



MANAGEMENT COMMENTS
FOR THE FIRST QUARTER 2020

APRIL 23, 2020

FORWARD LOOKING STATEMENTS

This presentation and other communications by Bank OZK (the “Bank”) include certain “forward-looking statements” regarding the Bank’s plans, expectations, thoughts, beliefs, estimates, goals and outlook for the future that are intended to be covered by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management’s expectations as well as certain assumptions and estimates made by, and information available to, management at the time. Those statements are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to: potential delays or other problems implementing the Bank’s growth, expansion and acquisition strategies, including delays in identifying satisfactory sites, hiring or retaining qualified personnel, obtaining regulatory or other approvals, obtaining permits and designing, constructing and opening new offices or relocating or closing existing offices; the ability to enter into and/or close additional acquisitions; the availability of and access to capital; possible downgrades in the Bank’s credit ratings or outlook which could increase the costs or availability of funding from capital markets; the ability to attract new or retain existing or acquired deposits or to retain or grow loans, including growth from unfunded closed loans; the ability to generate future revenue growth or to control future growth in non-interest expense; interest rate fluctuations, including changes in the yield curve between short-term and long-term interest rates or changes in the relative relationships of various interest rate indices; the potential impact of the proposed phase-out of LIBOR or other changes involving LIBOR; competitive factors and pricing pressures, including their effect on the Bank’s net interest margin or core spread; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions and the costs and expenses to comply with new and/or existing legislation and regulatory actions, including those in response to the coronavirus (COVID-19) pandemic such as the Coronavirus Aid, Relief and Economic Security Act and any similar or related rules and regulations; changes in U.S. government monetary and fiscal policy; the ability to keep pace with technological changes, including changes regarding maintaining cybersecurity; FDIC special assessments or changes to regular assessments; the impact of failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business, including as a result of cyber-attacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting the Bank or its customers; natural disasters or acts of war or terrorism; the adverse effects of the ongoing global COVID-19 pandemic, including the magnitude and duration of the pandemic and actions taken to contain or treat COVID-19, on the Bank, the Bank’s customers, the global economy and financial markets; international or political instability; impairment of our goodwill or other intangible assets; adoption of new accounting standards, including the effects from the adoption of the current expected credit loss (“CECL”) model on January 1, 2020, or changes in existing standards; and adverse results (including costs, fines, reputational harm and/or other negative effects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions or rulings as well as other factors identified in this communication or as detailed from time to time in our public filings, including those factors described in the disclosures under the headings “Forward-Looking Information” and “Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K for the year ended December 31, 2019 and our quarterly reports on Form 10-Q. Should one or more of the foregoing risks materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those projected in, or implied by, such forward-looking statements. The Bank disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise.

Summary

At Bank OZK one of our core tenets is that Teamwork Rocks, and that has never been more evident than during the COVID-19 pandemic. Our exceptional team implemented our long-standing pandemic plan, while focusing on our employees, customers and communities. For our employees, we adopted a new COVID-19 paid leave policy, quickly adapted our technology to support over 900 team members working from home, and reallocated resources between departments to account for rapidly-changing business needs. Even as our employees were adjusting to significant disruptions in their personal and family lives, they maintained their focus at work and have continued to do a fabulous job. We are so proud of our team!

We maintained a strong focus on our customers. Our team redesigned customer/branch interactions to maximize social distancing while continuing to provide great personal service, expanded customer care center hours, enhanced our online CD-opening process, and enhanced our online and mobile banking platforms. Additionally, we implemented our Disaster Relief Loan Program, which, as of April 22, 2020, had provided short-term payment deferrals on 1,675 loans totaling \$356 million. We deployed an OZK Labs designed process to handle loans under the Small Business Administration's Paycheck Protection Program ("PPP"), and through April 16, 2020, we had funded 2,076 PPP loans with a balance of \$325 million.

During the quarter we capitalized on market dislocations by purchasing high-quality, short-term municipal bonds at favorable prices, achieved significant adjustments in the mix, duration and stability of our deposit base, quickly adjusted loan pricing and underwriting standards for the risks resulting from rapid changes in employment and business conditions, and continued to enhance our corporate infrastructure, all while continuing to serve our customers and communities with excellence.

The COVID-19 pandemic significantly impacted the global economy at the same time as we implemented the Current Expected Credit Losses ("CECL") method to calculate our allowance for credit losses ("ACL"). CECL requires us to maintain an ACL equal to our expected cumulative total credit losses over the life of our portfolio. During the quarter just ended, the sudden and severe economic downturn in tandem with CECL's "life of portfolio cumulative total losses" concept resulted in our incurring a provision for credit losses of \$117.7 million, which was 27.4 times our actual net charge offs of \$4.29 million. Our core earnings power was clearly on display in our results for the quarter just ended as, even after this unprecedented provision expense, we had net income of \$11.9 million.

As of year-end 2019, our Tier-1 Leverage Capital Ratio (“Leverage Ratio”) was the highest among the 100 largest banks in the United States.¹ Even after our Day 1 CECL transition adjustment of \$94.5 million and the \$117.7 million provision expense in the quarter just ended, our Leverage Ratio was 14.6%, which we believe to be among the very best in the industry and almost three times the Basel III Leverage Ratio required to be considered “well-capitalized.” Our strong capital position has us very well positioned to navigate the economic environment resulting from the COVID-19 pandemic and to capitalize on future opportunities.

Our primary focus has always been maintaining our excellent asset quality, with returns and growth being secondary and tertiary considerations. We maintained this discipline even as competition for loans intensified in recent years, and we believe this discipline positions us favorably to deal with the challenging economic impact of the COVID-19 pandemic.

Despite all the turbulence in the quarter just ended, our asset quality held up well. For the first quarter of 2020 our annualized net charge-off ratio for total loans was 0.10%, continuing our decades-long track record of maintaining a net charge-off ratio better than the industry average. At March 31, 2020, excluding purchased loans, our ratio of nonperforming loans to total loans was 0.16% and our ratio of nonperforming assets to total assets was 0.19%.

CECL

We adopted CECL on January 1, 2020, resulting in a \$39.6 million increase in our ACL for outstanding loans and a new \$54.9 million reserve for unfunded loan commitments. These transition adjustments were recorded as a cumulative effect of a change in accounting principles and reduced our retained earnings by \$75.3 million, net of related tax effects. For regulatory reporting purposes, we expect to utilize the three-year phase-in method of inclusion of the Day-1 adoption of CECL in our regulatory capital ratios.

Our total provision expense for the quarter just ended of \$117.7 million included \$94.9 million related to our ACL for outstanding loans and \$22.8 million related to our reserve for potential losses on unfunded loan commitments. This increased our ACL for outstanding loans to \$238.7 million, or 1.31% of total loans, and increased our reserve for potential losses on unfunded loan commitments to \$77.7 million, or 0.69% of unfunded loan commitments, bringing our total ACL and reserve to \$316.4 million.

¹ Source: S&P Global Market Intelligence data based on total assets for both public and non-public banks as of December 31, 2019.

The calculations of our provision expense for the first quarter of 2020 and our total ACL at March 31, 2020 were based on a number of key estimates, assumptions and economic forecasts. We utilized several economic forecasts provided by Moody's, including their baseline forecast that was updated on March 27, 2020 and certain of their other economic scenarios, including forecasts with both more and less severe outcomes than their baseline forecast. These forecasts were based on a number of economic variables, including gross domestic product, unemployment rates, and commercial and residential real estate prices, among others. For purposes of the forecasts used in our CECL models, we assume a reasonable and supportable forecast period of two years, followed by a reversion of estimated losses back to our historical mean. The Moody's March 27, 2020 baseline forecast, which was the most heavily weighted of the Moody's forecasts we used, assumed a GDP growth rate of negative 18% and an unemployment rate of nearly 9% in the second quarter of 2020, followed by a recovery in the second half of 2020. We also utilized certain qualitative overlays to increase our ACL and reserve estimates in order to capture items that we believed were not fully reflected in the various economic forecasts we utilized and our modeled results.

CECL will increase volatility from quarter to quarter in our provision for credit losses and associated ACL and reserve. The current situation surrounding the COVID-19 pandemic continues to evolve, and the ultimate depth and duration of resulting economic impacts are not yet fully known. If economic conditions deteriorate further relative to our underlying assumptions as of March 31, 2020, then our provision expense in future quarters may again be unusually large. If future economic conditions align with our projections, then our provision expense in future quarters should primarily reflect provision expense needed to cover loan growth. In the most optimistic scenario, if economic conditions materially improve relative to our projections, then our provision expense in some future quarters could be zero or negative.

Profitability and Earnings Metrics

In addition to our unusually large provision expense related to the COVID-19 pandemic, our net income for the first quarter of 2020 was also significantly impacted by the Federal Reserve's ("Fed's") quick actions in cutting the Fed funds target rate to near zero. Due to the Fed's 50 basis point cut on March 3, 2020 and 100 basis point cut on March 16, 2020, our loan yields dropped much faster than we could adjust deposit rates, adversely impacting our net interest margin. We expect it will take us several quarters to adjust our deposit rates downward to align more closely with the reductions in our loan yields.

Net income for the first quarter of 2020 was \$11.9 million, an 89.3% decrease from \$110.7 million for the first quarter of 2019. Diluted earnings per common share for the first quarter of 2020 were \$0.09, an 89.5% decrease from \$0.86 for the first quarter of 2019.

Our annualized return on average assets was 0.20% for the first quarter of 2020 compared to 1.99% in the first quarter of 2019. Our annualized returns on average common stockholders' equity and average tangible common stockholders' equity² for the first quarter of 2020 were 1.16% and 1.39%, respectively, compared to 11.77% and 14.40%, respectively, for the first quarter of 2019.

