Bank OZK

MANAGEMENT COMMENTS FOR THE FIRST QUARTER 2024

APRIL 17, 2024

Forward-Looking Statements

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MANAGEMENT COMMENTS FOR THE FIRST QUARTER OF 2024

We are pleased to report our first quarter 2024 results. Highlights include:

- ***Net Income & Earnings Per Share.*** Net income available to common stockholders for the quarter just ended was a record $171.5 million and diluted earnings per common share were a record $1.51, increases of 3.4% and 7.1%, respectively, compared to the first quarter of 2023.
- ***Pre-tax Pre-provision Net Revenue[1] ("PPNR")***. PPNR for the quarter just ended was a record $272.7 million, an increase of 10.7% compared to the first quarter of 2023.
- ***Net Interest Income.*** Net interest income for the quarter just ended was a record $376.9 million, an increase of 9.3% compared to the first quarter of 2023.
- ***Loans.*** Total loans outstanding grew to a record $28.03 billion, increasing $1.57 billion, or 5.9% not annualized, in the quarter just ended.
- ***Deposits.*** Deposits grew to a record $29.41 billion, increasing $2.00 billion, or 7.3% not annualized, in the quarter just ended.
- ***Liquidity.*** We maintained robust available primary and secondary sources of liquidity which increased to $12.0 billion at March 31, 2024.
- ***Asset Quality.*** Our annualized net charge-off ratio for total loans was 0.11% for the quarter just ended. Nonperforming non-purchased loans to total non-purchased loans and nonperforming assets to total assets[2] were 0.20% and 0.33%, respectively, at March 31, 2024.
- ***Return on Average Assets ("ROAA") and ACL Build.*** We achieved an annualized ROAA of 1.96% in the quarter just ended, while building our Allowance for Credit Losses ("ACL") by a net $35.7 million.
- ***Efficiency Ratio.*** Our efficiency ratio in the quarter just ended was 32.6%.
- ***Capital.*** At March 31, 2024, our ratios of total common stockholders' equity to total assets and total tangible common stockholders' equity[1] to tangible assets were 13.68% and 12.06%, respectively, and our book value and tangible book value[1] per common share were $43.44 and $37.62, respectively, increases of 13.0% and 15.1% from March 31, 2023.
- ***Dividends.*** We recently increased our dividend on our common stock for the 55th consecutive quarter.

[1] The calculations of the Bank's PPNR, tangible common stockholders' equity and tangible book value per common share and the reconciliations to generally accepted accounting principles ("GAAP") are included in the schedules at the end of this presentation.
[2] Excludes purchased loans, except for their inclusion in total assets.

Profitability and Earnings Metrics

Net income available to common stockholders for the first quarter of 2024 was a record $171.5 million, a 3.4% increase from $165.9 million for the first quarter of 2023. Diluted earnings per common share for the first quarter of 2024 were a record $1.51, a 7.1% increase from $1.41 for the first quarter of 2023.

PPNR for the first quarter of 2024 was a record $272.7 million, a 10.7% increase from $246.4 million for the first quarter of 2023.

Our annualized ROAA was 1.96% for the first quarter of 2024 compared to 2.41% for the first quarter of 2023. Our annualized returns on average common stockholders' equity ("ROACE") and average tangible common stockholders' equity[3] ("ROATCE") for the first quarter of 2024 were 14.16% and 16.38%, respectively, compared to 15.24% and 17.94%, respectively, for the first quarter of 2023.

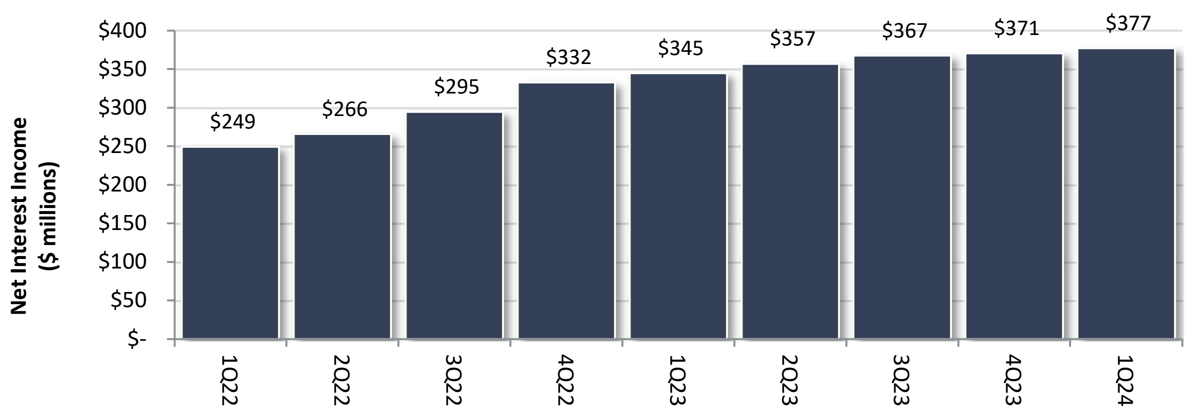
[3] The calculation of the Bank's annualized returns on average common stockholders' equity and average tangible common stockholders' equity and the reconciliation to GAAP are included in the schedule at the end of this presentation.

Net Interest Income

Our net interest income for the first quarter of 2024 was a record $376.9 million, a 9.3% increase from $344.9 million for the first quarter of 2023, as shown in Figure 1.

Our net interest income in the quarter just ended was our seventh consecutive record and resulted from our increased revenue from growth in average earning assets more than offsetting the impact of the decrease in our net interest margin. In the remainder of 2024, we expect further growth in average earning assets and further decreases in our net interest margin, with the interplay between these two metrics, along with Fed interest rate decisions, primarily determining whether net interest income increases or decreases in each quarter from the level achieved in the quarter just ended.

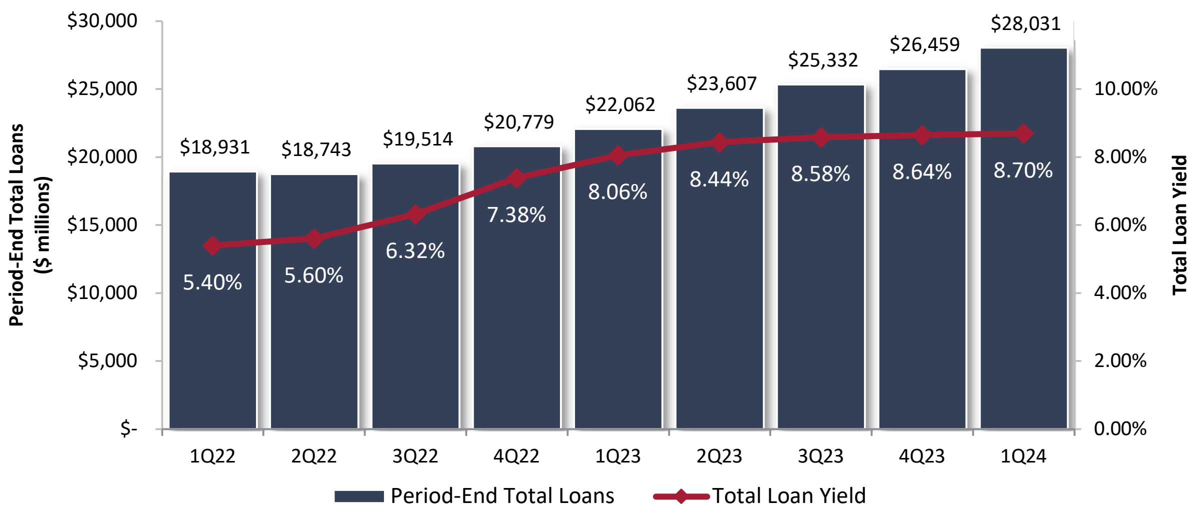
Figure 1: Quarterly Net Interest Income



Earning Assets

Our total loans at March 31, 2024 were a record $28.03 billion, having increased $5.97 billion, or 27.1%, from March 31, 2023 and $1.57 billion, or 5.9% not annualized, from December 31, 2023, as illustrated in Figure 2. Our excellent first quarter loan growth may be our best of the year. While we expect continued good loan growth in the remainder of 2024, we believe that loan growth for the full year of 2024 will likely be less than the $5.68 billion achieved in 2023. Loan growth in 2024 may vary significantly from quarter to quarter and may be impacted by interest rates, economic conditions, competition or other factors.

Figure 2: Total Loan Balances and Yields

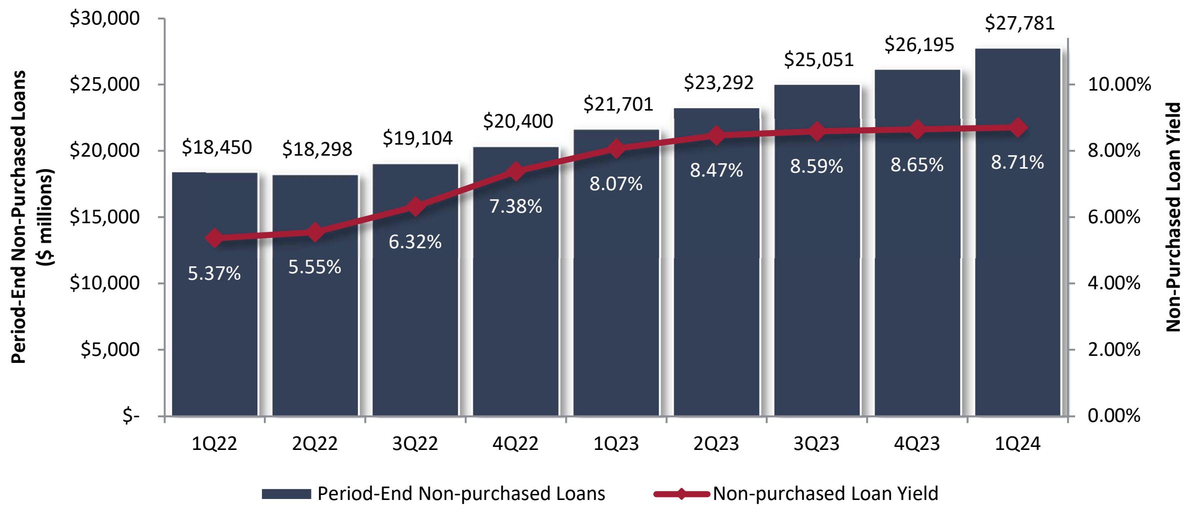


In the first quarter of 2024, our yield on total loans was 8.70%, an increase of 64 basis points (“bps”) from the first quarter of 2023 and an increase of six bps from the fourth quarter of 2023.

Non-purchased Loans

Non-purchased loans, which are all loans excluding the remaining loans from acquisitions, accounted for 83.5% of our average earning assets in the quarter just ended. As illustrated in Figure 3, non-purchased loans were a record $27.78 billion at March 31, 2024, having increased $6.08 billion, or 28.0%, from March 31, 2023, and $1.59 billion, or 6.1% not annualized, from December 31, 2023.

Figure 3: Non-purchased Loan Balances and Yields



In the first quarter of 2024, our yield on non-purchased loans was 8.71%, an increase of 64 bps from the first quarter of 2023 and six bps from the fourth quarter of 2023.

Loan Portfolio Diversification

During the quarter just ended, we moved the reporting of our Equipment Finance and Capital Solutions ("EFCS") team from Community Banking to our President, Brannon Hamblen. Along with Asset Based Lending Group ("ABLG") and Corporate and Business Specialties Group ("CBSG," which we have renamed "Fund Finance"), we now have three non-real estate lending teams reporting to Mr. Hamblen. Collectively, we are referring to these teams as the Corporate and Institutional Banking ("CIB") group. We believe the good growth momentum already evident in these three teams will be further enhanced by the recent additions of a number of veteran bankers.

In addition, Chief Lending Officer Alan Jessup recently realigned the reporting responsibilities within his Community Banking team. The goal is to fully utilize the leadership capabilities within Community Banking and enhance our capabilities to originate a greater volume of loans through our generalist and specialty commercial bankers, business bankers and consumer bankers working through our network of 228 branches. These teams have also grown through the recent additions of a number of veteran bankers.

We believe the recent realignment of reporting responsibilities and addition of highly talented bankers to CIB and Community Banking provide significant potential for growth over the next several years. CIB and Community Banking are important elements of our broader strategy for portfolio product and geographic diversification.

Figures 4 and 5 reflect the mix in our non-purchased loan growth in the first quarter of 2024 and the last four quarters. In the quarter just ended, Real Estate Specialties Group ("RESG") was the largest contributor to this non-purchased loan growth. Community Banking, Indirect RV & Marine and CIB, collectively, contributed $0.40 billion to non-purchased loan growth in the first quarter of 2024.

