	1.52	1.66	1.57	0.61	1.10
Return on average common equity	12.96	13.27	12.98	13.47	11.27	12.75	11.77	3.41	7.45
Return on average tangible common equity excluding intangible amortization (2) (7)	20.94	16.65	21.20	16.97	15.26	15.87	14.39	4.40	9.49
Net interest margin (10)	5.50	5.18	5.49	5.16	5.19	4.70	4.69	4.27	4.09
Efficiency ratio (3)	41.09	44.98	41.58	45.50	52.44	47.88	49.13	44.41	55.98
Asset quality:									
Non-performing non-covered assets to total non-covered assets	1.04%	1.26%	1.04%	1.26%	1.07%	1.30%	1.53%	2.08%	2.12%
Non-performing non-covered loans to total non-covered loans	1.09	1.25	1.09	1.25	0.91	1.17	1.56	2.62	2.05
Allowance for loan losses for non-covered loans to non-performing non-covered loans	107.26	138.16	107.26	138.16	101.95	165.62	189.64	107.77	107.57
Allowance for loans losses for non-covered loans to total non-covered loans (9)	1.17	1.73	1.17	1.73	0.93	1.94	2.96	2.83	2.20
Net charge-offs on loans not covered by loss share to average non-covered loans	0.18	0.44	0.19	0.47	0.39	0.40	0.26	3.19	0.43
Balance sheet data:									
Total assets	$ 6,666,140	$ 4,091,337	$ 6,666,140	$ 4,091,337	$ 6,811,861	$ 4,242,130	$ 3,604,117	$ 3,762,646	$ 2,684,865
Investment securities available-for-sale	1,122,803	736,406	1,122,803	736,406	1,175,484	726,223	671,221	469,864	322,115
Investment securities held-to-maturity	205,566		205,566		114,621				
Loans receivable not covered by loss share	4,133,109	2,339,242	4,133,109	2,339,242	4,194,437	2,331,199	1,760,086	1,892,374	1,950,285
Loans receivable covered by FDIC loss share	263,157	329,802	263,157	329,802	282,516	384,884	481,739	575,776	
Allowance for loan losses	51,173	41,450	51,173	41,450	43,815	50,632	52,129	53,348	42,968
Intangible assets	321,720	96,138	321,720	96,138	324,034	97,742	68,283	71,110	57,737
Non-interest-bearing deposits	1,129,073	733,374	1,129,073	733,374	991,161	666,414	464,581	392,622	302,228
Total deposits	5,192,009	3,325,235	5,192,009	3,325,235	5,393,046	3,483,452	2,858,031	2,961,798	1,835,423
Subordinated debentures (trust preferred securities)	60,826	3,093	60,826	3,093	60,826	28,867	44,331	44,331	47,484
Stockholders equity	897,235	533,510	897,235	533,510	840,955	515,473	474,066	476,925	464,973
Capital ratios:									
Common equity to assets	13.46%	13.04%	13.46%	13.04%	12.35%	12.15%	13.15%	11.36%	15.48%
Tangible common equity to tangible assets (2) (8)	9.07	10.95	9.07	10.95	7.97	10.08	11.48	9.65	13.63

Tier 1 leverage ratio (4)	9.71	10.78	9.71	10.78	9.38	10.95	12.48	12.15	17.42
Tier 1 risk-based capital ratio	12.53	14.04	12.53	14.04	10.88	13.94	17.04	16.69	20.76
Total risk-based capital ratio	13.56	15.29	13.56	15.29	11.75	15.20	18.30	17.95	22.02
Dividend payout common	17.18	23.88	17.52	22.36	25.51	25.89	13.90	35.01	19.11

Table of Contents

Selected Consolidated Financial Data Continued

(a) All share and per share amounts have been restated to reflect the effect of the 2-for-1 stock split during June 2013.