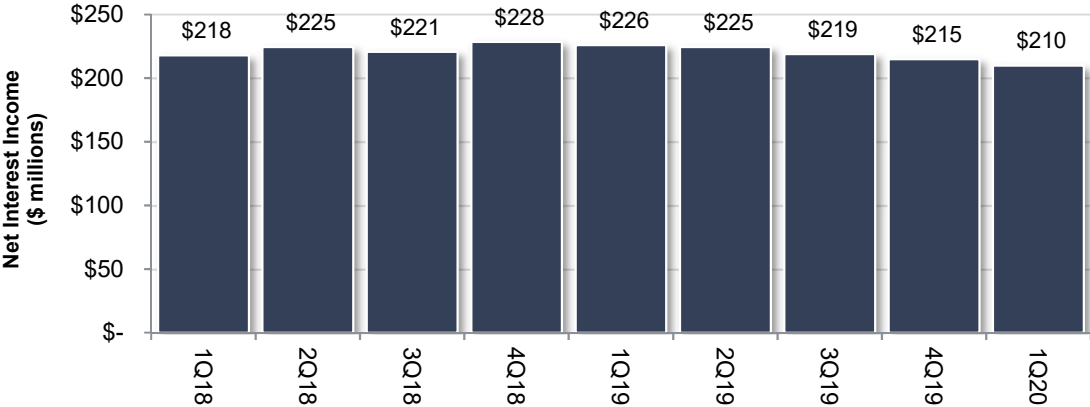
Net Interest Income

Net interest income is our largest category of revenue. It is affected by many factors, including our volume and mix of earning assets; our volume and mix of deposits and other liabilities; our net interest margin; 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"); and other factors.

Net interest income in the first quarter of 2020 was \$209.8 million, a decrease of 7.1% from \$225.9 million in the first quarter of 2019.

As reflected in Figure 1, growing our net interest income has been challenging in recent quarters due to a number of factors, including the large volume of loan repayments and pay-downs, intense competition for loans and deposits, and recent decreases in interest rates which have resulted in our yield on loans declining faster than our interest rates on deposits. Our approach to returning to positive quarterly growth in net interest income includes (i) growing loans at a moderate pace and (ii) reducing our interest rates on deposits over time to achieve reductions in our COIBD to align more closely with the reductions in loan yields.

Figure 1: Quarterly Net Interest Income - Last Nine Quarters



² The calculation of the Bank's return on average tangible common stockholders' equity and the reconciliation to GAAP are included in the schedule at the end of this presentation.

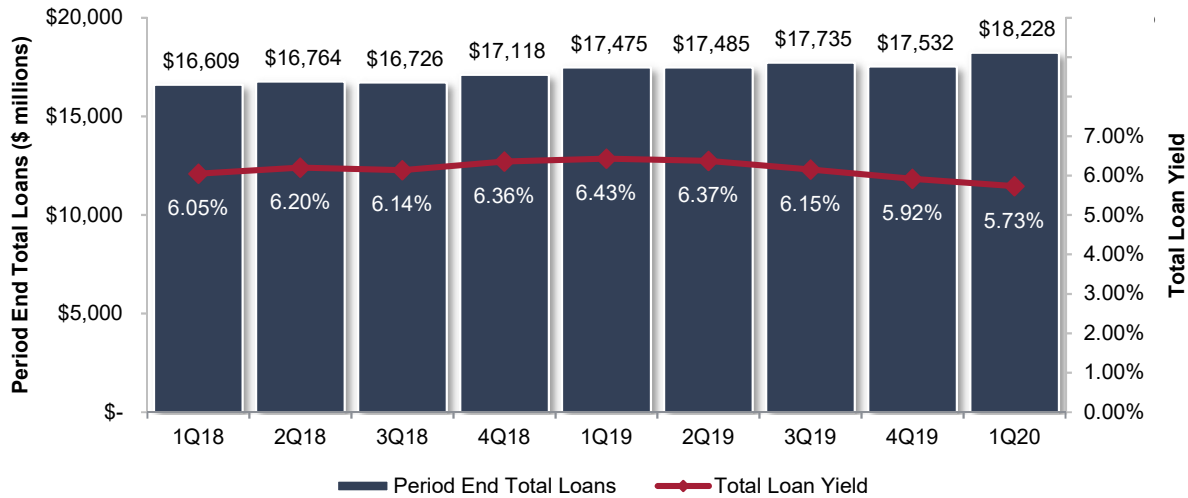
Average Earning Assets – Volume and Mix

Our average earning assets for the quarter just ended totaled \$21.4 billion, a 5.5% increase from \$20.3 billion for the first quarter of 2019.

Total Loans

During the quarter just ended, our outstanding balance of total loans increased \$0.70 billion from December 31, 2019, or 4.0% not annualized. Our outstanding balance of total loans increased \$0.75 billion, or 4.3%, from March 31, 2019 to March 31, 2020, as illustrated in Figure 2.

Figure 2: Total Loan Balances and Yields – Last Nine Quarters

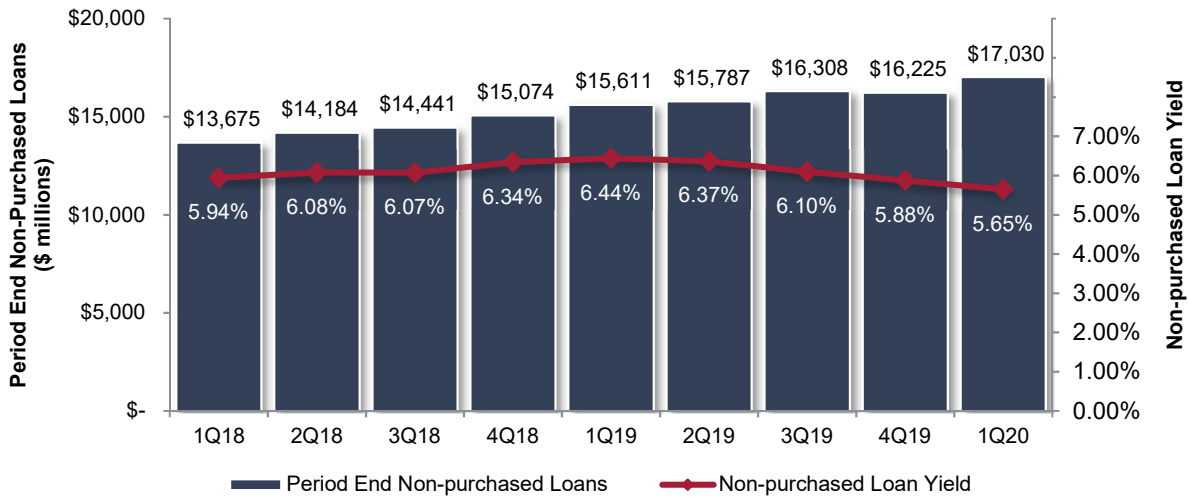


Our loan growth may vary widely quarter-to-quarter, and, given current economic conditions, we are withdrawing our previous 2020 loan growth guidance. We now expect Real Estate Specialties Group (“RESG”) to be the largest contributor to 2020 total loan growth, and we expect our various Community Banking teams to be secondary contributors. Our Indirect RV & Marine portfolio is now expected to shrink in 2020. Our purchased loan portfolio is expected to continue to pay down.

Non-purchased Loans

Non-purchased loans, which are all loans excluding the remaining loans acquired in our 15 acquisitions, accounted for 77.1% of our average earning assets and 92.9% of our average total loans in the quarter just ended. During the quarter, our outstanding balance of non-purchased loans increased \$0.81 billion, or 5.0% not annualized, as illustrated in Figure 3. Our outstanding balance of non-purchased loans increased \$1.42 billion, or 9.1% from March 31, 2019 to March 31, 2020.

Figure 3: Non-Purchased Loan Balances and Yields - Last Nine Quarters



RESG accounted for 59% of the funded balance of non-purchased loans as of March 31, 2020. RESG's funded balance of non-purchased loans increased \$0.59 billion in the first quarter of 2020. RESG's funded balance of non-purchased loans grew \$0.46 billion from March 31, 2019 to March 31, 2020. Figures 4 and 5, respectively, reflect the changes in the funded balance of RESG loans for the first quarter of 2020 and from March 31, 2019 to March 31, 2020.

Figure 4: Activity in RESG Funded Balances – 1Q20 (\$ billions)

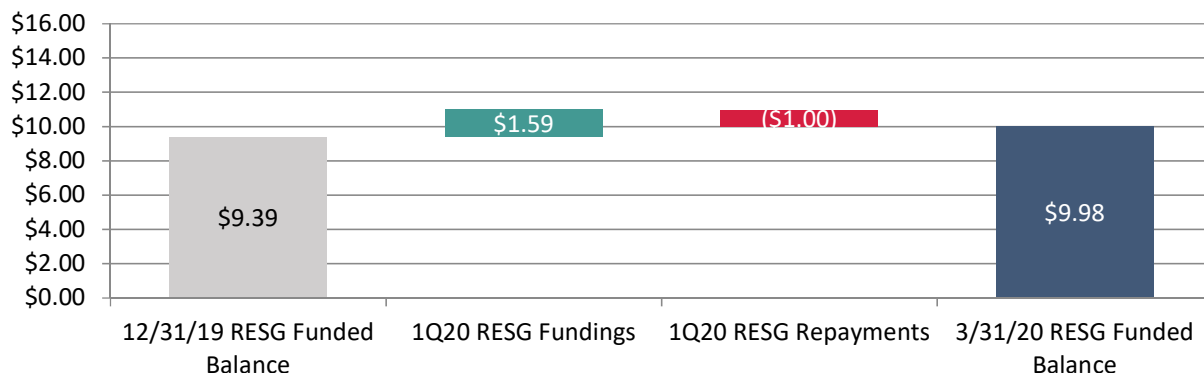


Figure 5: Activity in RESG Funded Balances – March 31, 2019 vs. March 31, 2020 (\$ billions)

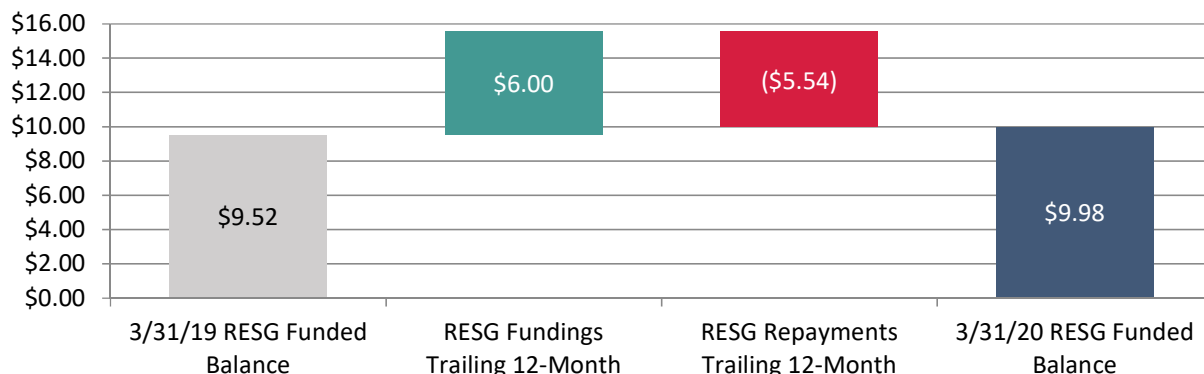


Figure 6 shows RESG’s quarterly loan repayments for each of the last 17 quarters. In recent quarters, our growth in non-purchased loans has been limited by, among other factors, the high level of RESG loan repayments, including a record annual level of repayments in 2019. RESG loan repayments were \$1.00 billion in the quarter just ended. While we expect RESG loan repayments to remain significant in 2020 due to property sales and refinancing activity, we now project RESG loan repayments in 2020 to be more heavily