Figure 4: Non-purchased Loan Growth – 1Q24 ($ millions)

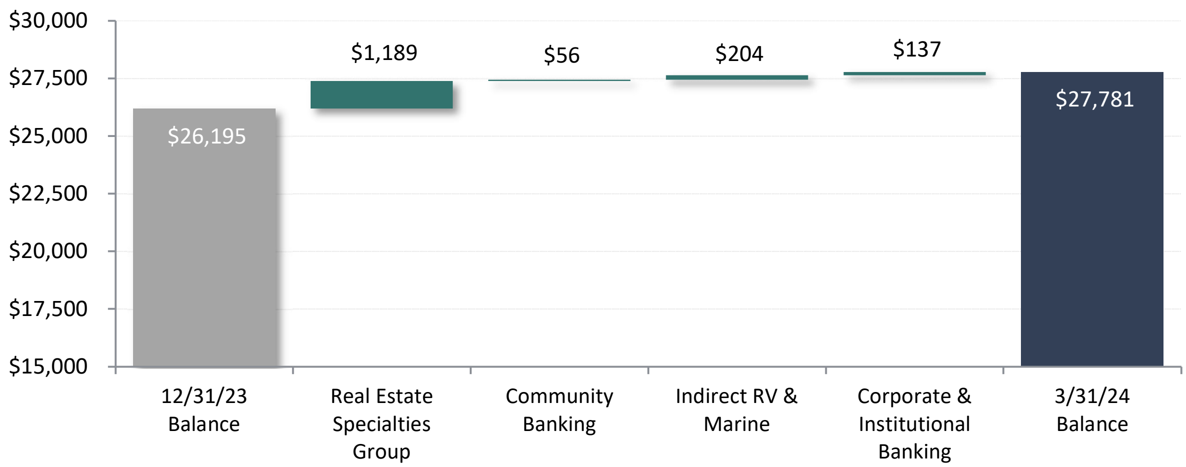


Figure 5: Non-purchased Loan Growth – Last Four Quarters ($ millions)

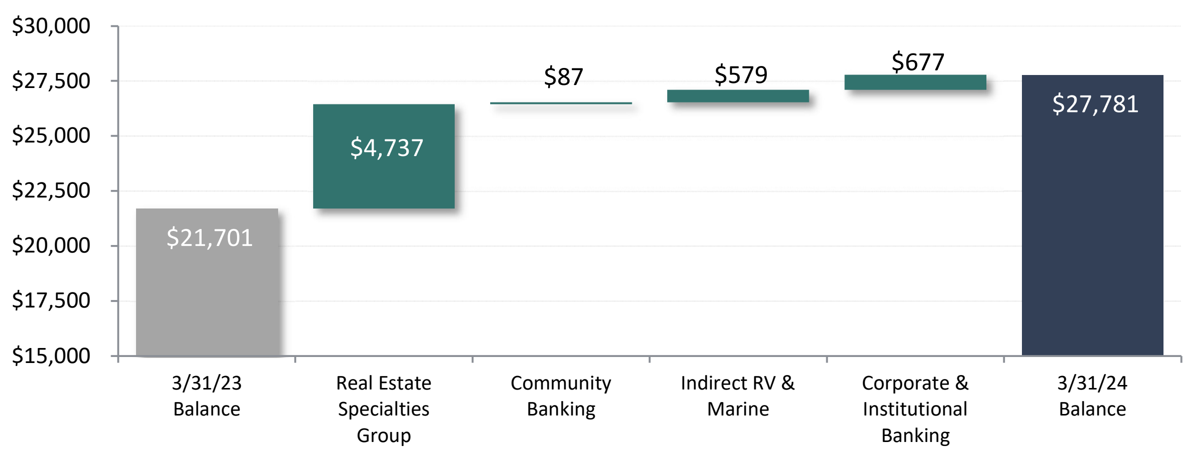
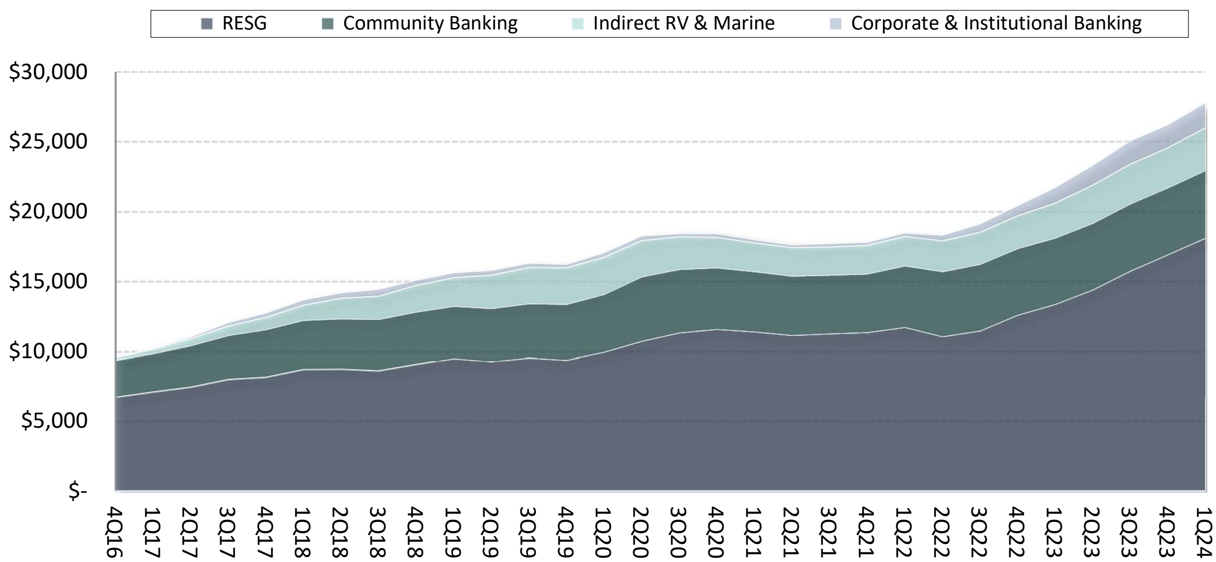


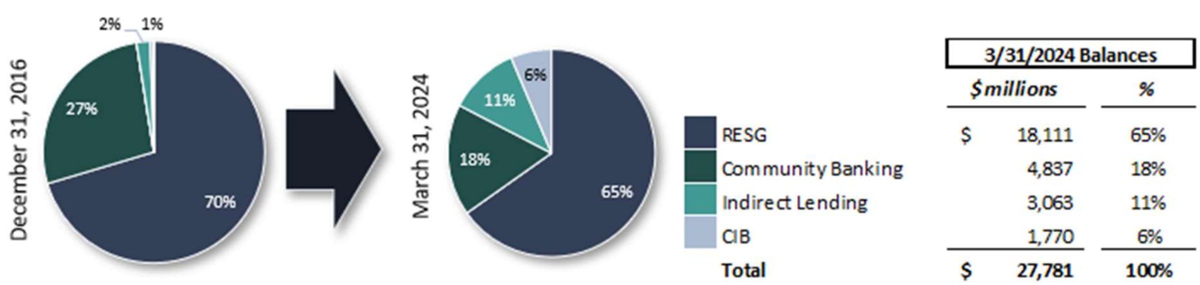
Figure 6 illustrates our growth in non-purchased loans from $9.61 billion at year end 2016 to $27.78 billion as of March 31, 2024, as well as the increased diversification.

Figure 6: Non-purchased Loan Growth Trends ($ millions)



Even as our outstanding balance of RESG loans has reached record levels, RESG's percentage of our non-purchased loans has declined from a peak of 70% at year end 2016 to 65% as of March 31, 2024, as illustrated in Figure 7.

Figure 7: Non-purchased Loan Composition Comparison ($ millions)



We want to continue to grow our RESG portfolio while also achieving greater portfolio diversification through growth in our Community Banking, Indirect RV & Marine and CIB portfolios. We have good momentum with each of those teams. While RESG's percentage of our total loans may increase in 2024 due primarily to continued funding of RESG's record 2022 level of originations, we expect our other lending teams will contribute meaningfully to growth, especially in 2025 and 2026 when RESG is likely to have elevated levels of repayments, all of which should allow us to achieve greater portfolio diversification. This "growth, growth and diversification" strategy is intended to capitalize on RESG's unique strengths and expertise, while also ramping up growth in other lending teams which should result in enhanced portfolio diversification.

As reflected in Figures 8 and 9, RESG's funded balance of non-purchased loans increased $1.19 billion and $4.74 billion during the first quarter of 2024 and for the last four quarters, respectively.

Figure 8: Activity in RESG Funded Balances – 1Q24 ($ billions)

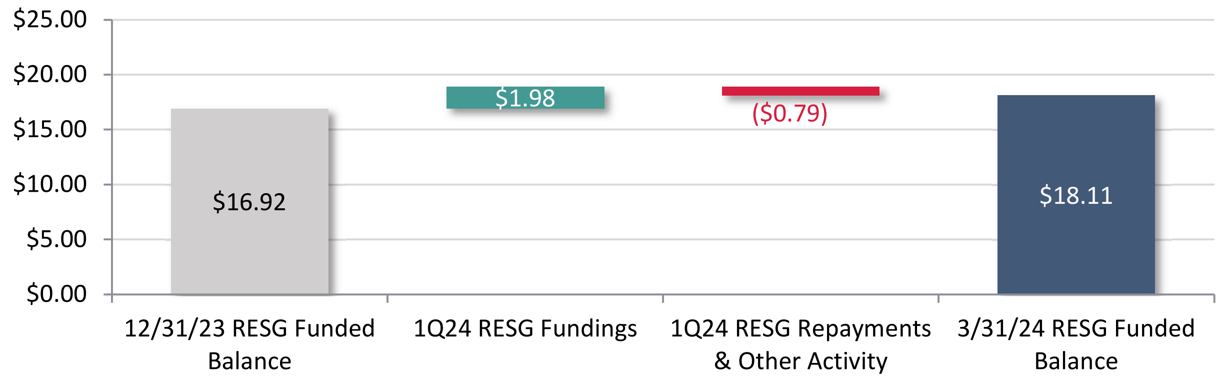
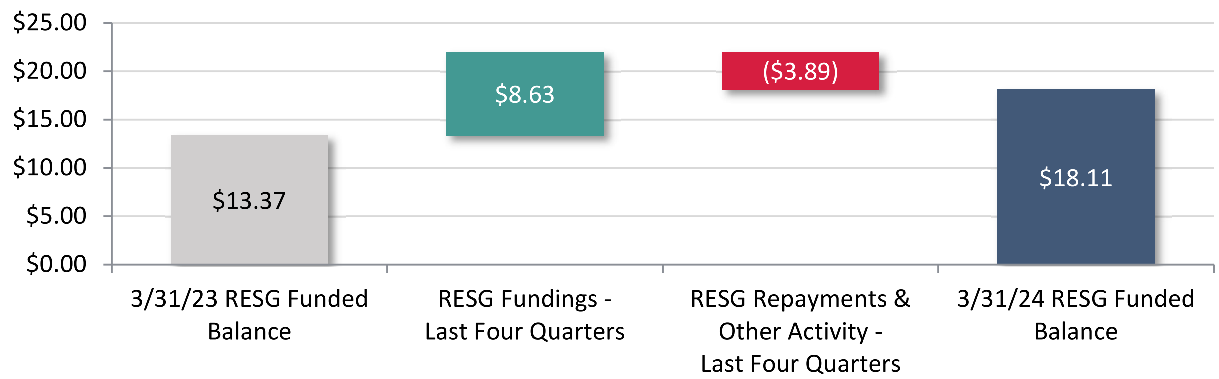


Figure 9: Activity in RESG Funded Balances – Last Four Quarters ($ billions)



As shown in Figure 10, RESG loan originations were $1.58 billion in the first quarter of 2024 and $6.99 billion for the last four quarters. Given the typical lag between RESG originations and the funding of such loans, the record 2022 origination volume should continue to contribute meaningfully to funded loan growth in 2024.

Figure 10: RESG Quarterly Loan Originations
($ billions)

	Q1	Q2	Q3	Q4	Total*
FY2019	$1.86	$1.15	$2.03	$1.44	$6.48
FY2020	$1.76	$1.67	$1.40	$1.77	$6.59
FY2021	$1.28	$1.46	$2.21	$2.99	$7.94
FY2022	$3.14	$3.53	$4.35	$2.81	$13.82
FY2023	$1.81	$1.41	$1.95	$2.05	$7.22
FY2024	$1.58				$1.58

**3M24 Not Annualized*

RESG origination volume in 2024 is expected to be more or less in line with the $7.22 billion achieved during 2023. Origination volume may vary significantly from quarter to quarter and may be impacted by interest rates, economic conditions, competition or other factors.

As shown in Figure 11, RESG's loan repayments and other activity were $0.79 billion in the quarter just ended and $3.89 billion for the last four quarters.

Figure 11: RESG Quarterly Loan Repayments & Other Activity
($ billions)

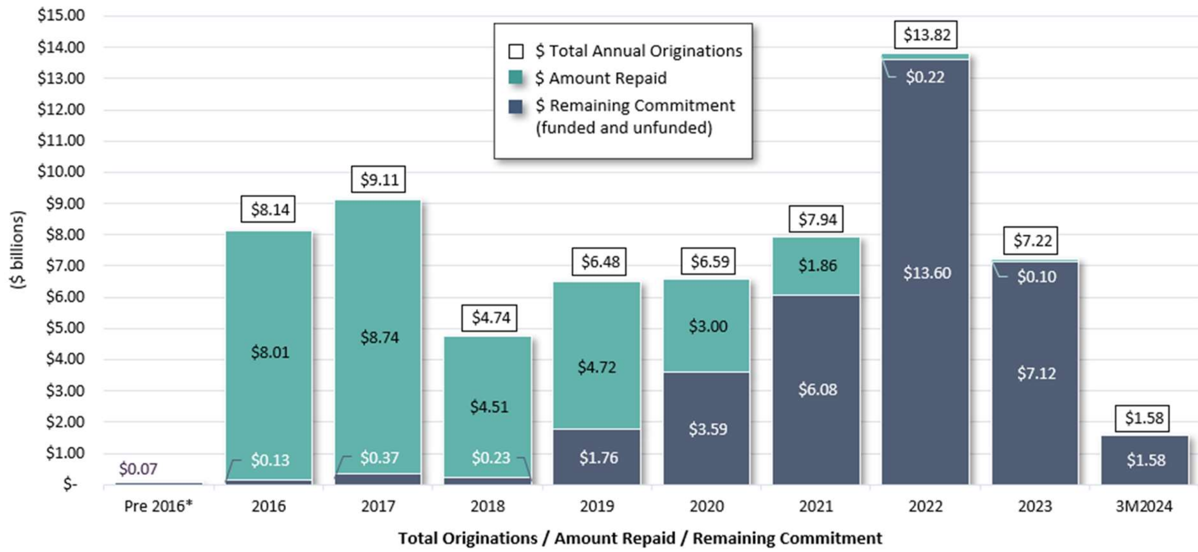
	Q1	Q2	Q3	Q4	Total*
FY2019	$1.13	$1.54	$1.34	$1.66	$5.67
FY2020	$1.00	$0.69	$0.65	$1.19	$3.54
FY2021	$1.48	$1.68	$1.34	$1.72	$6.22
FY2022	$1.31	$2.34	$1.28	$0.72	$5.65
FY2023	$0.91	$1.03	$1.10	$0.97	$4.01
FY2024	$0.79				$0.79

**3M24 Not Annualized*

Over the last six quarters, RESG loan repayments were subdued as many sponsors carefully monitored interest rates and refinance market conditions to determine when to move projects from construction financing to bridge or permanent loans. Lower interest rates, whenever they occur, will likely result in an increased level of loan repayments. RESG loan repayments may vary substantially from quarter to quarter and may have an outsized impact on our outstanding loan balances in one or more quarters.