(1) Diluted earnings per share excluding intangible amortization reflect diluted earnings per share plus per share intangible amortization expense, net of the corresponding tax effect. See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management s Discussion and Analysis of Financial Condition and Results of Operations Table 22 and Table 23, respectively, for the non-GAAP tabular reconciliation.
(2) Tangible calculations eliminate the effect of goodwill and acquisition-related intangible assets and the corresponding amortization expense on a tax-effected basis.
(3) The efficiency ratio is calculated by dividing non-interest expense less amortization of core deposit intangibles by the sum of net interest income on a tax equivalent basis and non-interest income.
(4) Leverage ratio is Tier 1 capital to quarterly average total assets less intangible assets and gross unrealized gains/losses on available-for-sale investment securities.
(5) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management s Discussion and Analysis of Financial Condition and Results of Operations Table 27 and Table 24, respectively, for the non-GAAP tabular reconciliation.
(6) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management s Discussion and Analysis of Financial Condition and Results of Operations Table 28 and Table 25, respectively, for the non-GAAP tabular reconciliation.
(7) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management s Discussion and Analysis of Financial Condition and Results of Operations Table 29 and Table 26, respectively, for the non-GAAP tabular reconciliation.
(8) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management s Discussion and Analysis of Financial Condition and Results of Operations Table 30 and Table 27, respectively, for the non-GAAP tabular reconciliation.
(9) See the incorporated by reference Form 10-Q for June 30, 2014 and Form 10-K for December 31, 2013 in the Management s Discussion and Analysis of Financial Condition and Results of Operations Table 25 and Table 28, respectively, for the non-GAAP tabular reconciliation.
(10) Fully taxable equivalent (assuming an income tax rate of 39.225%).

Table of Contents

UNAUDITED PRO FORMA COMBINED CONSOLIDATED INCOME STATEMENT

OF HBI FOR THE YEAR ENDED DECEMBER 31, 2013

HBI s operating results for the period ended December 31, 2013 include the operating results for Liberty Bancshares, Inc., (Liberty) beginning on October 24, 2013, the date of acquisition, through December 31, 2013. Because HBI s 2013 financial statements include 69 days of operating results for Liberty, the following unaudited pro forma combined consolidated income statement includes the statement of operations of Liberty for the nine months ended September 30, 2013, and pro forma adjustments necessary to give effect to HBI s acquisition of Liberty assuming the acquisition occurred on January 1, 2013. Accordingly, the unaudited pro forma combined consolidated income statement includes the unaudited results of operations of Liberty for 342 days of 2013, which unaudited pro forma results of operations are not materially different from Liberty s full year 2013 results of operations presented on a pro forma basis.

The unaudited pro forma condensed consolidated 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 revenue enhancements and expense efficiencies, 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.

Table of Contents

Unaudited Pro Forma Combined Consolidated Income Statement

For the Year Ended December 31, 2013

(In thousands except per-share data)	Home BancShares, Inc.	Liberty Bancshares, Inc. (a)	Pro Forma Adjustments (b)	Pro Forma Combined
Interest income				
Loans	$ 198,536	$ 69,664	$ 11,915(d)	$ 280,115
Investment securities				
Taxable	12,298	6,206		18,504
Tax-exempt	6,009	2,303		8,312
Deposits other banks	254	24	(98)(e)	180
Federal funds sold	29	15		44
Other		382	(382)(f)	
Total interest income	217,126	78,594	11,435	307,155
Interest expense				
Interest on deposits	9,744	6,792	415(g)	16,951
Federal funds purchased	4	1		5
FHLB borrowed funds	3,841	2,747	(1,447)(h)	5,141
Securities sold under agreements to repurchase	424	384		808
Subordinated debentures	518	1,154		1,672
Total interest expense	14,531	11,078	(1,032)	24,577
Net interest income	202,595	67,516	12,467	282,578
Provision for loan losses	5,180	9,000		14,180
Net interest income after provision for loan losses	197,415	58,516	12,467	