Figure 6: RESG Quarterly Loan Repayments (\$ billions)

| | Q1 | Q2 | Q3 | Q4 | Total* |
|--------|--------|--------|--------|--------|--------|
| FY2016 | \$0.21 | \$0.41 | \$0.69 | \$0.48 | \$1.79 |
| FY2017 | \$0.57 | \$0.98 | \$0.87 | \$1.45 | \$3.86 |
| FY2018 | \$0.79 | \$1.40 | \$1.52 | \$1.11 | \$4.82 |
| FY2019 | \$1.13 | \$1.54 | \$1.34 | \$1.66 | \$5.67 |
| FY2020 | \$1.00 | | | | \$1.00 |

**3M20 Not Annualized*

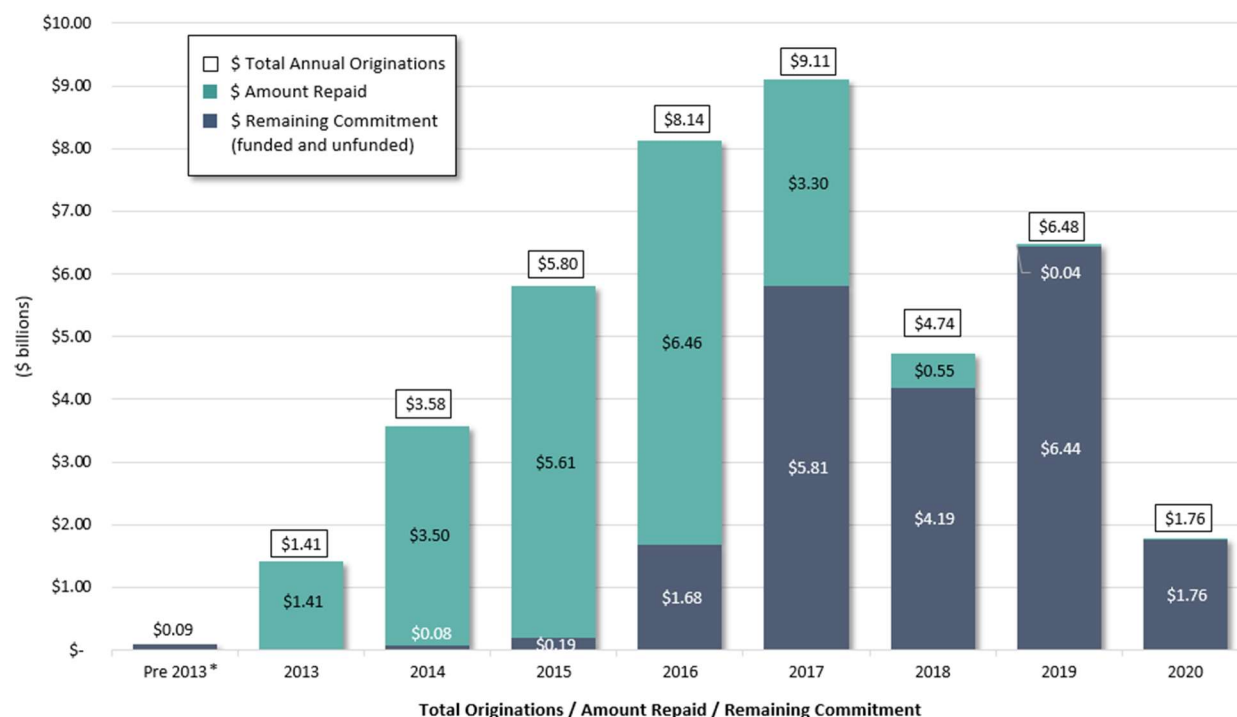
weighted toward the fourth quarter of the year and to be less than the level of loan repayments in 2019. The level of repayments may vary substantially from quarter-to-quarter and may have an outsized impact in one or more quarters.

Construction delays are likely to be a factor affecting the volume and timing of RESG loan repayments in 2020. As a result of shelter-in-place orders currently in effect for many cities throughout the United States, construction has temporarily been suspended on many projects RESG is financing. While these orders will delay the completion of such projects and their ultimate sale or refinancing, we do not view this as becoming a significant issue, unless such delays continue for a substantial period. We are relatively indifferent as to whether a project completes on its original schedule or months later, unless there are delivery date requirements in sales or lease contracts which would allow those contracts to be cancelled due to delayed completion. Typically our loans have sufficient cushions in the timelines to allow for such moderate, or even longer, construction delays. Likewise, project budgets usually have sufficient contingency reserves to cover the additional interest and other carry costs resulting from moderate delays. We also note that project delays should allow us to earn additional interest on our loans as the balances will be outstanding somewhat longer.

Recent disruptions in financial markets are another factor affecting the volume and timing of RESG loan repayments in 2020. Recently, some permanent lenders which would typically provide our sponsors much higher leverage and pay off our loans soon after completion of construction have pulled back from the market. We view this as mostly positive, as this affords us an opportunity to continue to maintain many good-yielding, high-quality, low-leverage loans in our portfolio for additional months or quarters. We expect many permanent lenders to return to the market when there is greater clarity about economic conditions.

Figure 7 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.

Figure 7: RESG Origination and Repayment Trends by Year of Origination (Total Commitment)



* Amounts paid down are not shown for pre-2013 originations

Figure 8 shows RESG’s quarterly loan originations for each of the last 17 quarters. RESG loan originations for the first quarter of 2020 were \$1.76 billion. Our focus has been, and will continue to be, on maintaining our credit quality and return standards, even if maintaining those standards affects our origination volume and loan growth.

Figure 8: RESG Quarterly Loan Originations (\$ billions)

| | Q1 | Q2 | Q3 | Q4 | Total* |
|--------|--------|--------|--------|--------|--------|
| FY2016 | \$1.81 | \$1.98 | \$1.79 | \$2.56 | \$8.14 |
| FY2017 | \$2.30 | \$2.04 | \$2.21 | \$2.56 | \$9.11 |
| FY2018 | \$1.00 | \$1.19 | \$1.47 | \$1.08 | \$4.74 |
| FY2019 | \$1.86 | \$1.15 | \$2.03 | \$1.44 | \$6.48 |
| FY2020 | \$1.76 | | | | \$1.76 |

*3M20 Not Annualized

In our January 2020 Management Comments, we stated that we expected RESG loan origination volume in 2020

to be slightly above the level achieved in 2019. As noted previously, given current economic conditions, we are withdrawing our earlier guidance for 2020 loan growth until we get additional clarity. In light of recent economic turbulence resulting from the COVID-19 pandemic, some sponsors have elected to pause pending projects until future conditions clarify. While our RESG pipeline of potential originations remains favorable for the second quarter of 2020, we may have a reduction in originations in the second half of 2020. RESG’s origination volume

may vary significantly from quarter-to-quarter and may be impacted by economic conditions, competition or other factors.

At March 31, 2020, RESG accounted for 90% of our \$11.3 billion of unfunded balance of loans already closed. Figures 9 and 10, respectively, reflect the changes in the unfunded balance of our loans already closed, both RESG and others, for the first quarter of 2020 and from March 31, 2019 to March 31, 2020. The total unfunded balance was flat during the quarter just ended and decreased \$0.21 billion from March 31, 2019 to March 31, 2020. Future quarterly increases or decreases in this unfunded balance will vary based on a variety of factors.

Figure 9: Activity in Unfunded Balances – 1Q20 (\$ billions)

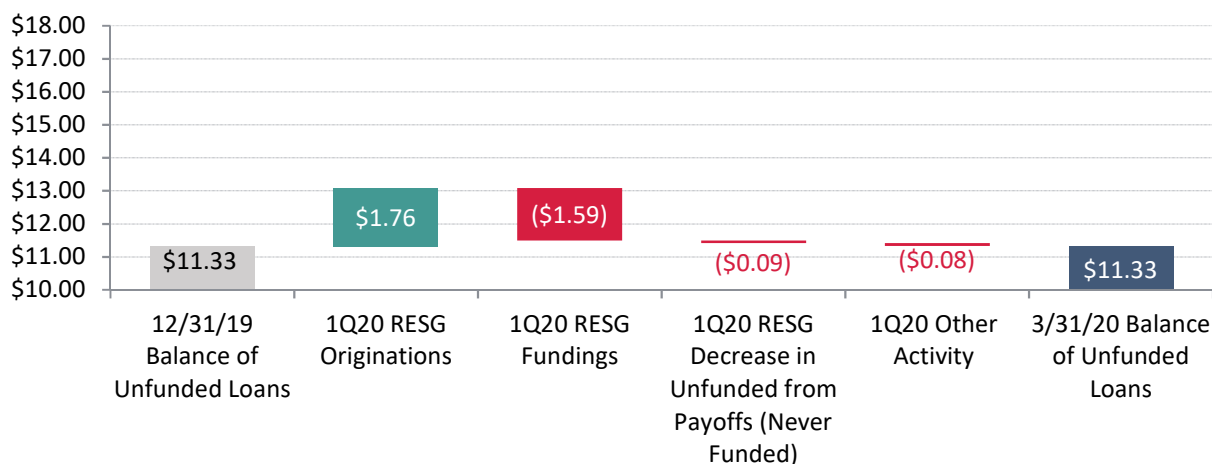
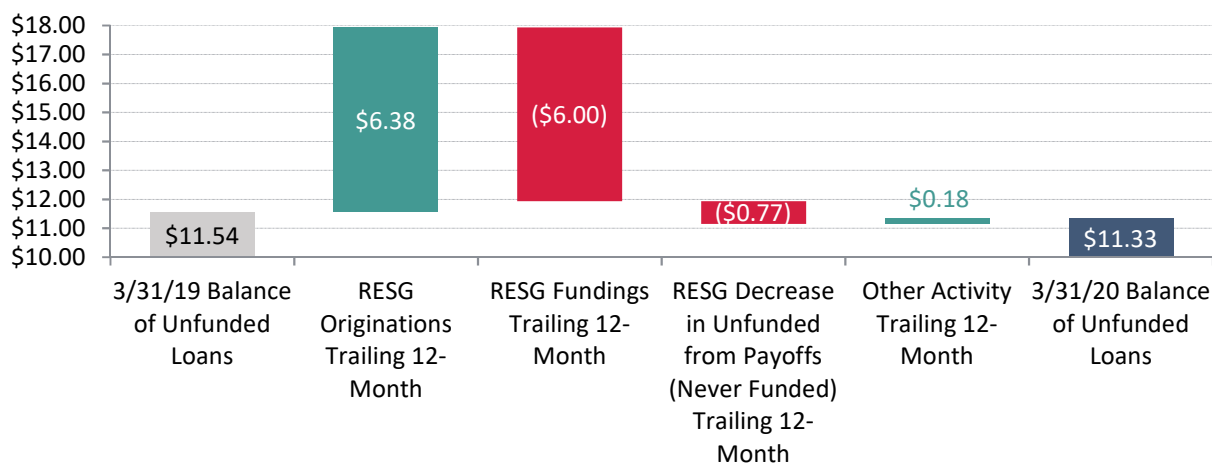