Figure 12 illustrates the cadence of RESG loan originations and repayments. It shows the amount of each year's originations which have been repaid and which remain as outstanding commitments, both funded and unfunded, as of March 31, 2024.

Figure 12: RESG Origination and Repayment Trends by Year of Origination *(Total Commitment)*



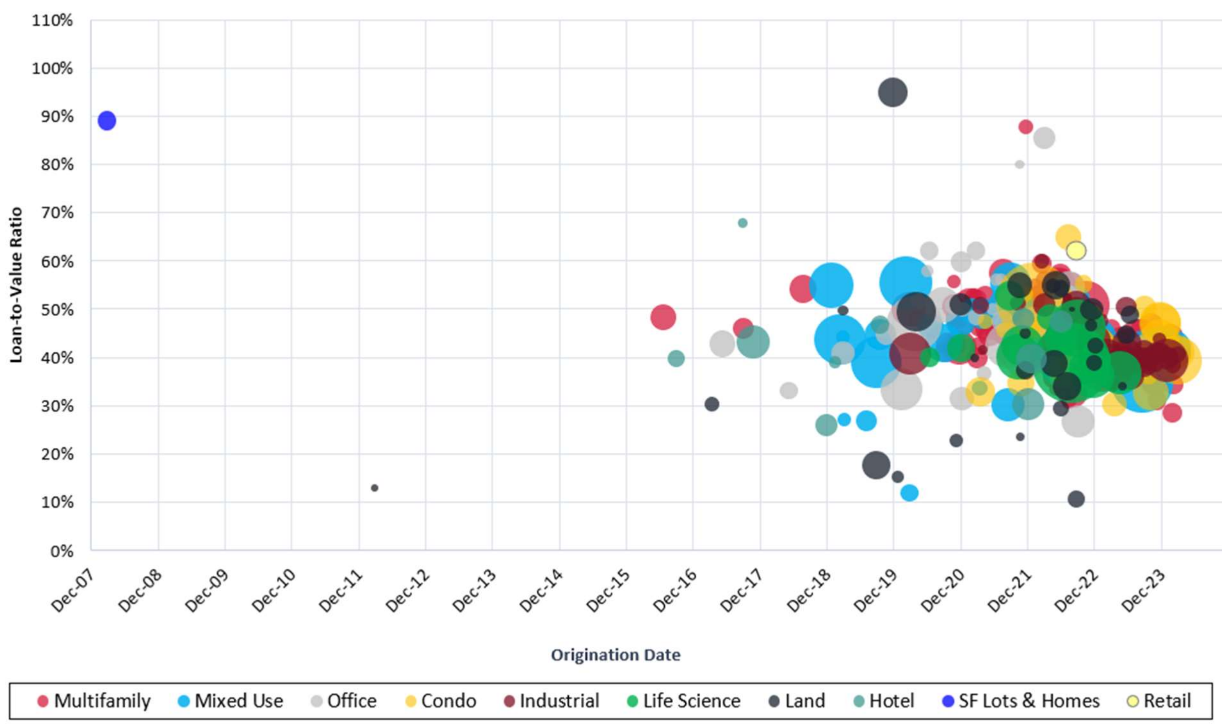
$ Remaining Commitment	*$0.13B*	*$0.37B*	*$0.23B*	*$1.76B*	*$3.59B*	*$6.08B*	*$13.60B*	*$7.12B*	*$1.58B*
$ Amount Funded	*$0.13B*	*$0.35B*	*$0.21B*	*$1.66B*	*$2.94B*	*$4.44B*	*$6.62B*	*$1.69B*	*$0.04B*
$ Amount Unfunded	*$0.00B*	*$0.02B*	*$0.02B*	*$0.10B*	*$0.65B*	*$1.64B*	*$6.98B*	*$5.43B*	*$1.54B*

** Amounts repaid and total annual originations are not shown for pre-2016 originations.*

The loan-to-value ("LTV") metrics on individual loans within the RESG portfolio as of March 31, 2024, are illustrated in Figure 13. The significant protection provided by RESG's conservative loan-to-cost ("LTC") and LTV metrics is always important, and especially so in the current macroeconomic environment. Assuming full funding of every RESG loan, the weighted average LTC for the RESG portfolio was 52%, and the weighted average LTV was 43%, as of March 31, 2024. RESG collateral valuations are supported by the fact that the majority of RESG loans are for new construction featuring current design and amenity packages, which provides a distinct competitive advantage compared to older, less desirable properties.

Figure 13: RESG Portfolio by LTV & Origination Date (As of March 31, 2024)

Bubble Size Reflects Total Funded and Unfunded Commitment Amount



LTV ratios assume all loans are fully funded. LTV data based on most recent appraisals and utilizing, in most cases, "as stabilized" values for income producing properties.

As of March 31, 2024, the RESG portfolio has three credits that are rated substandard and no credits rated special mention. Updates on these credits are as follows:

- *Development near Lake Tahoe.* A $54.5 million performing credit which has been substandard accrual since 2019. The sponsor recently contracted to sell the club amenities of this development. Closing of this sale is subject to various closing conditions, is expected to occur in the second quarter of 2024 and, if closed, should result in an $11 million reduction in our commitment. As of March 31, 2024, our LTV was 89% and our ACL allocation for this credit was $15.4 million.
- *Chicago land.* A $128 million substandard accrual credit that has a 95% LTV. This credit was downgraded to special mention in the third quarter of 2023 and to substandard accrual in the fourth quarter of 2023.

To continue its recapitalization effort and to obtain a maturity extension to October 2024, the sponsor contributed additional equity of $8.0 million during the quarter just ended, increasing its cash reserve with us to $8.5 million as of March 31, 2024. This cash reserve is not included in the LTV calculation. Given the continued slow pace of the sponsor's recapitalization efforts and the complexity of the potential future development, we increased our ACL allocation for this credit to $38.0 million at March 31, 2024.

- *Seattle office.* During the quarter just ended, this credit became past due resulting in a downgrade to substandard non-accrual and a $4.2 million charge-off. As of March 31, 2024, this credit had a carrying value of $12.7 million, which equaled 80% of the as-is appraised value of the property plus the estimated value of additional collateral and interest rate cap proceeds. Subsequent to quarter end, the carrying value was further reduced to $11.4 million with proceeds from liquidation of the additional collateral and a monthly payment on the interest rate cap. We expect to collect additional money from a limited guarantee and remaining interest rate cap proceeds, which should further reduce our carrying value. As of March 31, 2024, our ACL allocation for this credit was $3.1 million.

SOLD – Minneapolis Hotel. During the quarter just ended, our previously disclosed substandard non-accrual credit on a Minneapolis hotel was fully liquidated through a note sale resulting in net proceeds of $18.0 million and an additional charge-off of $0.8 million.

During the first quarter of 2024, RESG obtained updated appraisals on 20 loans with a total commitment of $2.42 billion. Figure 14 shows the resulting changes in LTV as compared to the LTV based on the previous appraised value and the previous total loan commitment for each of these loans. LTVs were little changed (plus or minus 10%) for 17 loans and LTVs increased more than 10% for 3 loans.

Figure 14: Appraisals Obtained in 1Q24 ($ in millions)

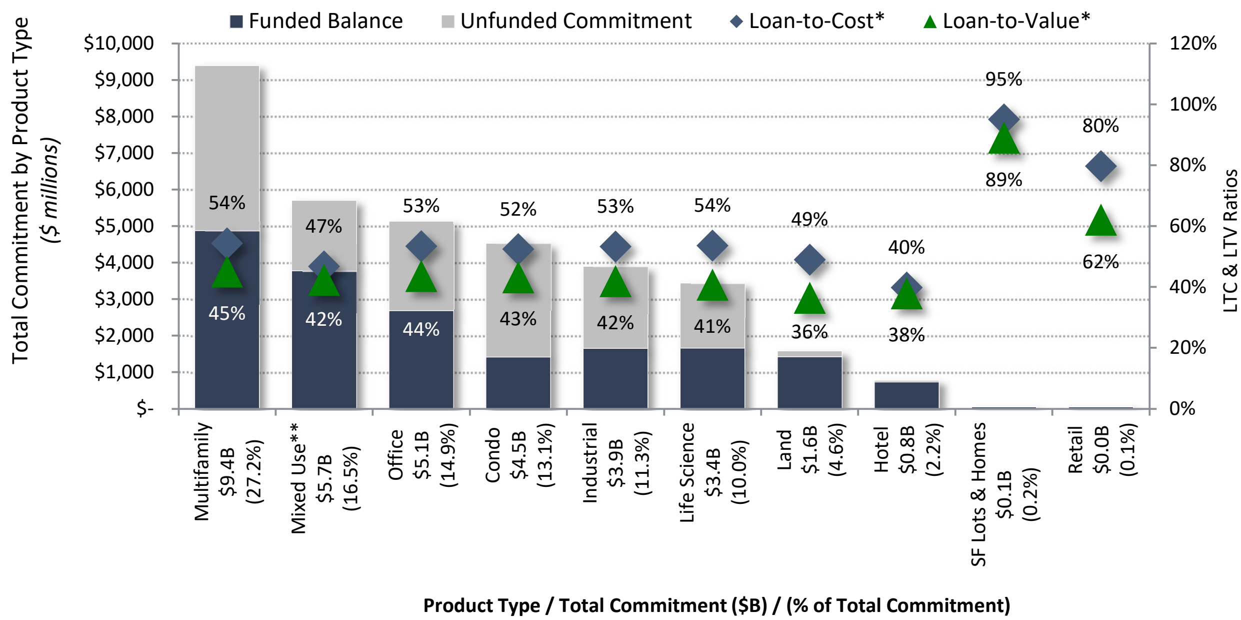
Property Type	Total Commitment		Previous LTV	LTV @ 3/31/24	Δ in LTV	
Land	$	219	25.5%	49.4%	23.9%	*
Land		67	35.0%	51.0%	16.0%	
Mixed Use		95	38.1%	49.6%	11.4%	
Mixed Use		26	34.6%	44.3%	9.6%	
Office		50	54.1%	62.1%	8.0%	
Office		62	52.2%	59.8%	7.5%	
Land		11	32.7%	40.0%	7.3%	
Mixed Use		135	42.6%	49.1%	6.5%	
Office		433	41.2%	47.0%	5.8%	
Land		15	45.7%	49.8%	4.0%	
Life Science		125	49.8%	52.8%	2.9%	
Multifamily		26	51.8%	52.9%	1.1%	
Land		23	14.9%	15.3%	0.4%	
Multifamily		33	47.5%	47.7%	0.2%	
Multifamily		321	50.7%	50.9%	0.2%	
Mixed Use		379	43.9%	43.7%	-0.2%	
Office		34	50.0%	48.4%	-1.6%	
Land		100	41.8%	38.8%	-3.1%	
Mixed Use		158	34.6%	30.3%	-4.3%	
Condo		111	41.9%	34.7%	-7.2%	

** Note: This loan was upsized by $100 million during the quarter just ended to allow for sitework and commencement of early phases of construction. This land loan is expected to convert to a vertical construction loan later this year.*

During the twelve months ended March 31, 2024, RESG obtained updated appraisals on 75 loans with a total commitment of $7.37 billion and appraisals on 67 newly originated loans with a total commitment of $6.99 billion, resulting in approximately 40% of RESG's total commitments having appraisals within the last twelve months. Of the 75 loans reappraised in the last twelve months, LTVs were little changed (plus or minus 10%) for 59 loans, LTV decreased more than 10% for 2 loans and LTVs increased more than 10% for 14 loans. Principal paydowns received on several loans helped maintain LTVs at favorable levels.

Figure 15 shows the product type diversification within the RESG portfolio.