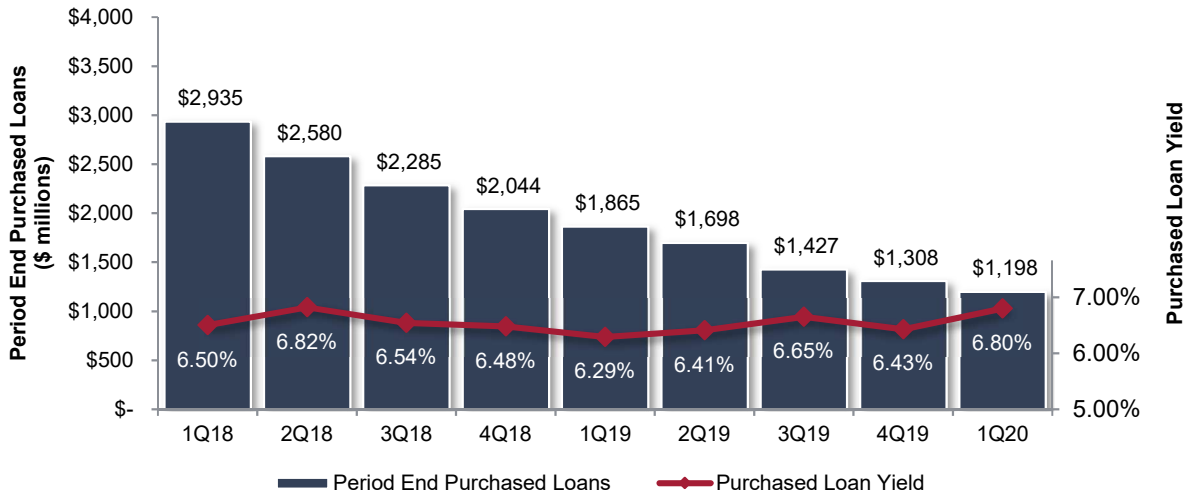
Figure 10: Activity in Unfunded Balances – March 31, 2019 vs. March 31, 2020 (\$ billions)



Purchased Loans

Purchased loans, which are the remaining loans from our 15 acquisitions, accounted for 5.9% of our average earning assets and 7.1% of average total loans in the quarter just ended. During the quarter, our purchased loan portfolio decreased \$0.11 billion, or 8.3% not annualized, to \$1.20 billion at March 31, 2020. Purchased loan runoff will continue to be a headwind to overall earning asset growth. Figure 11 shows our recent purchased loan portfolio trends.

Figure 11: Purchased Loan Balances and Yields - Last Nine Quarters



Investment Securities

During the first quarter of 2020, our investment securities portfolio increased \$539 million, as municipal bond market conditions allowed us to capitalize on the opportunity to purchase \$663 million of high quality, very short-term municipal bonds with favorable yields. Historically, we have shown an ability to capitalize on opportunities presented by turbulent economic conditions. We may increase or decrease our investment securities portfolio in future quarters, based on prevailing market conditions, including our ability to make additional purchases or sales at what we believe to be favorable prices, and other factors.

Net Interest Margin

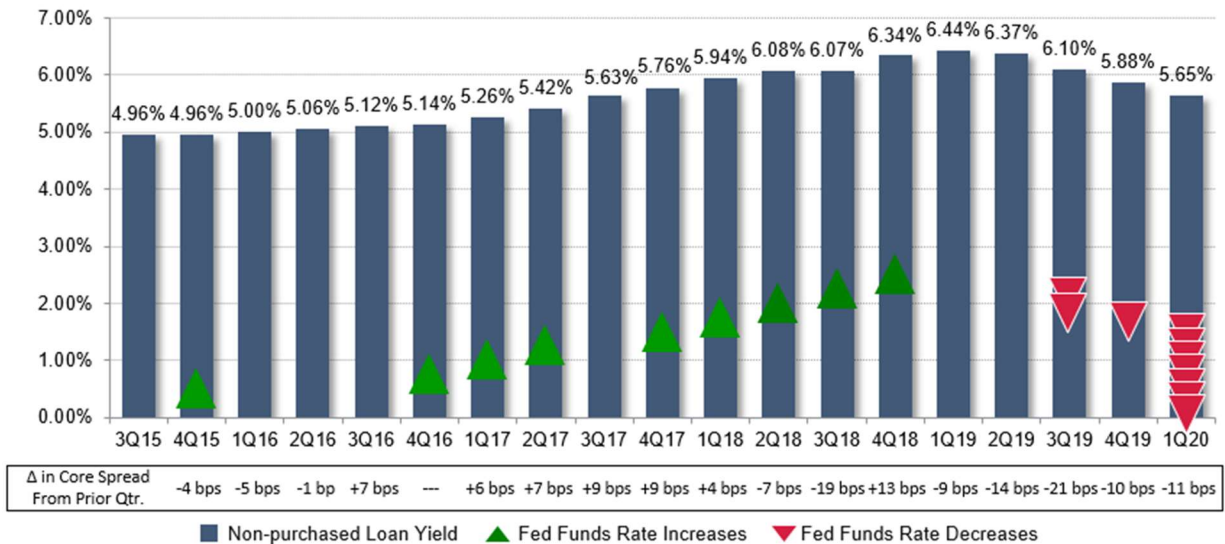
Our net interest margin was 3.96% for the quarter just ended, down 57 basis points (“bps”) from the first quarter of 2019 and down 19 bps from the fourth quarter of 2019, but still well above the recent industry average. In the quarter just ended, the Fed’s substantial and rapid cuts in the Fed funds target rate caused our loan yields to drop much faster than we could adjust our deposit rates. We expect it will take us several quarters to adjust our deposit rates downward to more closely align with the reduction in loan yields. In addition, throughout the first quarter we maintained a higher level of interest-earning cash as compared to previous quarters which had a negative impact on our net interest margin.

Non-purchased Loan Yield

Our yield on non-purchased loans was 5.65% for the quarter just ended, a decrease of 79 bps from the first quarter of 2019 and 23 bps from the fourth quarter of 2019.

As shown in Figure 12, our yield on non-purchased loans generally tended to increase as the Federal Reserve increased the Fed funds target rate. More recently, decreases in the Fed funds target rate have been a significant factor in our decreasing yield on non-purchased loans.

Figure 12: Non-purchased Loan Yield Trends



Variable Rate Loans

At March 31, 2020, 75% of our funded balance of non-purchased loans and 41% of our funded balance of purchased loans had variable rates.

As shown in Figure 13, at March 31, 2020, 76.8% of our total funded balance of variable rate loans were tied to 1-month LIBOR, 2.8% were tied to 3-month LIBOR and 18.2% were tied to WSJ Prime.

Figure 13: Summary of Funded Balance of Variable Rate Loan Indexes

| % of Variable Rate Non-Purchased Loan Portfolio Tied to Index | | % of Variable Rate Purchased Loan Portfolio Tied to Index | | % of Variable Rate Total Loan Portfolio Tied to Index | |
|---|-------|---|-------|---|-------|
| 1-Month LIBOR | 78.7% | 1-Month LIBOR | 27.6% | 1-Month LIBOR | 76.8% |
| 3-Month LIBOR | 2.9% | 3-Month LIBOR | 0.0% | 3-Month LIBOR | 2.8% |
| WSJ PRIME | 17.0% | WSJ PRIME | 49.3% | WSJ PRIME | 18.2% |
| Other | 1.4% | Other | 23.1% | Other | 2.2% |

At March 31, 2020, 99% of our funded variable rate non-purchased loans and 50% of our funded variable rate purchased loans had floor rates. As of March 31, 2020, 53% of the funded balance of total loans in our variable rate loan portfolio were at their floors, and 65% of the total commitment of variable rate loans were at their floors. Figure 14 illustrates the volume of our funded balance and our total commitments, respectively, of total variable rate loans that would be at their floors with future moves, either up or down, in interest rates.

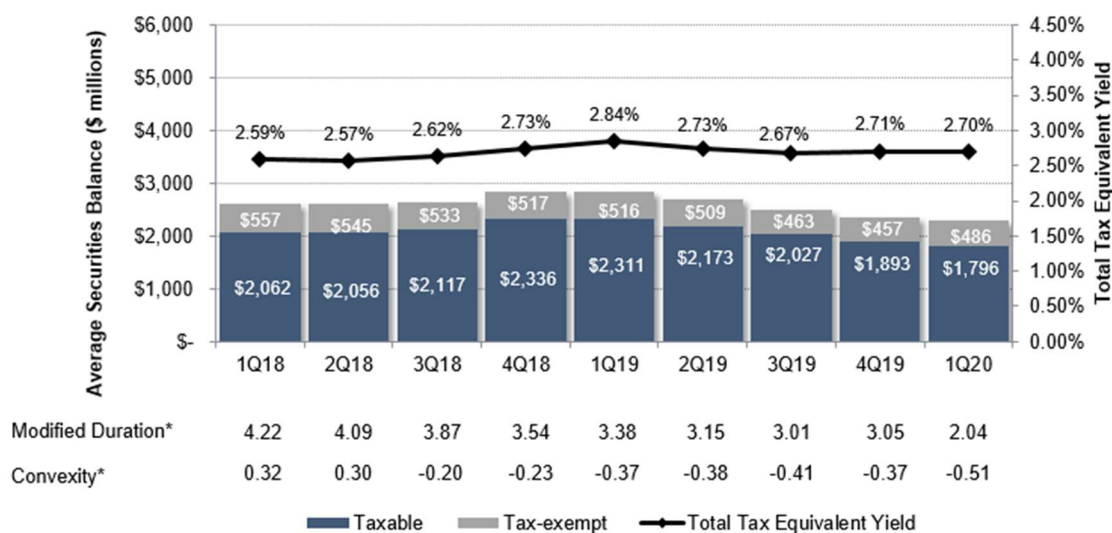
Figure 14: Impact of Floors in Variable Rate Loans (Funded Balance and Total Commitment) as of March 31, 2020

| Change in Current Rate | Funded Balance - Total Loans | | | Total Commitment - Total Loans | | |
|------------------------|------------------------------|-----------------|-------------------------|--------------------------------|-----------------|-------------------------|
| | At Floors as Rates Fall | At Their Floors | At Floors as Rates Rise | At Floors as Rates Fall | At Their Floors | At Floors as Rates Rise |
| Up 200 bps | | | 3% | | | 2% |
| Up 150 bps | | | 7% | | | 6% |
| Up 100 bps | | | 21% | | | 28% |
| Up 75 bps | | | 31% | | | 40% |
| Up 50 bps | | | 38% | | | 55% |
| Up 25 bps | | | 44% | | | 59% |
| Currently at Floor | | 53% | | | 65% | |
| Down 25 bps | 59% | | | 70% | | |
| Down 50 bps | 72% | | | 79% | | |
| Down 75 bps | 84% | | | 87% | | |
| Down 100 bps | 94% | | | 95% | | |

Investment Portfolio Yield

As shown in Figure 15, in the first quarter of 2020, the yield on our investment portfolio was 2.70%, on a fully taxable equivalent (“FTE”) basis, a 14 bps decrease from 2.84% FTE in the first quarter of 2019, and a one basis point decrease from the fourth quarter of 2019.

Figure 15: Securities Portfolio Average Balance and FTE Yield (\$ millions) - Last Nine Quarters



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

Core Spread

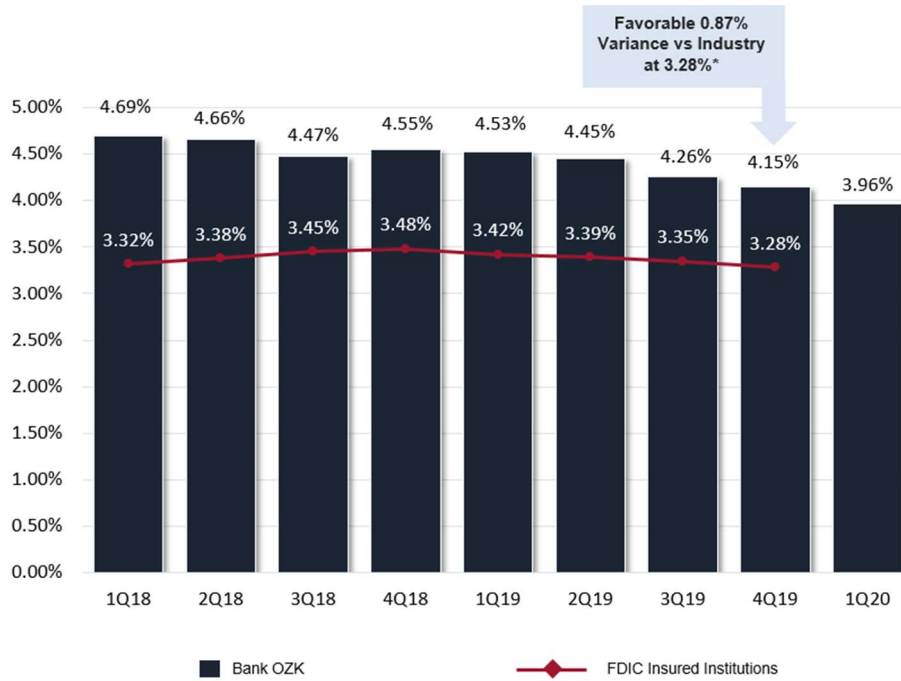
From the fourth quarter of 2015 through the second quarter of 2019, the Federal Reserve increased the Fed funds target rate nine times for a total of 225 bps. These actions increased our yield on variable rate loans and newly originated loans, and increased our COIBD and cost of borrowings. During that period, our yield on non-purchased loans increased 141 bps, substantially offsetting the 145 basis point increase in our COIBD.

In the last three quarters, the Federal Reserve completely reversed course and decreased the Fed funds target rate a total of 225 bps, including an unanticipated 150 bps in the quarter just ended. As a result, our loan yields have declined more quickly than we could lower our COIBD, resulting in reductions in both our net interest margin and core spread. For example, our core spread decreased 11 bps in the quarter just ended even though our COIBD decreased 12 bps. We expect our COIBD will continue to decrease throughout the remainder of 2020, which we believe will allow us to more closely align our COIBD with the reduction in loan yields.

Net Interest Margin

We continue to perform well versus the industry on net interest margin, as shown in Figure 16.

Figure 16: Quarterly Net Interest Margin (%) – Last Nine Quarters



*Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last update fourth quarter 2019.

Non-interest Income

Non-interest income for the first quarter of 2020 was \$27.7 million, a 15.0% increase from \$24.1 million for the first quarter of 2019. Figures 17 and 18, respectively, summarize non-interest income for the most recent nine quarters and year-over-year trends for the quarter just ended.

Figure 17: Quarterly Trends in Non-interest Income (\$ thousands)

| | For the Three Months Ended | | | | | | | | |
|--|----------------------------|-----------|-----------|------------|-----------|-----------|-----------|------------|-----------|
| | 3/31/2018 | 6/30/2018 | 9/30/2018 | 12/31/2018 | 3/31/2019 | 6/30/2019 | 9/30/2019 | 12/31/2019 | 3/31/2020 |
| Service charges on deposit accounts | \$ 9,525 | \$ 9,704 | \$ 9,730 | \$ 10,585 | \$ 9,722 | \$ 10,291 | \$ 10,827 | \$ 10,933 | \$ 10,009 |
| Trust income | 1,793 | 1,591 | 1,730 | 1,821 | 1,730 | 1,839 | 1,975 | 2,010 | 1,939 |
| BOLI income | | | | | | | | | |
| Increase in cash surrender value | 4,851 | 5,259 | 5,321 | 5,269 | 5,162 | 5,178 | 5,208 | 5,167 | 5,067 |
| Death benefit | 2,729 | - | - | 482 | - | - | 206 | 2,989 | 608 |
| Other income from purchased loans | 1,251 | 2,744 | 1,418 | 2,370 | 795 | 1,455 | 674 | 759 | - |
| Loan service, maintenance and other fees | 4,743 | 5,641 | 4,724 | 5,245 | 4,874 | 4,565 | 4,197 | 4,282 | 3,716 |
| Net gains on investment securities | 17 | - | - | - | - | 713 | - | - | 2,223 |
| Gains (losses) on sales of other assets | 1,426 | 844 | (518) | 465 | 284 | 402 | 189 | 1,358 | 161 |
| Other | 2,372 | 1,603 | 1,716 | 1,323 | 1,505 | 2,160 | 3,170 | 2,908 | 3,957 |
| Total non-interest income | \$ 28,707 | \$ 27,386 | \$ 24,121 | \$ 27,560 | \$ 24,072 | \$ 26,603 | \$ 26,446 | \$ 30,406 | \$ 27,680 |

Figure 18: Annual Trends in Non-interest Income (\$ thousands)

| | For the Quarter Ended | | |
|--|-----------------------|-----------|----------|
| | 3/31/2019 | 3/31/2020 | % Change |
| Service charges on deposit accounts | \$ 9,722 | \$ 10,009 | 2.9% |
| Trust income | 1,730 | 1,939 | 12.1% |
| BOLI income | | | |
| Increase in cash surrender value | 5,162 | 5,067 | -1.8% |
| Death benefit | - | 608 | NM |
| Other income from purchased loans | 795 | - | NM |
| Loan service, maintenance and other fees | 4,874 | 3,716 | -23.8% |
| Net gains on investment securities | - | 2,223 | NM |
| Gains (losses) on sales of other assets | 284 | 161 | -43.3% |
| Other | 1,505 | 3,957 | 163.0% |
| Total non-interest income | \$ 24,072 | \$ 27,680 | 15.0% |

Non-interest Expense

Non-interest expense for the first quarter of 2020 was \$103.4 million, a 7.0% increase from \$96.7 million in the first quarter of 2019, but a 0.9% decrease from the fourth quarter of 2019. The recent economic conditions have allowed us to restrain some growth in non-interest expenses, but it is not clear yet if this is a temporary reduction or a change which will affect the entire year. Accordingly, we are withdrawing our previous guidance regarding growth in non-interest expense for 2020. Figures 19 and 20, respectively, summarize non-interest expense for the most recent nine quarters and year-over-year trends for the quarter just ended.