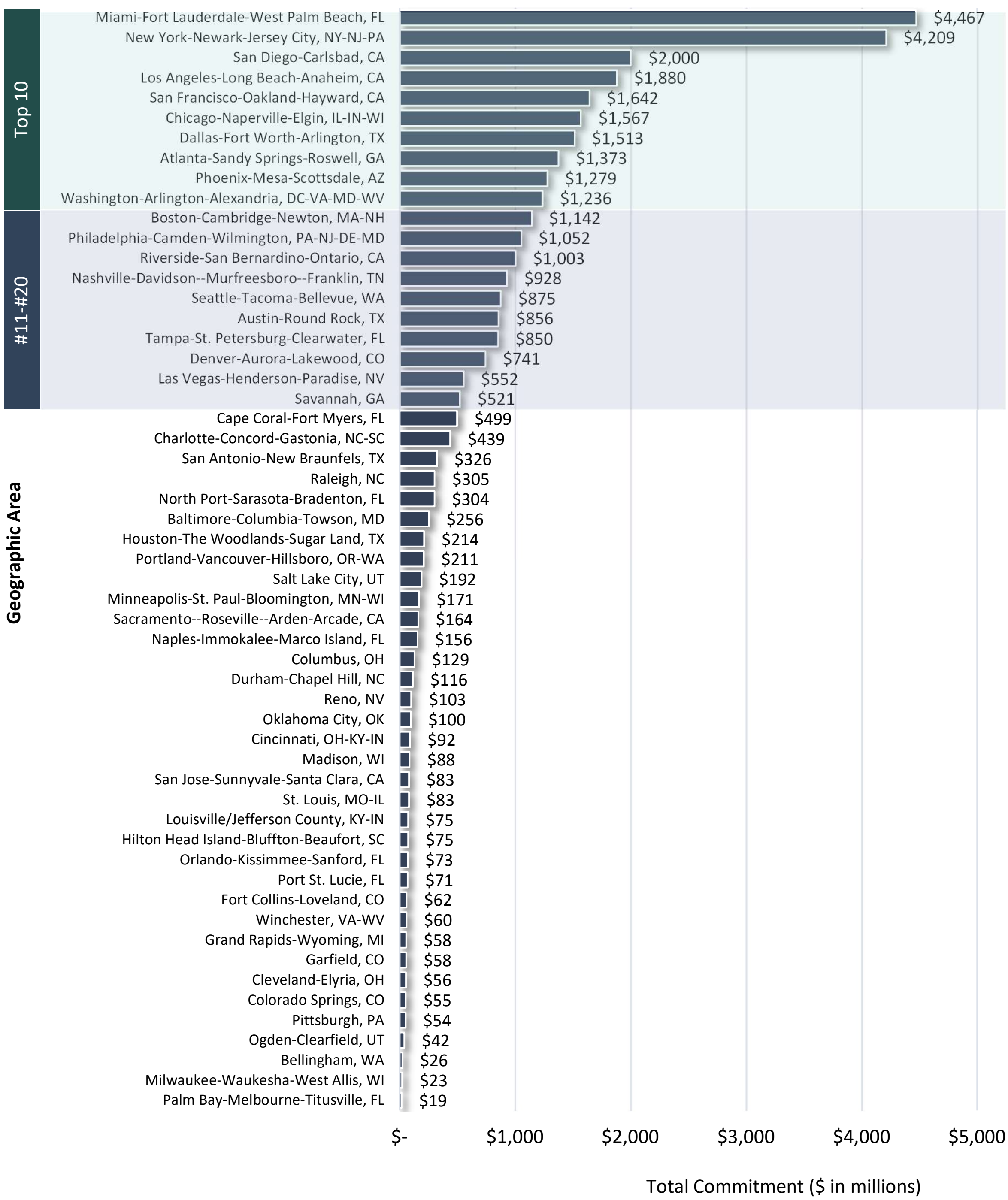
Figure 15: RESG Portfolio Diversification by Product Type (As of March 31, 2024)



** LTC and LTV ratios are weighted averages and assume all loans are fully funded. LTV data based on most recent appraisals and utilizing, in most cases, "as stabilized" values for income producing properties.*
*** Mixed use projects contain multiple property types, none of which individually contribute 75% or more of the project value.*

Figure 16 shows RESG's total commitments in each geographic area in which it currently has loans, reflecting the national scope and significant geographic diversification in RESG's business. The strong economic fundamentals of the Miami area contributed to it becoming RESG's largest market in the quarter just ended.

Figure 16: RESG Portfolio Diversification – All Geographies (As of March 31, 2024)

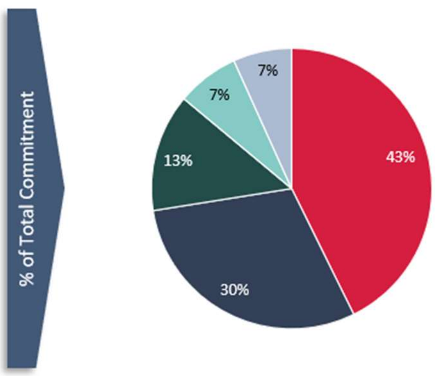


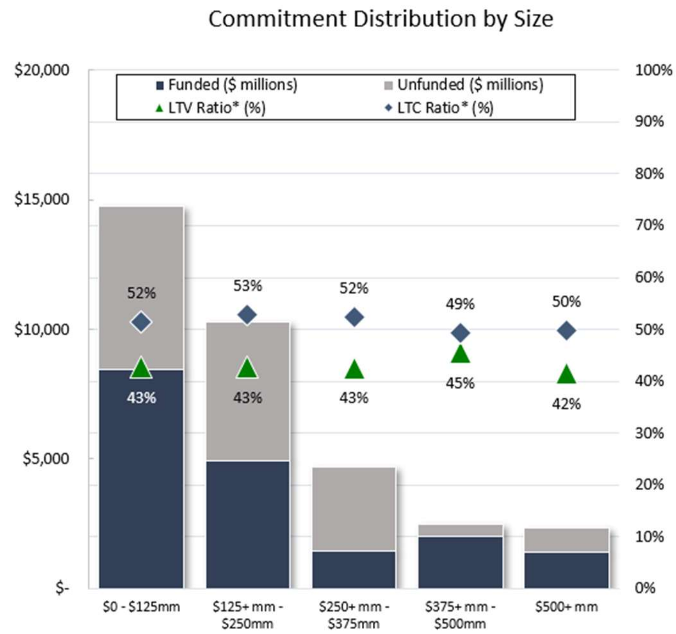
The RESG portfolio includes loans of many different sizes. The stratification of the RESG portfolio by commitment size is reflected in Figure 17.

Figure 17: RESG Portfolio Stratification by Loan Size – Total Commitment (As of March 31, 2024)

($ millions)

Tranche	No. of Loans	Funded	Total Funded & Unfunded
$0 - $125mm	257	$ 8,399	$ 14,743
$125+ mm - $250mm	59	4,892	10,282
$250+ mm - $375mm	16	1,428	4,687
$375+ mm - $500mm	6	1,995	2,484
$500+ mm	3	1,397	2,330
Total	**341**	**$ 18,111**	**$ 34,525**

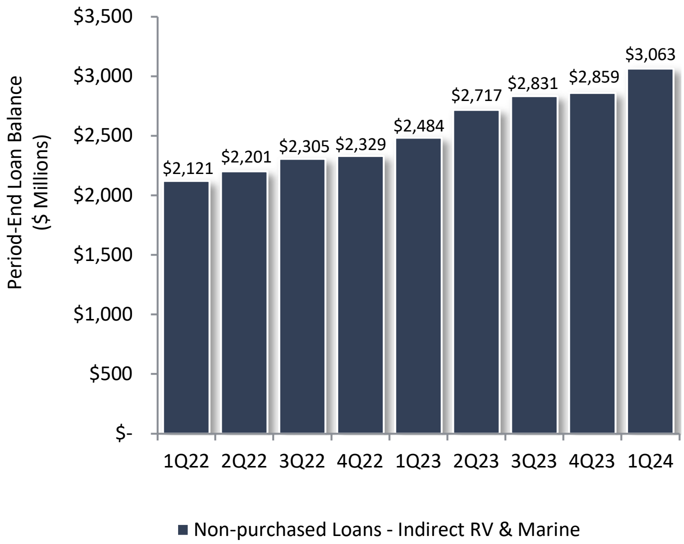




** Weighted average; assumes all loans are fully funded; calculation based on total commitment by tranche as a % of total cost and total appraised value of loans within each tranche. LTV data based on most recent appraisals and utilizing, in most cases, "as stabilized" values for income producing properties.*

Indirect RV & Marine lending is a nationwide business which accounted for 11% of the funded balance of non-purchased loans as of March 31, 2024. Our objective is to maintain this portfolio within a range of 10% to 15% of our total loans. As of March 31, 2024, the non-purchased indirect portfolio had a 30+ day delinquency ratio of 0.23%. For the first quarter of 2024, our annualized net charge-off ratio for the non-purchased indirect portfolio was 0.24%. Figure 18 provides additional details regarding this portfolio.

Figure 18: Indirect RV & Marine Non-purchased Loan Balances

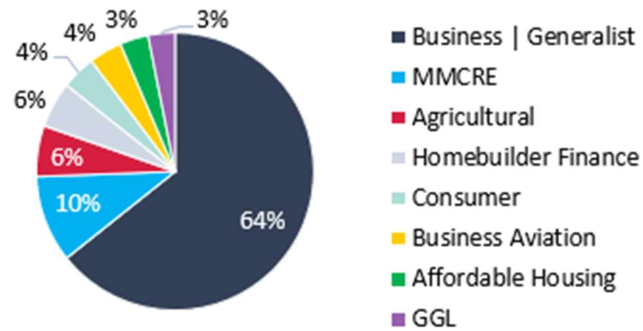


RV Portfolio at 3/31/24			
Loan Size	**Total #**		**$ thousands**
$1 million +	3	$	3,882
$750k - $999k	2		1,647
$250k - $749k	711		223,421
$50k - $249k	11,092		1,252,711
< $50k	6,035		169,103
Total	**17,843**	**$**	**1,650,764**

Marine Portfolio at 3/31/24			
Loan Size	**Total #**		**$ thousands**
$1 million +	67	$	134,945
$750k - $999k	61		51,728
$250k - $749k	800		295,541
$50k - $249k	6,995		830,513
< $50k	3,268		99,453
Total	**11,191**	**$**	**1,412,180**

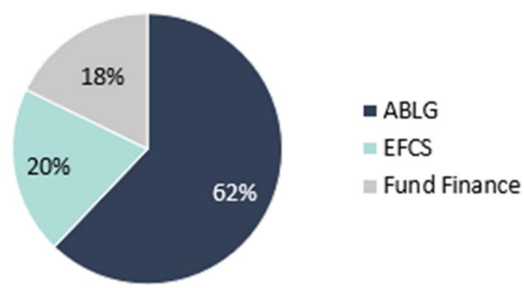
Community Banking accounted for 18% of the funded balance of non-purchased loans as of March 31, 2024, and included consumer and small business loans, business banking loans, loans originated by our commercial (generalist) lenders, and loans originated by our specialty lending teams in Community Banking, which included our government guaranteed ("GGL"), agricultural (including poultry), business aviation, affordable housing, middle market CRE ("MMCRE") and homebuilder finance lending teams.

Figure 19: Community Banking Loan Composition



Corporate and Institutional Banking ("CIB") accounted for 6% of the funded balance of non-purchased loans as of March 31, 2024, and included loans from ABLG, Fund Finance and EFCS.

Figure 20: CIB Loan Composition

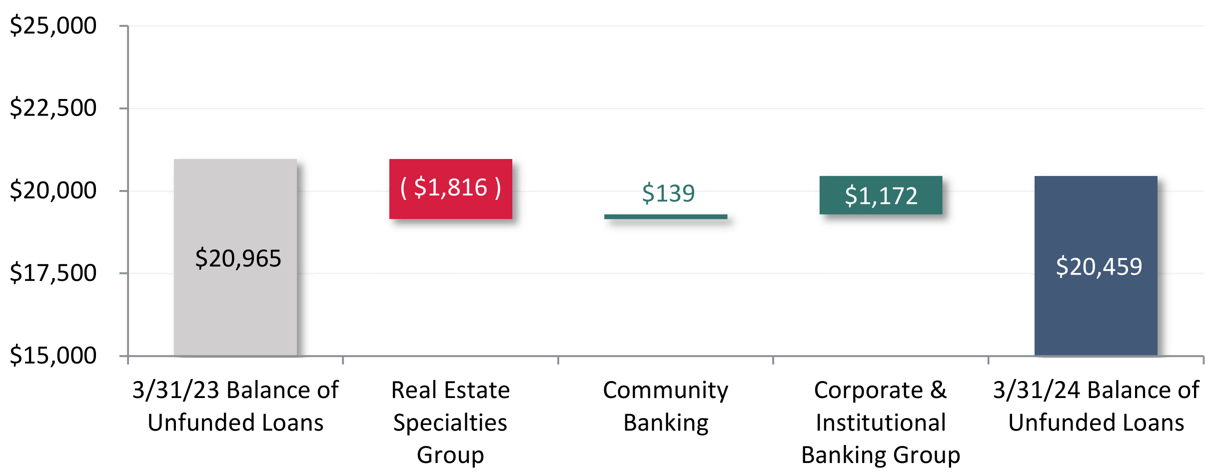


Unfunded Balances of Loans Already Closed

At March 31, 2024, RESG accounted for 79% of our $20.46 billion unfunded balance of loans already closed, followed by Community Banking at 8%, and CIB at 13%. Figures 21 and 22 reflect the changes in the unfunded balance of our loans already closed for the first quarter of 2024 and over the last four quarters. The mix of our unfunded balance of loans has continued to diversify with RESG accounting for 79% of the unfunded balance as of March 31, 2024, compared to 86% at March 31, 2023.

Figure 21: Activity in Unfunded Balances – 1Q24 ($ millions)

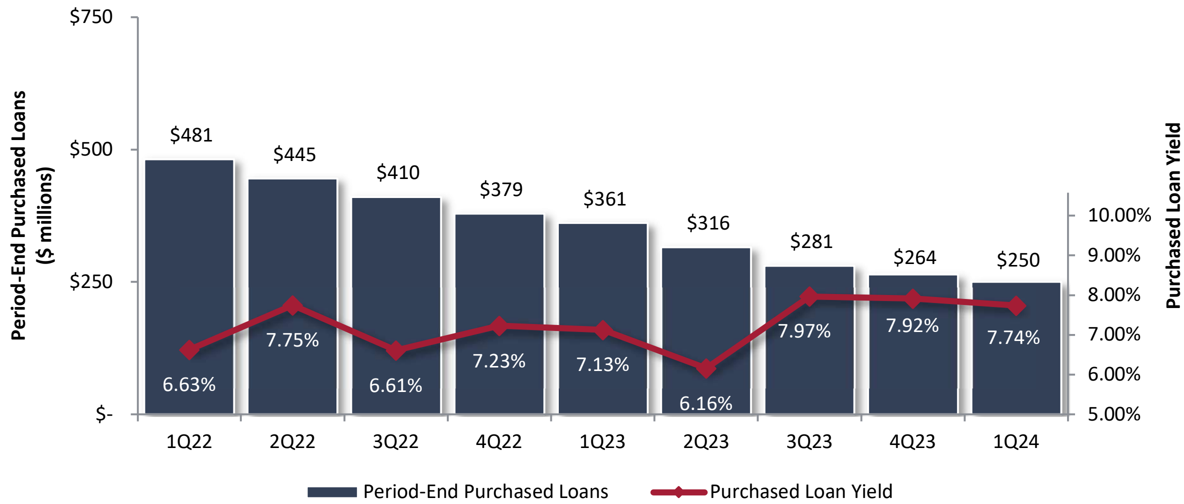
Figure 22: Activity in Unfunded Balances – Last Four Quarters ($ millions)



Purchased Loans

Purchased loans, which are the remaining loans from acquisitions, accounted for 0.8% of our average earning assets in the quarter just ended. During the quarter, our purchased loan portfolio decreased $0.01 billion, or 5.2% not annualized, to $0.25 billion at March 31, 2024. Over the last four quarters, our purchased loan portfolio decreased by $0.11 billion, or 30.7%. Figure 23 shows recent purchased loan portfolio trends.