Figure 19: Quarterly Trends in Non-interest Expense (\$ thousands)

| | For the Three Months Ended | | | | | | | | |
|--|----------------------------|-----------|------------|------------|-----------|-----------|------------|------------|------------|
| | 3/31/2018 | 6/30/2018 | 9/30/2018 | 12/31/2018 | 3/31/2019 | 6/30/2019 | 9/30/2019 | 12/31/2019 | 3/31/2020 |
| Salaries & employee benefits | \$ 45,499 | \$ 41,665 | \$ 41,477 | \$ 41,837 | \$ 44,868 | \$ 47,558 | \$ 48,376 | \$ 52,050 | \$ 51,473 |
| Net occupancy and equipment | 14,150 | 13,827 | 14,358 | 14,027 | 14,750 | 14,587 | 14,825 | 14,855 | 15,330 |
| Professional and outside services | 8,705 | 9,112 | 9,725 | 8,325 | 8,564 | 8,105 | 9,204 | 7,156 | 7,043 |
| Advertising and public relations | 1,331 | 1,777 | 6,977 | 1,472 | 1,683 | 1,671 | 2,067 | 1,822 | 1,703 |
| Telecommunication services | 3,197 | 3,487 | 3,373 | 3,023 | 3,344 | 2,810 | 2,094 | 2,335 | 2,177 |
| Software and data processing | 3,340 | 3,110 | 3,336 | 3,943 | 4,709 | 4,757 | 5,095 | 4,974 | 4,974 |
| Travel and meals | 2,153 | 2,498 | 2,517 | 2,482 | 2,669 | 2,939 | 2,777 | 2,845 | 2,102 |
| FDIC insurance and state assessments | 3,562 | 3,558 | 3,948 | 3,672 | 3,652 | 3,488 | 2,505 | 3,780 | 3,420 |
| Amortization of intangibles | 3,145 | 3,145 | 3,145 | 3,144 | 3,145 | 3,012 | 2,907 | 2,854 | 2,795 |
| Postage and supplies | 2,195 | 2,218 | 2,517 | 2,214 | 2,103 | 2,058 | 2,040 | 2,483 | 2,053 |
| ATM expense | 1,363 | 1,118 | 1,202 | 544 | 987 | 1,099 | 1,277 | 1,263 | 1,160 |
| Loan collection and repossession expense | 790 | 503 | 932 | 1,077 | 984 | 918 | 317 | 600 | 694 |
| Writedowns of foreclosed assets | 151 | 460 | 544 | 1,841 | 562 | 594 | 354 | 910 | 879 |
| Writedown of signage due to strategic rebranding | - | - | 4,915 | - | - | - | - | - | - |
| Other expenses | 4,229 | 2,629 | 3,976 | 7,292 | 4,658 | 5,535 | 7,076 | 6,479 | 7,622 |
| Total non-interest expense | \$ 93,810 | \$ 89,107 | \$ 102,942 | \$ 94,893 | \$ 96,678 | \$ 99,131 | \$ 100,914 | \$ 104,406 | \$ 103,425 |
| Total expenses related to strategic rebranding * | - | 621 | 10,772 | 271 | - | - | - | - | - |
| Total non-interest expenses excluding expenses related to strategic rebranding | \$ 93,810 | \$ 88,486 | \$ 92,170 | \$ 94,622 | \$ 96,678 | \$ 99,131 | \$ 100,914 | \$ 104,406 | \$ 103,425 |

* During 2018, the Bank incurred pre-tax expenses of \$11.7 million related to its name change to Bank OZK and related strategic rebranding.

Figure 20: Annual Trends in Non-interest Expense (\$ thousands)

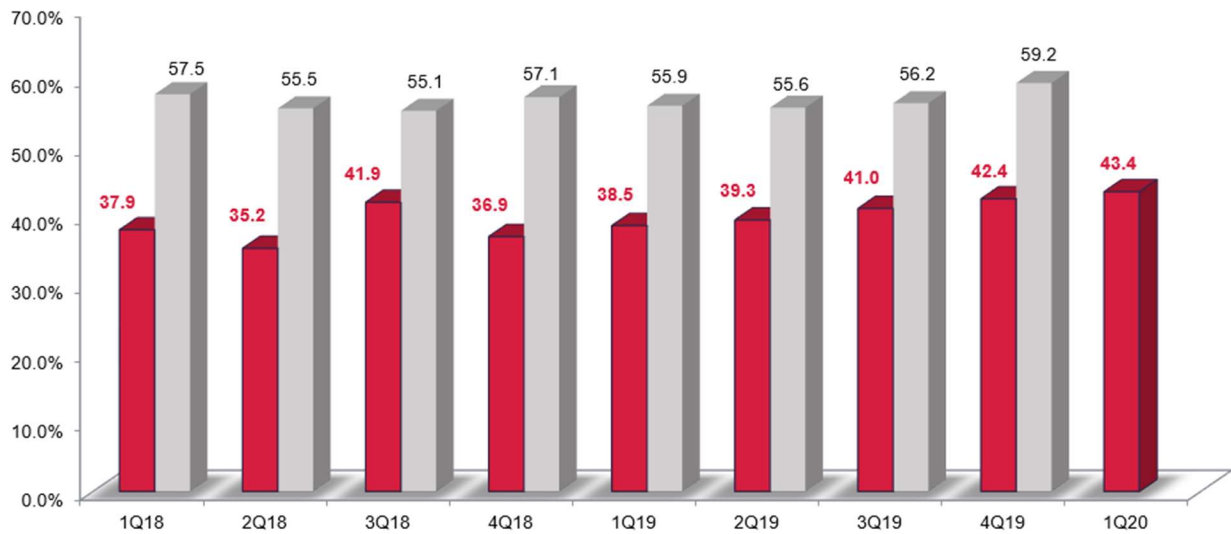
| | For the Three Months Ended | | |
|--|----------------------------|------------|----------|
| | 3/31/2019 | 3/31/2020 | % Change |
| Salaries & employee benefits | \$ 44,868 | \$ 51,473 | 14.7% |
| Net occupancy and equipment | 14,750 | 15,330 | 3.9% |
| Professional and outside services | 8,564 | 7,043 | -17.8% |
| Advertising and public relations | 1,683 | 1,703 | 1.2% |
| Telecommunication services | 3,344 | 2,177 | -34.9% |
| Software and data processing | 4,709 | 4,974 | 5.6% |
| Travel and meals | 2,669 | 2,102 | -21.2% |
| FDIC insurance and state assessments | 3,652 | 3,420 | -6.4% |
| Amortization of intangibles | 3,145 | 2,795 | -11.1% |
| Postage and supplies | 2,103 | 2,053 | -2.4% |
| ATM expense | 987 | 1,160 | 17.5% |
| Loan collection and repossession expense | 984 | 694 | -29.5% |
| Writedowns of foreclosed assets | 562 | 879 | 56.4% |
| Writedown of signage due to strategic rebranding | - | - | --- |
| Other expenses | 4,658 | 7,622 | 63.6% |
| Total non-interest expense | \$ 96,678 | \$ 103,425 | 7.0% |

In recent years, a significant factor in our increased non-interest expense was our focus on enhancing our infrastructure for information technology, information systems, cybersecurity, business resilience, enterprise risk management, internal audit, credit risk management, compliance, BSA/AML monitoring, organizational learning and development, and other important areas, as well as expanding our human and physical infrastructure to serve low-to-moderate income and majority-minority markets and customer segments. This infrastructure helped us react quickly to the current environment and positions us for future growth.

Efficiency Ratio

In the quarter just ended, our efficiency ratio was 43.4% as shown in Figure 21. Our efficiency ratio remains among the best in the industry, having now been among the top decile of the industry for 18 consecutive years*.

Figure 21: Quarterly Efficiency Ratio (%) – Last Nine Quarters



* Data from S&P Global Market Intelligence.

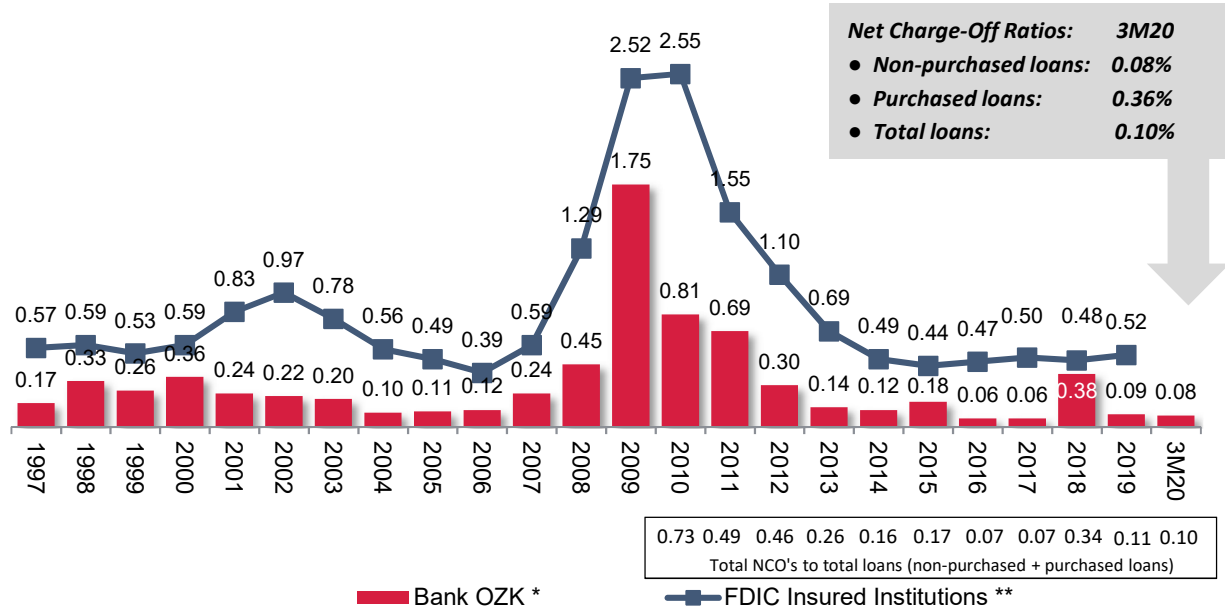
■ Bank OZK ■ FDIC Insured Institutions**

** Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last update fourth quarter 2019.

Asset Quality

Our annualized net charge-off ratio for total loans in the quarter just ended was 0.10%, continuing our long-standing trend of having net charge-off ratios well below industry averages, as shown in Figure 22. In our 23 years as a public company, our net charge-off ratio has outperformed the industry's net charge-off ratio every year and has averaged about 35% of the industry's net charge-off ratio.

Figure 22: Annualized Net Charge-off Ratio vs. the Industry



*Unless otherwise indicated, Bank OZK data excludes purchased loans and net charge-offs related to such loans.

**Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2019. Annualized when appropriate.

As shown in Figure 23, in RESG's 17+ year history, we have incurred losses on only a small number of credits, resulting in a weighted average annual net charge-off ratio (including OREO write-downs) for the RESG portfolio of 14 bps.

As shown in Figures 24, 25 and 26, the dollar volumes of our nonperforming non-purchased loans, nonperforming assets and past due non-purchased loans have been relatively stable, even as our total non-purchased loans and total assets have grown many-fold. Our ratios for nonperforming non-purchased loans, nonperforming assets and past due non-purchased loans have generally improved and have been consistently better than the industry's ratios.

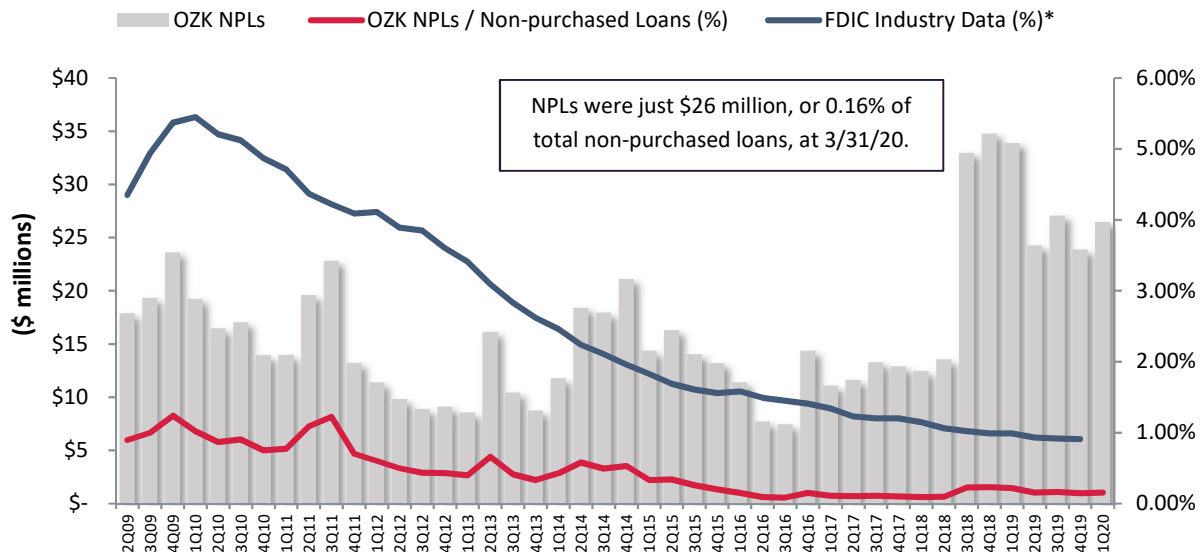
Figure 23 - RESG Historical Net charge-offs (\$ Thousands)

| 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% |
| 3/31/2020 | 9,977,134 | 9,631,179 | - | 0.00% |
| Total | | | \$ 56,768 | |

Weighted Average 0.14%

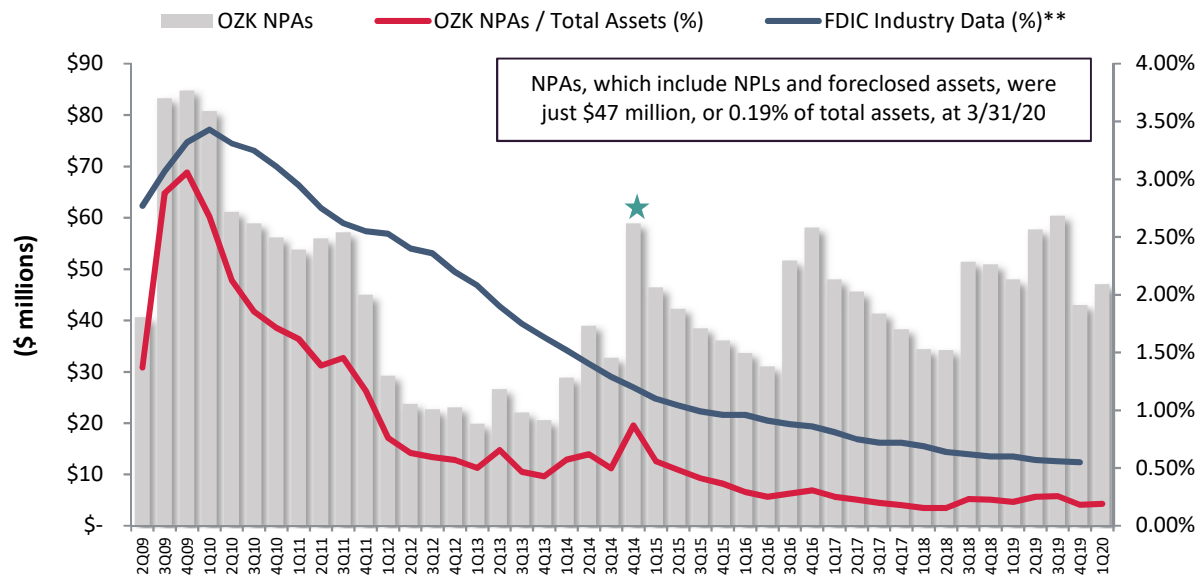
* Net charge-offs shown in this column reflect both net charge-offs and OREO write-downs.
 ** Annualized.

Figure 24: Nonperforming Non-purchased Loans ("NPLs") (\$ millions)



* Note: Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2019. Percent of Loans Noncurrent is the percentage of loans that are past due 90 days or more or that are in nonaccrual status.

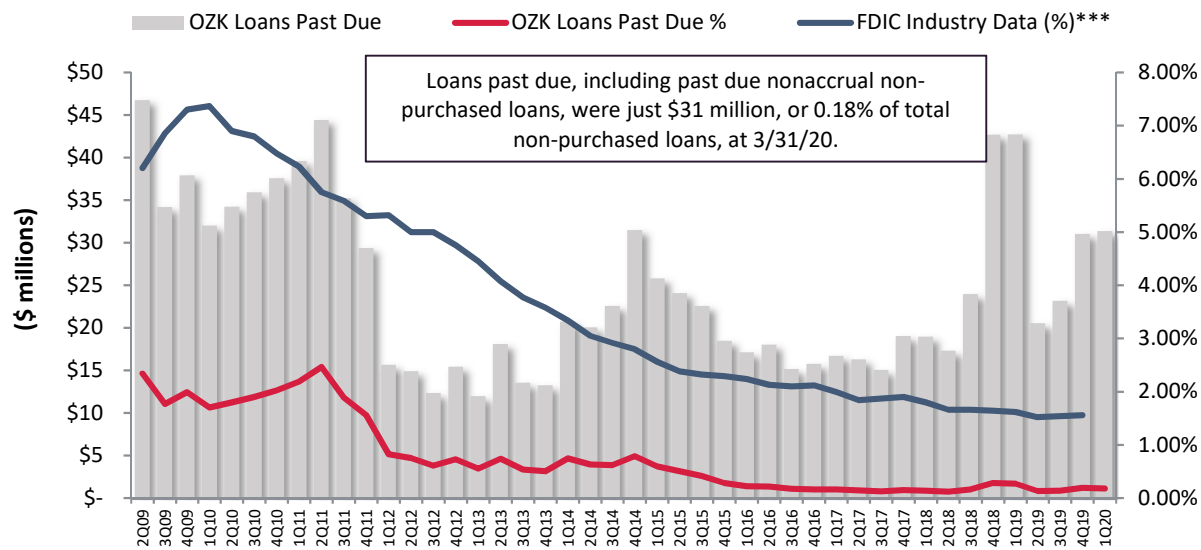
Figure 25: Nonperforming Assets (“NPAs”) (\$ millions)



** Note: Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2019. Noncurrent assets plus other real estate owned to assets (%).

★ In 2014, we terminated our loss share agreement with the FDIC and reclassified foreclosed assets previously reported as covered by FDIC loss share to foreclosed assets.

Figure 26: Non-purchased Loans Past Due 30+ Days, Including Past Due Nonaccrual Non-purchased Loans (“Loans Past Due”) (\$ millions)



*** Note: Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated first quarter 2019. Percent of Loans Noncurrent + Percent of Loans 30-89 Days Past Due.

While the magnitude of the current economic downturn will likely result in increases in our ratios of net charge-offs, nonperforming non-purchased loans, nonperforming assets and past due non-purchased loans, we expect our asset quality to continue our long-standing tradition of outperforming industry averages.

As shown in Figure 27, our dollar volume of non-purchased loans designated as being in the “Substandard” category of our credit quality indicators has remained favorable. Our ratio of substandard non-purchased loans as a percentage of our total risk-based capital (“TRBC”) at March 31, 2020 remains at a very low level.

Figure 27: Substandard Non-purchased Loan Trends (\$ millions)

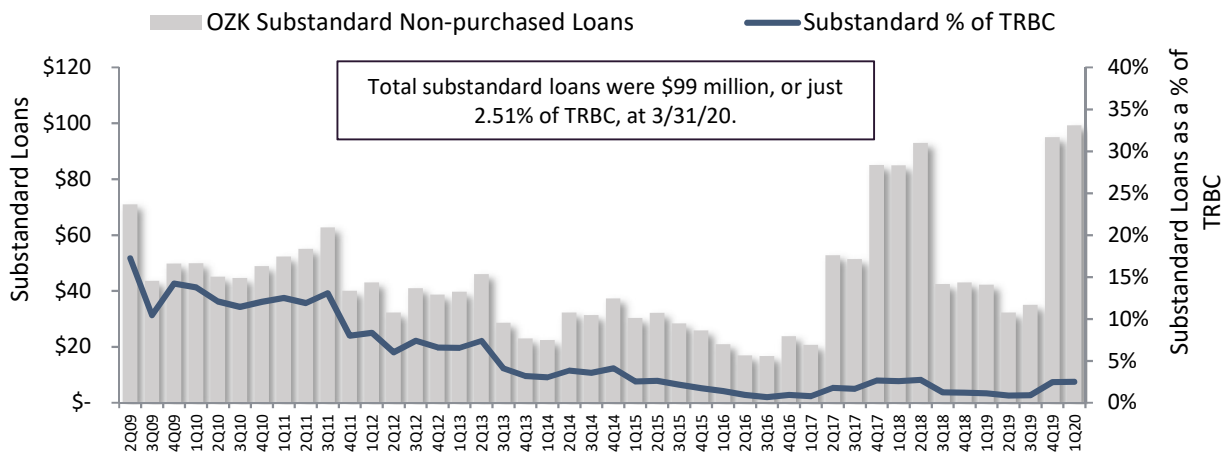
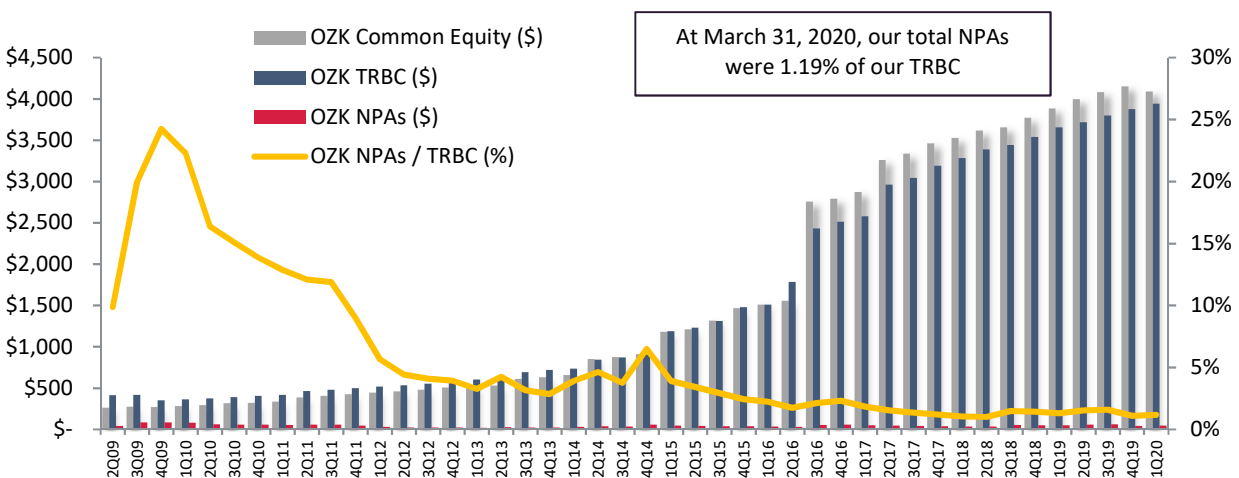


Figure 28 shows the tremendous growth in our common equity and TRBC over the last 10 years, while our volume of total nonperforming assets has generally declined to relatively nominal levels.