Figure 23: Purchased Loan Balances and Yields

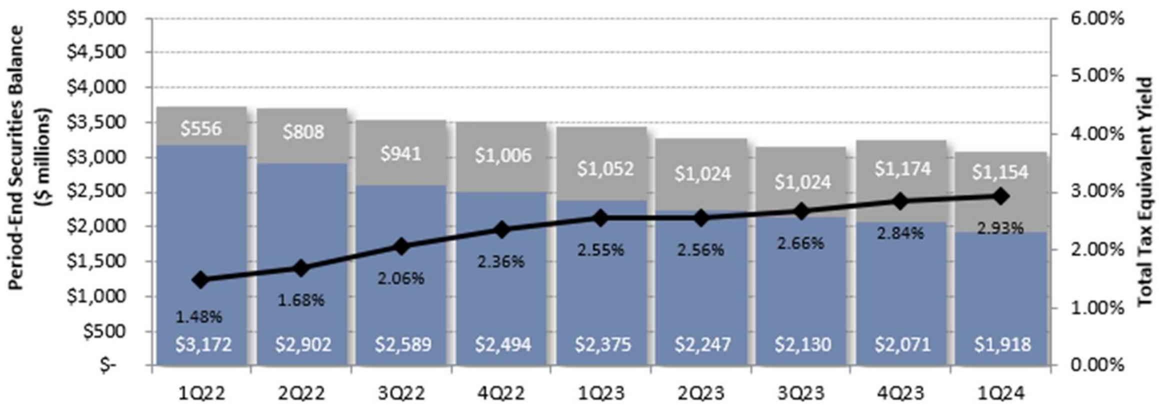


In the first quarter of 2024, our yield on purchased loans was 7.74%, an increase of 61 bps from the first quarter of 2023, but a decrease of 18 bps from the fourth quarter of 2023.

Investment Securities Portfolio

As illustrated in Figure 24, at March 31, 2024, our investment securities portfolio was $3.07 billion, a decrease of $0.35 billion, or 10.2%, from March 31, 2023, and $0.17 billion, or 5.3% not annualized, from December 31, 2023. In the quarter just ended, our investment portfolio yield on a fully taxable equivalent basis was 2.93%, an increase of 38 bps from the first quarter of 2023 and nine bps from the fourth quarter of 2023.

Figure 24: Investment Securities Portfolio Balances and Yields



	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Effective Duration*	2.64	3.16	3.59	3.63	3.64	3.62	3.79	3.83	3.82
Convexity*	-0.09	-0.02	0.08	0.05	0.04	0.04	0.12	0.01	-0.00

Taxable Tax-exempt Total Tax Equivalent Yield

** Effective duration and convexity data as of the end of each respective quarter.*

We have no investment securities categorized as held-to-maturity. We have long believed that holding our securities as available-for-sale or trading provides us maximum liquidity and flexibility to manage our balance sheet, while most accurately reflecting our financial position. Thus, we have no unrecognized mark-to-market adjustments on securities. Additionally, our investment securities portfolio comprises a relatively low percentage of our total assets, and, as shown above, had a short effective duration of 3.82 years as of quarter end. It contains a number of short-term securities providing us cash flow to reinvest or otherwise redeploy. Principal cash flow from maturities and other principal repayments in the second quarter of 2024 is expected to be approximately $0.13 billion, or about 4.1% of the portfolio. Cumulative principal cash flow for the next four quarters through March 31, 2025 is expected to be approximately $1.10 billion, or about 35.7% of the portfolio.

We may increase or decrease our investment securities portfolio in future quarters based on changes in our liquidity position, prevailing market conditions and other factors.

Deposits and Liquidity

In recent years, we have worked to improve the mix and quality of our deposit base by focusing significant efforts on growing our core relationships. This groundwork has been very helpful in the current environment, allowing us to continue to grow deposits even as many banks have seen deposit outflows. Like many in the industry, we have seen a shift in the mix of deposits away from noninterest bearing and lower cost deposits to more time deposits as many customers have been taking advantage of increases in time deposit rates.

During the quarter just ended, our deposits grew to a record $29.41 billion, increasing $2.00 billion, or 7.3% not annualized. Over the last four quarters, our deposits increased $7.12 billion, or 32.0%, compared to March 31, 2023.

Most of our deposits are generated through our network of 228 retail branches in Arkansas, Georgia, Florida, North Carolina and Texas. Because of the substantial "retail" nature of our deposit base, 81% of our deposits are either insured (66% at March 31, 2024) or, in the case of public funds and certain other deposits, collateralized (15% at March 31, 2024). As of March 31, 2024, our average account balance was approximately $44,000. The diversity of our deposit base is an important factor in the stability of our deposits, as demonstrated in recent quarters.

Figure 25: Deposit Composition ($ millions)

	Period Ended									
	3/31/2023		6/30/2023		9/30/2023		12/31/2023		3/31/2024	
Noninterest Bearing	$ 4,420	19.8%	$ 4,535	18.9%	$ 4,284	16.8%	$ 4,096	14.9%	$ 4,046	13.8%
Consumer and Commercial										
Interest Bearing:										
Consumer - Non-time	3,490	15.7%	3,143	13.1%	2,928	11.5%	2,792	10.2%	2,807	9.5%
Consumer - Time	6,155	27.6%	7,499	31.3%	8,756	34.3%	10,216	37.3%	11,546	39.3%
Commercial - Non-time	2,487	11.2%	2,334	9.7%	2,321	9.1%	2,439	8.9%	2,860	9.7%
Commercial - Time	560	2.5%	621	2.6%	684	2.7%	768	2.8%	868	3.0%
Public Funds	2,325	10.4%	2,595	10.8%	2,992	11.7%	3,726	13.6%	3,631	12.3%
Brokered	2,104	9.5%	2,356	9.8%	2,775	10.9%	2,655	9.7%	2,842	9.7%
Reciprocal	743	3.3%	901	3.8%	813	3.0%	713	2.6%	805	2.7%
Total	$ 22,283	100.0%	$ 23,983	100.0%	$ 25,553	100.0%	$ 27,405	100.0%	$ 29,406	100.0%

We maintain substantial and diverse sources of available primary and secondary liquidity as reflected in Figure 26, which provides us adequate liquidity to operate at a high loan-to-deposit ratio.

Figure 26: Available Primary and Secondary Liquidity Sources as of March 31, 2024 *($ millions)*

	Total Capacity	Outstanding	Available Liquidity
Cash & Cash Equivalents	$ 2,324	$	$ 2,324
Unpledged Investment Securities	2,125		2,125
FHLB	10,019	3,499 *	6,520
Unsecured Lines of Credit	855	200	655
Fed Discount Window	369	-	369
Total	$ 15,692	$ 3,699	$ 11,993

* *FHLB Borrowings outstanding included $0 of borrowings outstanding and $3.50 billion of outstanding letters of credit at 3/31/24.*

As shown in Figure 27, over the last four quarters our aggregate sources of primary and secondary liquidity have steadily increased.

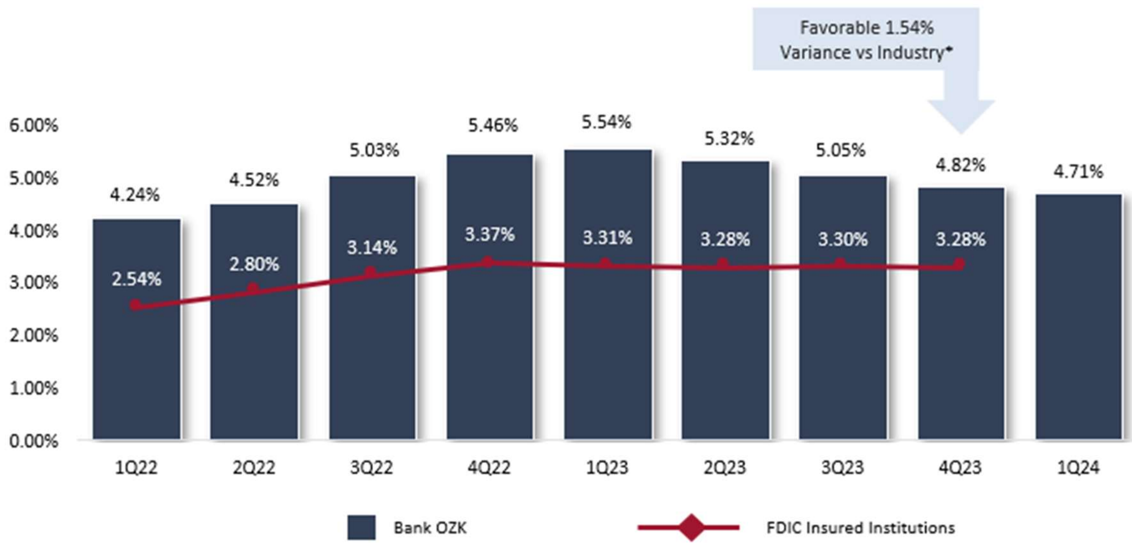
Figure 27: Available Primary and Secondary Liquidity – Last Five Quarters *($ millions)*

	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024
Cash & Cash Equivalents	$ 1,039	$ 1,455	$ 1,864	$ 2,150	$ 2,324
Unpledged Investment Securities	2,665	2,373	2,339	2,237	2,125
FHLB	4,782	5,054	4,850	5,243	6,520
Unsecured Lines of Credit	1,065	875	850	950	655
Fed Discount Window	404	376	364	357	369
Total	$ 9,956	$ 10,133	$ 10,267	$ 10,937	$ 11,993

Net Interest Margin and Core Spread

During the quarter just ended, our net interest margin was 4.71%, decreasing 11 bps and 83 bps from the fourth quarter of 2023 and first quarter of 2023, respectively. As shown in Figure 28, in the fourth quarter of 2023, the latest quarter for which comparative data is available, our net interest margin outperformed the industry by 154 bps.

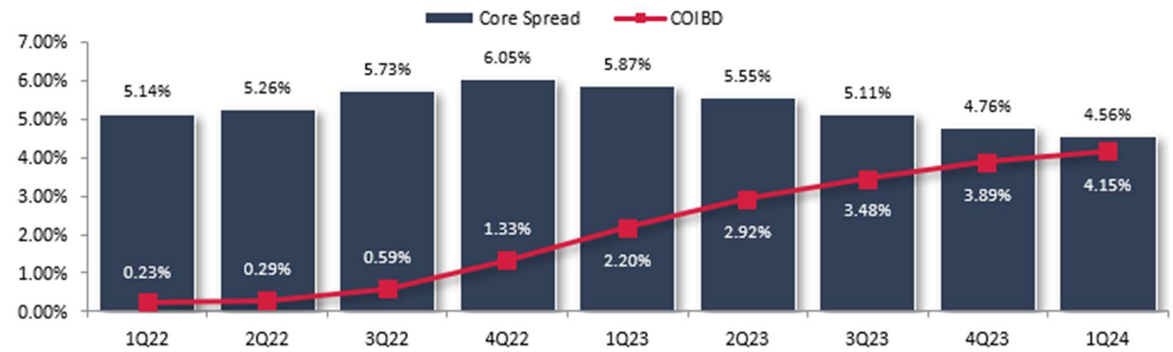
Figure 28: Quarterly Net Interest Margin (%)



*Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2023.

As reflected in Figure 29, during the quarter just ended, our core spread, which is how we describe the difference between our yield on non-purchased loans and our cost of interest bearing deposits ("COIBD"), was 4.56%, decreases of 20 bps and 131 bps from the fourth quarter of 2023 and first quarter of 2023, respectively, as deposit rates have been catching up with earlier increases in loan yields.

Figure 29: Core Spread and COIBD



	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Yield on Non-purchased loans	*5.37%*	*5.55%*	*6.32%*	*7.38%*	*8.07%*	*8.47%*	*8.59%*	*8.65%*	*8.71%*
COIBD	*0.23%*	*0.29%*	*0.59%*	*1.33%*	*2.20%*	*2.92%*	*3.48%*	*3.89%*	*4.15%*
Core Spread	*5.14%*	*5.26%*	*5.73%*	*6.05%*	*5.87%*	*5.55%*	*5.11%*	*4.76%*	*4.56%*

Over the last eight quarters since the Fed started increasing the Fed funds target rate, our non-purchased loan yields increased 334 bps while our COIBD increased 392 bps, resulting in a cumulative decrease in our core spread of 58 bps. However, over that same period, our net interest margin increased 47 bps benefitting from a shift in the mix of our average earning assets, among other factors.

Our core spread and, by extension, our net interest margin will likely remain under some pressure throughout 2024. We expect our COIBD will continue to increase over the next few quarters, albeit at a slowing pace. If the Fed begins to cut rates some time in 2024, we expect that our loan yields will initially decline more quickly than our COIBD.

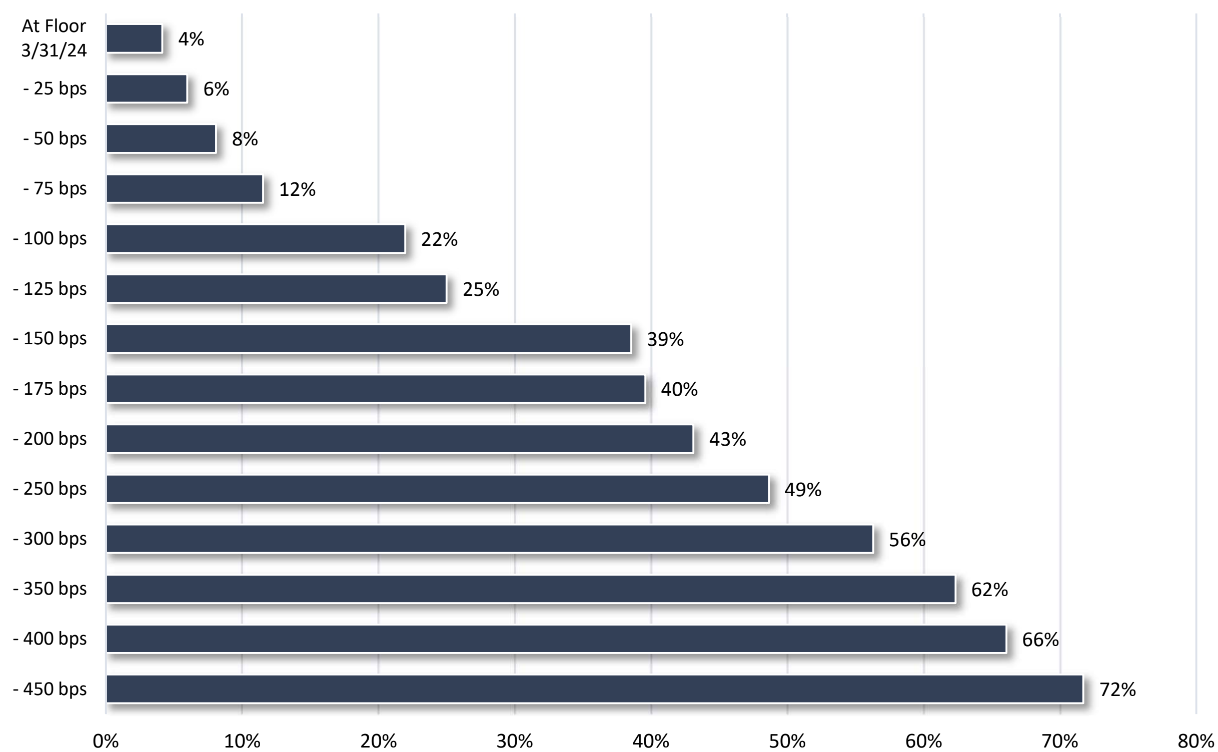
Over the course of 2025, a combination of (i) increasing average floor rates in our variable rate loan portfolio, (ii) significant repayments of lower rate investment securities, and (iii) shortening the duration of our time deposit book could help us achieve an inflection point in net interest margin.

Variable Rate Loans

At March 31, 2024, 82% of our funded balance of total loans had variable rates, of which 85% were tied to 1-month term SOFR, 13% to WSJ Prime and 2% to other indexes. At March 31, 2024, 99% of our total commitment of variable rate loans had floor rates.

Figure 30 illustrates the percentage of our total commitment of variable rate loans that would be at their floor rate following various decreases in the applicable index rate. We already have floor rates high enough on some loans to provide yield protection, and that protection becomes more prevalent as interest rates decline. We view "higher for longer" at current interest rate levels as likely being a net positive, because the longer we are at current rates, the greater our opportunity to reset loan floor rates. New variable rate loans are typically originated with floor rates closer to current rates, and older variable rate loans with lower floors are either paid off or, in many cases, modified with higher floor rates.

Figure 30: Variable Rate Loans at Floors as Rates Decline – Total Commitments as of March 31, 2024



Provision and Allowance for Credit Losses ("ACL")

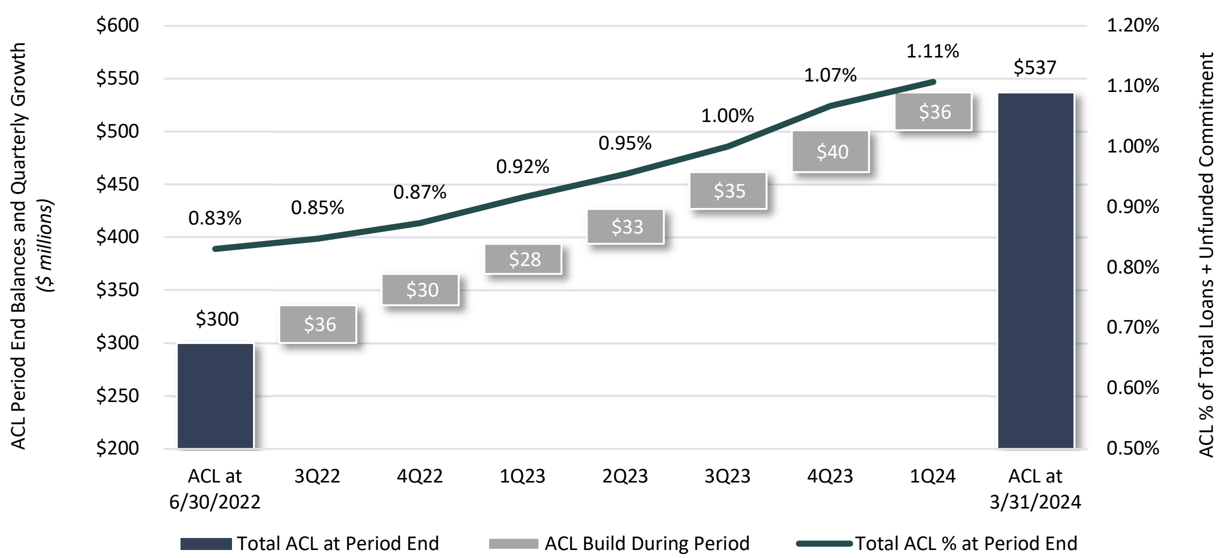
Our provision for credit losses was $42.9 million for the first quarter of 2024, while our net charge-offs were $7.3 million for the first quarter of 2024.

As of March 31, 2024, our total ACL was $536.9 million, or 1.11% of total outstanding loans and unfunded loan commitments. This included our allowance for loan losses ("ALL"), which was $365.9 million, or 1.31% of total outstanding loans, and our reserve for losses on our unfunded loan commitments, which was $171.0 million, or 0.84% of unfunded loan commitments.

As shown in Figure 31, over the last seven quarters we have increased our total ACL by a net $237 million. This large increase reflects both our $12.38 billion combined growth in total outstanding loans and unfunded loan commitments and our cautious outlook on macroeconomic conditions. This has resulted in cumulative provision expense of $280 million even as our cumulative net charge-offs were only $43 million.

Likewise, over those seven quarters, our overall ACL percentage has increased from 0.83% to 1.11% of total outstanding loans and unfunded loan commitments at March 31, 2024. This ACL percentage increase primarily reflects (i) changes in economic assumptions as the Fed has increased the Fed funds target rate by 525 bps and (ii) our more heavily weighting the Moody's downside macroeconomic scenarios than the Moody's Baseline scenario.

Figure 31: ACL Build – Last Seven Quarters



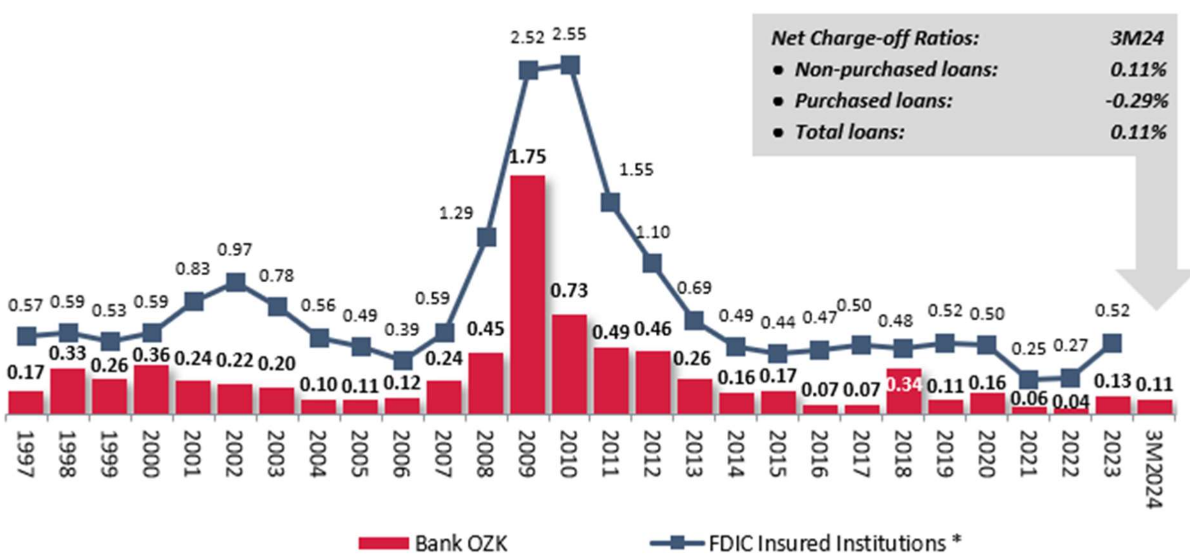
The calculations of our provision for credit losses for the first quarter of 2024 and our total ACL at March 31, 2024 were based on a number of key estimates, assumptions and economic forecasts. We utilized recent economic forecasts provided by Moody's, including their updates released in March 2024. In our selection of macroeconomic scenarios, we remained weighted to the downside as the combined weightings assigned to the Moody's S4 (Alternative Adverse Downside) and S6 (Stagflation) scenarios exceeded that of the Moody's Baseline scenario. Our selection and weightings of these scenarios reflected our assessment of conditions in the U.S. economy, and acknowledged the uncertainty regarding future U.S. economic conditions, including risks from: a possible recession, inflationary pressures, U.S. fiscal policy actions, quantitative tightening, changes in the Fed funds target rate, the conflict in the Middle East, the ongoing war in Ukraine, global trade and geopolitical matters, supply chain disruptions and various other factors. Our ACL calculations include certain qualitative adjustments to capture items not fully reflected in our modeled results.

Net Charge-Offs

We have continued our long-standing track record of having net charge-off ratios well below industry averages, as shown in Figure 32. In the quarter just ended, our annualized net charge-off ratio for total loans was 0.11%. In our 27 years as a public company, our net charge-off ratio has outperformed the industry's net charge-off ratio every year and has averaged only about one-third of the industry's net charge-off ratio.

We have built our portfolio with the goal that it will perform well in adverse conditions, and that discipline has been evident in our recent results through the pandemic, the Fed's increasing interest rates, higher rates of inflation, and numerous other sources of macroeconomic, political and geo-political turbulence. Given our cautious outlook regarding uncertainty with economic conditions, given that "higher for longer" means challenges for some borrowers, and consistent with recent industry trends, we expect we may see increased net charge-offs in 2024. Our net charge-off ratio may vary significantly from quarter to quarter, but we expect to remain below the industry average for the full year of 2024.

Figure 32: Annualized Net Charge-off Ratio (Total Loans) vs. the Industry



**Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2023.*
Annualized when appropriate.

Our RESG portfolio has a long tradition of excellent asset quality. As shown in Figure 33, we have had relatively low charge-offs in the RESG portfolio as that portfolio has benefitted from the fact that most of its loans are on newly constructed properties with strong sponsorship, low leverage and protective loan structures. In fact, the weighted average annual net charge-off ratio (including OREO write-downs) for the RESG portfolio over its 21-year history is 8 bps.

With occasional exceptions, we expect most sponsors will continue to support their properties, if needed, through times of economic stress until business or economic conditions normalize. RESG's focus on our sponsors' capabilities and character is especially important in challenging times. Our low leverage and protective loan structures provide strong motivation for sponsors to support their newly constructed properties.

Figure 33 - RESG Historical Net charge-offs *($ Thousands)*

Year-end	Ending Loan Balance	YTD Average Loan Balance	Net charge-offs ("NCO")*	NCO Ratio**
2003	$ 5,106	$ 780	$ -	0.00%
2004	52,658	34,929	-	0.00%
2005	51,056	56,404	-	0.00%
2006	61,323	58,969	-	0.00%
2007	209,524	135,639	-	0.00%
2008	470,485	367,279	-	0.00%
2009	516,045	504,576	7,531	1.49%
2010	567,716	537,597	-	0.00%
2011	649,806	592,782	2,905	0.49%
2012	848,441	737,136	-	0.00%
2013	1,270,768	1,085,799	-	0.00%
2014	2,308,573	1,680,919	-	0.00%
2015	4,263,800	2,953,934	-	0.00%
2016	6,741,249	5,569,287	-	0.00%
2017	8,169,581	7,408,367	842	0.01%
2018	9,077,616	8,685,191	45,490	0.52%
2019	9,391,096	9,427,266	-	0.00%
2020	11,591,147	10,651,549	-	0.00%
2021	11,367,505	11,149,098	1,891	0.02%
2022	12,598,957	11,590,988	-	0.00%
2023	16,922,002	14,531,838	4,955	0.03%
3/31/24	18,111,252	17,644,042	4,964	0.11%
Total			**$ 68,578**	

Weighted Average	**0.08%**

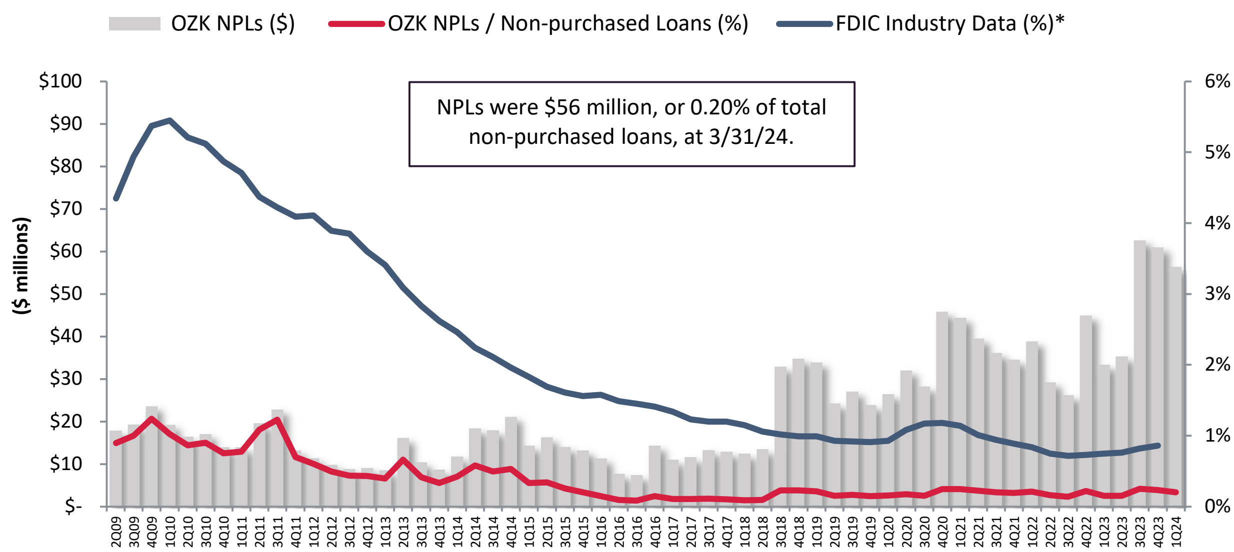
** Net charge-offs shown in this column reflect both net charge-offs and OREO write-downs.*

*** Annualized.*

Other Asset Quality Measures

As shown in Figures 34, 35 and 36, the dollar volumes of our nonperforming non-purchased loans, nonperforming assets and past due non-purchased loans continued our longstanding track record of performing well relative to industry averages, and we expect that favorable performance to continue.

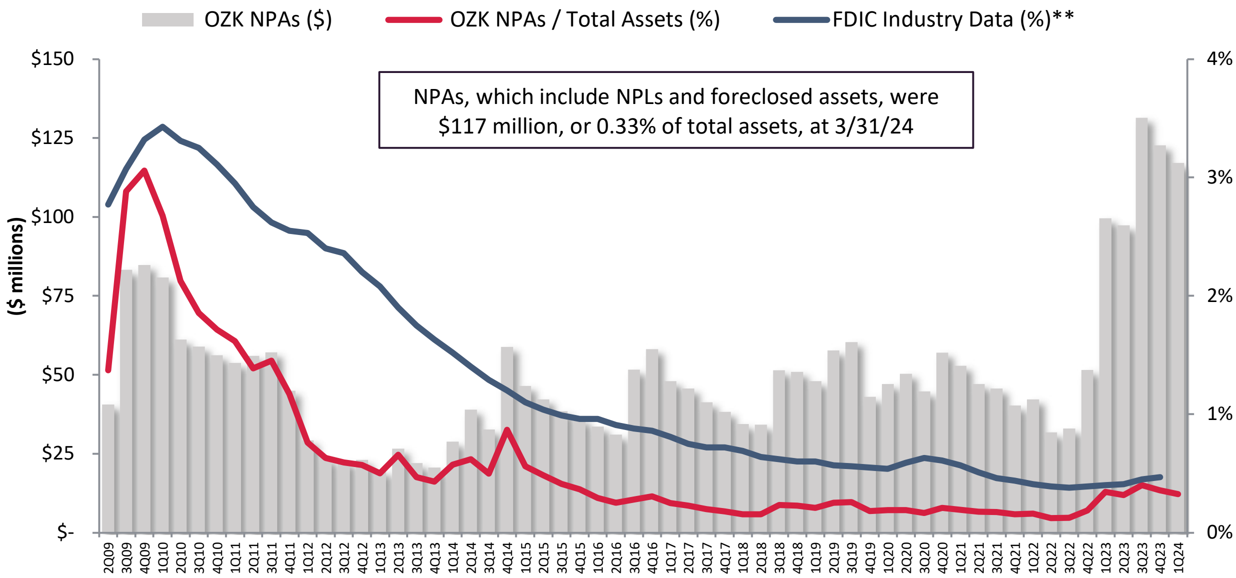
Figure 34: Nonperforming Non-purchased Loans ("NPLs")



** Note: Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2023. Percent of Loans Noncurrent is the percentage of loans that are past due 90 days or more or that are in nonaccrual status.*

At March 31, 2024, our ratio of nonperforming non-purchased loans to total loans (excluding purchased loans) was 0.20% compared to 0.23% as of December 31, 2023 and 0.15% as of March 31, 2023.

Figure 35: Nonperforming Assets ("NPAs")

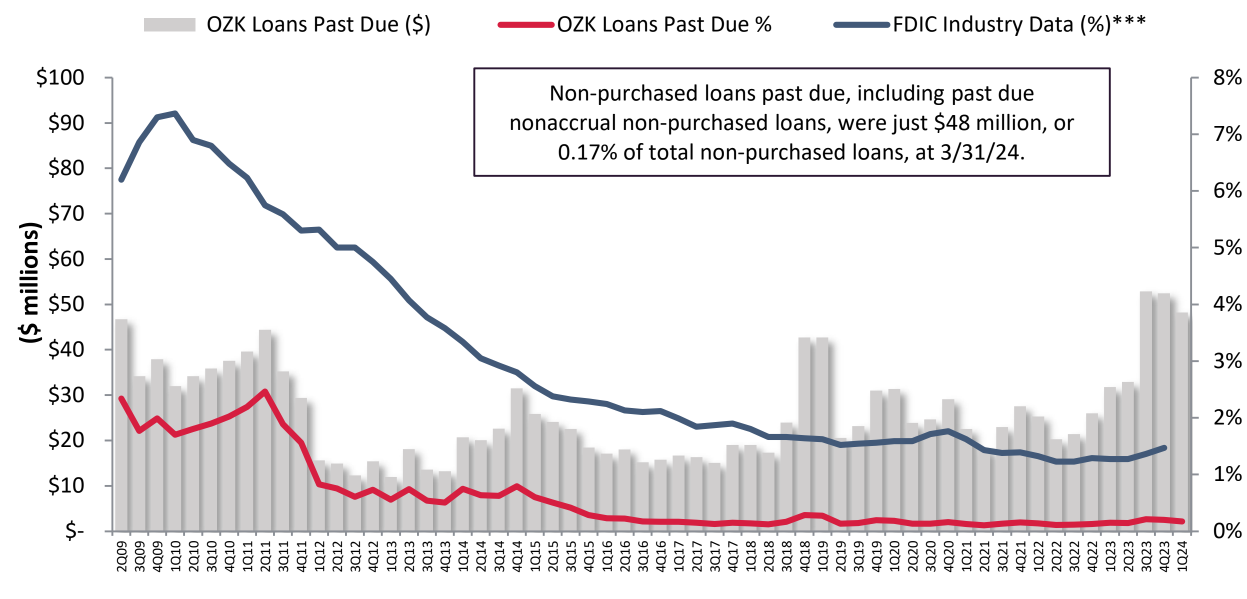


*** Note: Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2023. Noncurrent assets plus other real estate owned to assets (%).*

At March 31, 2024, our ratio of nonperforming assets to total assets (excluding purchased loans, except for their inclusion in total assets) was 0.33% compared to 0.36% as of December 31, 2023 and 0.34% as of March 31, 2023. Our NPAs at March 31, 2024 consisted of $56.3 million of NPLs and $60.8 million of foreclosed assets.

As we have discussed in our last two Management Comments documents, our largest foreclosed asset ($59.96 million) was under a conditional sales contract with closing expected to occur in March 2024. While we would have preferred to announce that this sale had closed during the quarter just ended, we are pleased to report the potential purchaser continues to expend resources and energy in pursuit of this transaction. Given the complexity of this project, the potential purchaser requested, and we granted, four additional three-month extension options, each with a $1 million extension fee and a $1 million non-refundable earnest money deposit. In March, the potential purchaser paid the $1 million quarterly contract extension fee and deposited the $1 million in non-refundable earnest money for the initial three-month extension. The contract continues to be subject to typical due diligence and closing conditions. If this contract closes, closing could occur any time between now and March 2025, depending on the number of contract extension options exercised, and should result in no loss on sale.

Figure 36: Non-purchased Loans Past Due 30+ Days, Including Past Due Nonaccrual Non-purchased Loans ("Loans Past Due")



**** Note: Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2023. Percent of Loans Noncurrent + Percent of Loans 30-89 Days Past Due.*

At March 31, 2024, our ratio of non-purchased loans past due to total non-purchased loans was 0.17%, compared to 0.20% at December 31, 2023 and 0.15% as of March 31, 2023.

Non-interest Income

Non-interest income for the first quarter of 2024 was $29.1 million, an increase of 4.6% from the first quarter of 2023, but a decrease of 21.5% from the fourth quarter of 2023 when we had elevated income from both BOLI death benefits and gains on sales of other assets. We eliminated non-sufficient funds ("NSF") fees effective January 1, 2024. Figures 37 and 38, respectively, summarize non-interest income for the most recent five quarters and year-over-year trends for the first quarter of 2024.

Figure 37: Quarterly Trends in Non-interest Income *($ thousands)*

	For the Three Months Ended				
	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024
Service charges on deposit accounts:					
NSF fees	$ 991	$ 1,004	$ 1,102	$ 1,129	$ -
Overdraft fees	3,287	3,369	3,606	3,571	3,427
All other service charges	6,502	7,187	6,973	7,333	6,839
Trust income	2,033	2,113	2,213	2,165	2,324
BOLI income:					
Increase in cash surrender value	4,974	5,069	5,252	5,401	5,506
Death benefit	-	-	-	2,966	-
Loan service, maintenance and other fees	4,076	4,095	3,995	6,755	6,343
Net gains / (loss) on investment securities - Trading	1,716	620	(270)	1,177	410
Gains on sales of other assets	343	5,033	364	3,288	459
Other	3,887	3,497	2,492	3,242	3,776
Total non-interest income	$ 27,809	$ 31,987	$ 25,727	$ 37,027	$ 29,084

Figure 38: Trends in Non-interest Income – 2023 vs. 2024 *($ thousands)*

	For the Three Months Ended		
	3/31/2023	3/31/2024	% Change
Service charges on deposit accounts:			
NSF fees	$ 991	$ -	-100.0%
Overdraft fees	3,287	3,427	4.3%
All other service charges	6,502	6,839	5.2%
Trust income	2,033	2,324	14.3%
BOLI income:			
Increase in cash surrender value	4,974	5,506	10.7%
Death benefit	-	-	-
Loan service, maintenance and other fees	4,076	6,343	55.6%
Net gains / (loss) on investment securities - Trading	1,716	410	-76.1%
Gains on sales of other assets	343	459	33.8%
Other	3,887	3,776	-2.9%
Total non-interest income	$ 27,809	$ 29,084	4.6%

Non-interest Expense

Non-interest expense for the first quarter of 2024 was $133.3 million, an increase of 5.6% from the first quarter of 2023, but a decrease of 8.1% from the fourth quarter of 2023. The Federal Deposit Insurance Corporation (the "FDIC") recently approved a second special assessment applicable to banks generally. During the quarter just ended, we fully accrued and expensed $2.5 million for this second special assessment after having accrued $9.9 million for the initial special assessment during the fourth quarter of 2023.

During 2023 and the first quarter of 2024, increases in salaries and employee benefits expense were significant contributors to increased non-interest expense. This escalation in salaries and benefits expense has been driven by competitive labor market conditions and our expanding staff. During the quarter just ended, our headcount increased to 2,793 FTE employees, increases of 49 and 112 FTE employees compared to the fourth quarter and first quarter of 2023, respectively. We expect further growth in headcount to support our anticipated growth in deposits, loans and other aspects of our business.

Current economic conditions have presented opportunities to add high-quality members to a number of our teams. We expect to continue to add more high-quality team members, as well as new branches, both of which may result in further increases in non-interest expense, while providing future growth opportunities.

We continue to expect total non-interest expense for the full year 2024 to increase at a percentage rate in the low-single-digits compared to $529.6 million for the full year 2023.

Figures 39 and 40, respectively, summarize non-interest expense for the most recent five quarters and year-over-year trends for the first quarter of 2024.

Figure 39: Quarterly Trends in Non-interest Expense *($ thousands)*

	For the Three Months Ended				
	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024
Salaries & employee benefits	$ 63,249	$ 65,219	$ 64,107	$ 66,270	$ 69,564
Net occupancy and equipment	17,870	19,476	17,797	17,234	17,974
Deposit insurance and assessments	4,148	4,900	5,500	15,803	8,250
Software and data processing	9,283	9,768	9,584	10,577	11,115
Professional and outside services	5,105	5,445	4,640	6,233	5,970
Advertising and public relations	4,036	3,184	3,779	5,153	3,897
Amortization of CRA and tax credit investments	6,414	5,566	8,171	7,618	-
Other	16,112	15,797	15,400	16,123	16,544
Total non-interest expense	$ 126,217	$ 129,355	$ 128,978	$ 145,011	$ 133,314

Figure 40: Trends in Non-interest Expense – 2023 vs. 2024 *($ thousands)*

	For the Three Months Ended		
	3/31/2023	3/31/2024	% Change
Salaries & employee benefits	$ 63,249	$ 69,564	10.0%
Net occupancy and equipment	17,870	17,974	0.6%
Deposit insurance and assessments	4,148	8,250	98.9%
Software and data processing	9,283	11,115	19.7%
Professional and outside services	5,105	5,970	16.9%
Advertising and public relations	4,036	3,897	-3.4%
Amortization of CRA and tax credit investments	6,414	-	-100.0%
Other	16,112	16,544	2.7%
Total non-interest expense	$ 126,217	$ 133,314	5.6%

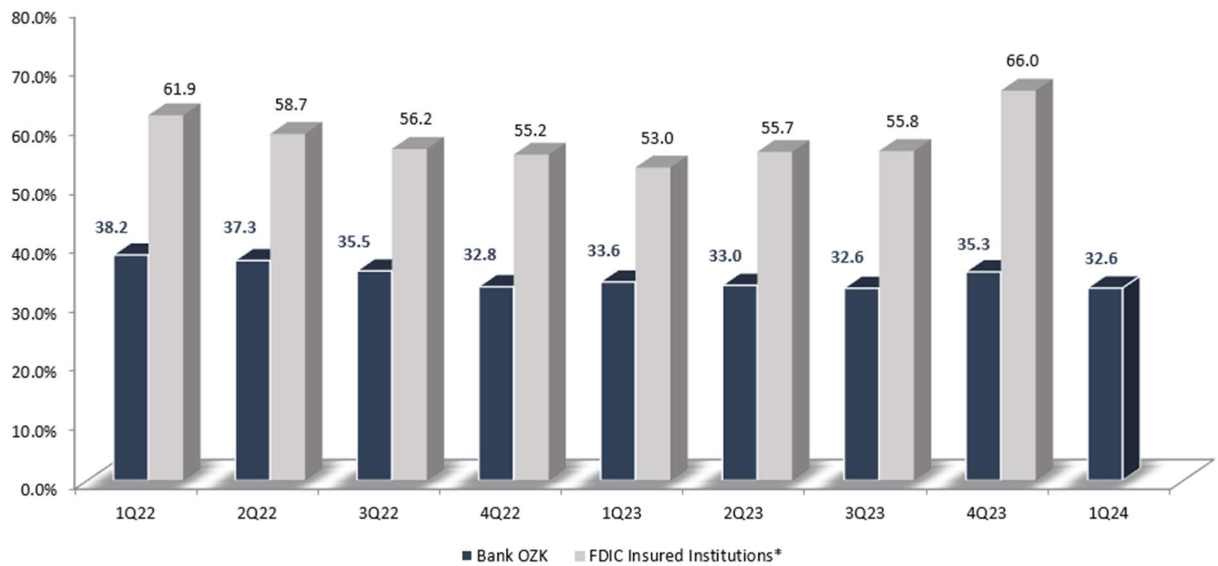
Effective January 1, 2024, we made an election to account for our tax credit investments using the proportional amortization method under *Accounting Standards Update 2023-02*, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. We adopted this new standard on a prospective basis for all of our tax credit investments. Prior to the adoption of this standard, we accounted for the amortization of our CRA and tax credit investments in non-interest expense and the impact of the associated income tax credits were accounted for as a component of income tax expense. Under the newly-adopted proportional amortization method, both the amortization and income tax benefits received will be included as components of income tax expense. As seen in our results for the quarter just ended, this change in accounting method resulted in a reduction of non-interest expense and an increase in income tax expense compared to our previous methodology.

Efficiency Ratio

As shown in Figure 41, in the quarter just ended, our efficiency ratio was 32.6%. Our efficiency ratio has been in the top decile of the industry for 22 consecutive years.*

Most banks with a good efficiency ratio focus relentlessly on controlling costs. We take a different approach. We achieve our excellent efficiency ratio by pursuing a business model that generates strong revenue. This allows us to be highly efficient while also constantly improving our products and technology for our customers and providing competitive pay and benefits for our teammates.

Figure 41: Quarterly Efficiency Ratio (%)



** Data from S&P Capital IQ.*

*** Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2023.*

Effective Tax Rate

Our effective tax rate for the quarter just ended was 23.6%. Assuming no changes in applicable state or federal income tax rates, we expect our effective tax rate for the full year of 2024 to be between 23% and 24%. Our expected effective tax rate for 2024 is higher than our effective tax rate in 2023 primarily due to the change in accounting methodology, described above, related to the amortization of our investments in low-income housing, renewable energy and other tax credits.

Capital and Dividends

Our strong earnings and earnings retention rate, among other factors, have contributed to our robust capital ratios, as shown in Figure 42, even with our excellent growth in total assets. Our Tier 1 Leverage and tangible common equity ratios remain among the highest in the industry. Our strong earnings and earnings retention should contribute to maintaining our risk-based capital ratios near current levels.

Our strong capital position gives us significant optionality and is expected to support organic loan growth, adding new business lines, increases in our quarterly cash dividend, and, if appropriate, acquisitions or stock repurchases.

Figure 42: Capital Ratios

	Estimated 3/31/2024 [4]	Regulatory Minimum Required To Be Considered Well Capitalized	Capital in Excess of Well Capitalized Minimum
CET 1 Ratio*	10.62%	6.50%	4.12%
Tier 1 Ratio*	11.44%	8.00%	3.44%
Total RBC Ratio*	13.83%	10.00%	3.83%
Tier 1 Leverage	13.57%	5.00%	8.57%

** Ratios are risk-based*

We have increased our cash dividend in each of the last 55 quarters and every year since going public in 1997. We expect that we will continue to increase our cash dividend in future quarters.

[4] Ratios as of March 31, 2024 are preliminary estimates and are subject to revision upon filing of our FFIEC 041 Call Report.

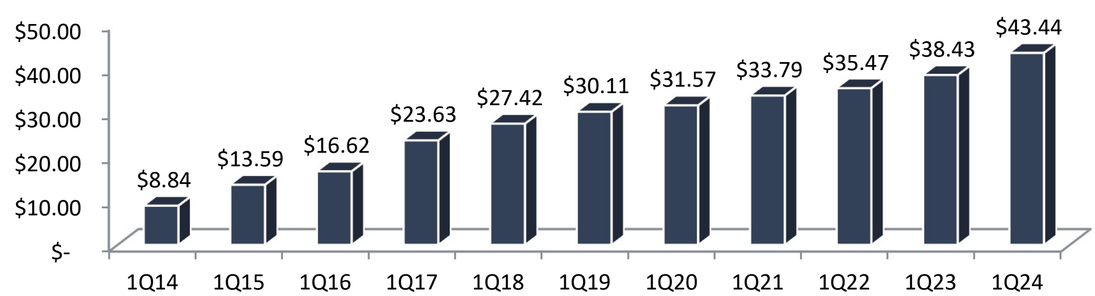
Stock Repurchase Program

Since 2021, we have had an active stock repurchase program. In light of our substantial growth in 2023 and expectations for further growth in 2024, we have chosen, for the time being, to not pursue an additional stock repurchase program. In evaluating whether or not we will pursue future stock repurchases, management will consider a variety of factors including our expected growth, stock price, capital position, regulatory requirements and other factors.

Book Value and Tangible Book Value

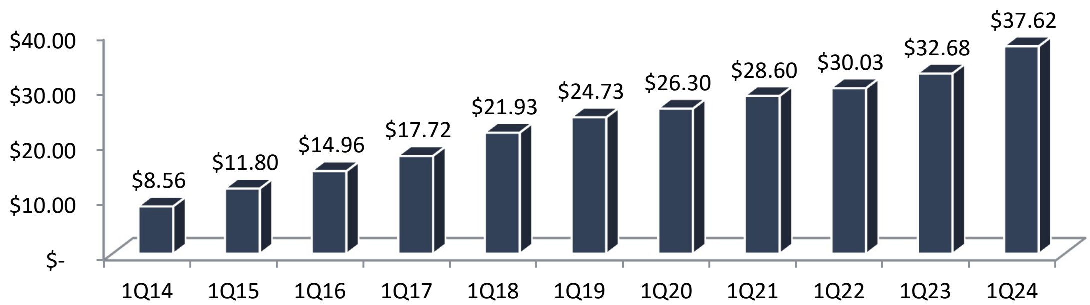
During the quarter just ended, our book value per common share increased to $43.44, a 13.0% increase from March 31, 2023. Over the last 10 years, we have increased book value per common share by a cumulative 391%, resulting in a compound annual growth rate of 17.3%, as shown in Figure 43.

Figure 43: Book Value per Share (Period End)



During the quarter just ended, our tangible book value per common share increased to $37.62, a 15.1% increase from March 31, 2023. Over the last 10 years, we have increased tangible book value per common share by a cumulative 340%, resulting in a compound annual growth rate of 16.0%, as shown in Figure 44.

Figure 44: Tangible Book Value per Share (Period End) [5]



Secondary Market Mortgage Lending

We have previously discussed that we were building a secondary market mortgage business to serve our customers' mortgage banking needs. We have taken a measured approach to building this business, including the team, technology, compliance, governance and risk infrastructure. As of today, we are taking applications and expect our team and production to grow throughout the remainder of 2024 and 2025. We believe mortgage banking will provide additional service to our customers and eventually contribute to our profitability.

Final Thoughts

Our goal for 2024 is to improve on our record annual net income and diluted earnings per share achieved in 2023. We believe that is a reasonable goal, notwithstanding what appears likely to remain a challenging macroeconomic environment. Our record net income and record diluted earnings per share in the quarter just ended are an excellent start to 2024. We feel that we are well positioned for the year, and we look forward to capitalizing on new opportunities.

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[5] See the schedule at the end of this presentation for the reconciliation of tangible book value per common share to the most directly comparable GAAP measure.

Non-GAAP Reconciliations

Calculation of Average Common Stockholders’ Equity, Average Tangible Common Stockholders’ Equity and the Annualized Returns on Average Common Stockholders’ Equity and Average Tangible Common Stockholders’ Equity

Unaudited (Dollars in Thousands)

	Three Months Ended *	
	3/31/2023	3/31/2024
Net Income Available To Common Stockholders	$ 165,853	$ 171,490
Average Stockholders' Equity Before Noncontrolling Interest	4,751,481	5,210,418
Less Average Preferred Stock	(338,980)	(338,980)
Total Average common stockholders' equity	4,412,501	4,871,438
Less Average Intangible Assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(2,243)	-
Total Average Intangibles	(663,032)	(660,789)
Average Tangible Common Stockholders' Equity	$ 3,749,469	$ 4,210,649
Return On Average Common Stockholders' Equity	15.24%	14.16%
Return On Average Tangible Common Stockholders' Equity	17.94%	16.38%

* Ratios for interim periods annualized based on actual days

Calculation of Pre-Tax Pre-Provision Net Revenue

Unaudited (Dollars in Thousands)

	Three Months Ended	
	3/31/2023	3/31/2024
Net income available to common stockholders	$ 165,853	$ 171,490
Preferred stock dividends	4,047	4,047
Earnings attributable to noncontrolling interest	12	18
Provision for income taxes	40,703	54,226
Provision for credit losses	35,829	42,923
Pre-tax pre-provision net revenue	$ 246,444	$ 272,704

Calculation of Total Common Stockholders' Equity, Total Tangible Common Stockholders' Equity and Tangible Book Value per Share

Unaudited (Dollars in Thousands, Except per Share)

	As of March 31,					
	2014	2015	2016	2017	2018	2019
Total stockholders' equity before noncontrolling interest	$ 653,208	$ 1,179,256	$ 1,508,080	$ 2,873,317	$ 3,526,605	$ 3,882,643
Less preferred stock	-	-	-	-	-	-
Total common stockholders' equity	653,208	1,179,256	1,508,080	2,873,317	3,526,605	3,882,643
Less intangible assets:						
Goodwill	(5,243)	(125,603)	(125,693)	(660,789)	(660,789)	(660,789)
Core deposit and other intangibles, net of accumulated amortization	(15,750)	(29,907)	(25,172)	(57,686)	(45,107)	(32,527)
Total intangibles	(20,993)	(155,510)	(150,865)	(718,475)	(705,896)	(693,316)
Total tangible common stockholders' equity	$ 632,215	$ 1,023,746	$ 1,357,215	$ 2,154,842	$ 2,820,709	$ 3,189,327
Common shares outstanding (thousands)	73,888	86,758	90,714	121,575	128,612	128,948
Book value per common share	$ 8.84	$ 13.59	$ 16.62	$ 23.63	$ 27.42	$ 30.11
Tangible book value per common share	$ 8.56	$ 11.80	$ 14.96	$ 17.72	$ 21.93	$ 24.73

	As of March 31,					As of
	2020	2021	2022	2023	2024	Dec. 31, 2022
Total stockholders' equity before noncontrolling interest	$ 4,083,150	$ 4,383,205	$ 4,690,057	$ 4,761,927	$ 5,266,847	$ 5,139,001
Less preferred stock	-	-	(338,980)	(338,980)	(338,980)	(338,980)
Total common stockholders' equity	4,083,150	4,383,205	4,351,077	4,422,947	4,927,867	4,800,021
Less intangible assets:						
Goodwill	(660,789)	(660,789)	(660,789)	(660,789)	(660,789)	(660,789)
Core deposit and other intangibles, net of accumulated amortization	(20,958)	(12,939)	(6,757)	(1,565)	-	-
Total intangibles	(681,747)	(673,728)	(667,546)	(662,354)	(660,789)	(660,789)
Total tangible common stockholders' equity	$ 3,401,403	$ 3,709,477	$ 3,683,531	$ 3,760,593	$ 4,267,078	$ 4,139,232
Common shares outstanding (thousands)	129,324	129,719	122,677	115,080	113,435	113,149
Book value per common share	$ 31.57	$ 33.79	$ 35.47	$ 38.43	$ 43.44	$ 42.42
Tangible book value per common share	$ 26.30	$ 28.60	$ 30.03	$ 32.68	$ 37.62	$ 36.58

Note: All share and per share data adjusted to reflect impact of 2-for-1 stock split on June 23, 2014.

Calculation of Total Common Stockholders' Equity, Total Tangible Common Stockholders' Equity and the Ratio of Total Tangible Common Stockholders' Equity to Total Tangible Assets

Unaudited (Dollars in Thousands, Except per Share)

	March 31, 2024
Total stockholders' equity before noncontrolling interest	$ 5,266,847
Less preferred stock	(338,980)
Total common stockholders' equity	4,927,867
Less intangible assets:	
Goodwill	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	-
Total intangibles	(660,789)
Total tangible common stockholders' equity	$ 4,267,078
Total assets	$ 36,029,904
Less intangible assets:	
Goodwill	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	-
Total intangibles	(660,789)
Total tangible assets	35,369,115
Ratio of total common stockholders' equity to total assets	13.68%
Ratio of total tangible common stockholders' equity to total tangible assets	12.06%