Figure 28: Capital vs. NPAs – (\$ millions)



Loan Portfolio Diversification & Leverage

In recent years, we have seen greater contributions to growth from our loan teams other than RESG. Figures 29 and 30, respectively, reflect the mix in our loan growth in the quarter just ended and from March 31, 2019 to March 31, 2020.

Figure 29: Non-purchased Loan Growth – 1Q20 (\$ millions)

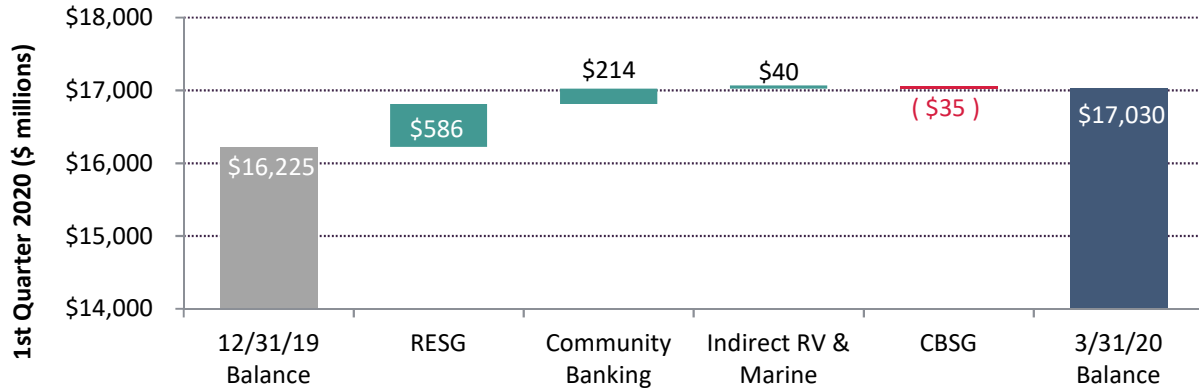
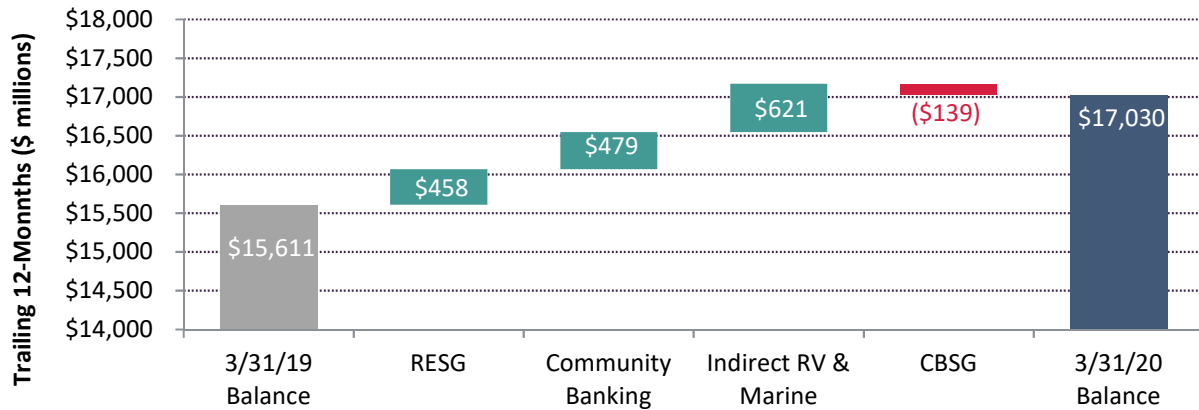
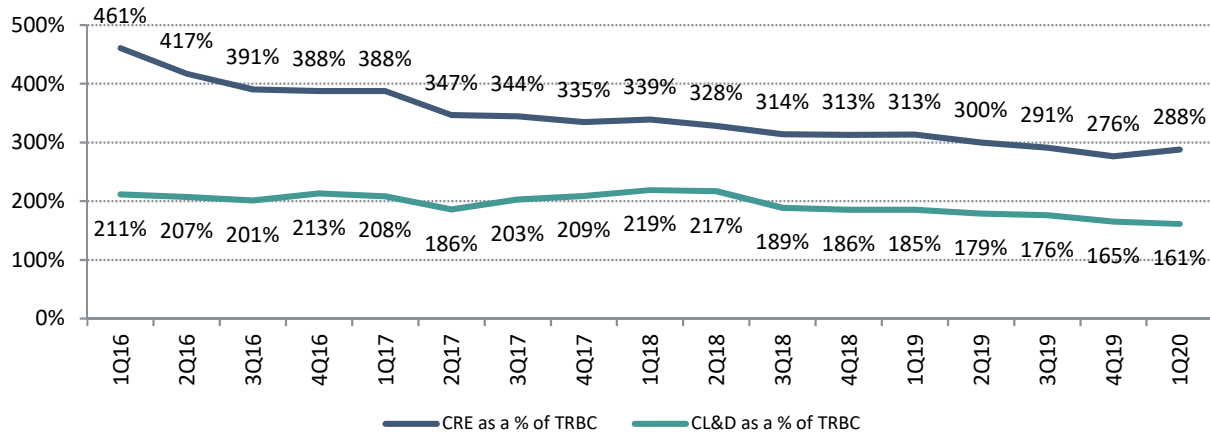


Figure 30: Non-purchased Loan Growth – March 31, 2019 vs. March 31, 2020 (\$ millions)



Total commercial real estate (“CRE”) and construction, land development and other land (“CL&D”) lending are areas in which we have substantial expertise and enjoy competitive advantages. The generally declining trend in our CRE and CL&D concentrations, as shown in Figure 31, is primarily due to growth in our TRBC and not the result of any strategic focus away from these areas. We expect to continue lending in these areas, however, growth in our TRBC may continue to lower our CRE and CL&D concentration ratios.

Figure 31: Declining Regulatory CRE and CL&D Concentration Ratios



Even within the RESG portfolio, we benefit from the substantial diversification by both product type and geography, as well as low loan-to-cost (“LTC”) and loan-to-value (“LTV”) ratios, all as shown in Figures 32 and 33.

Figure 32: RESG Portfolio Diversity by Product Type (As of March 31, 2020) (\$ millions)
(LTC and LTV ratios assume all loans are fully funded)

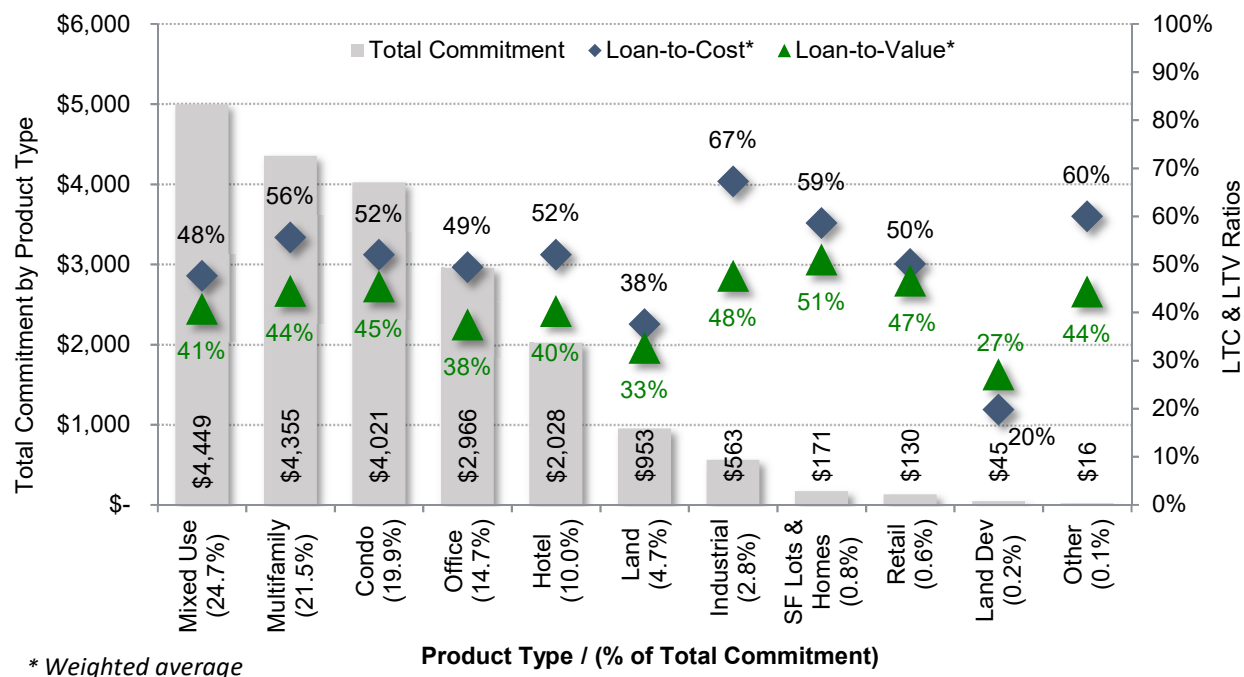
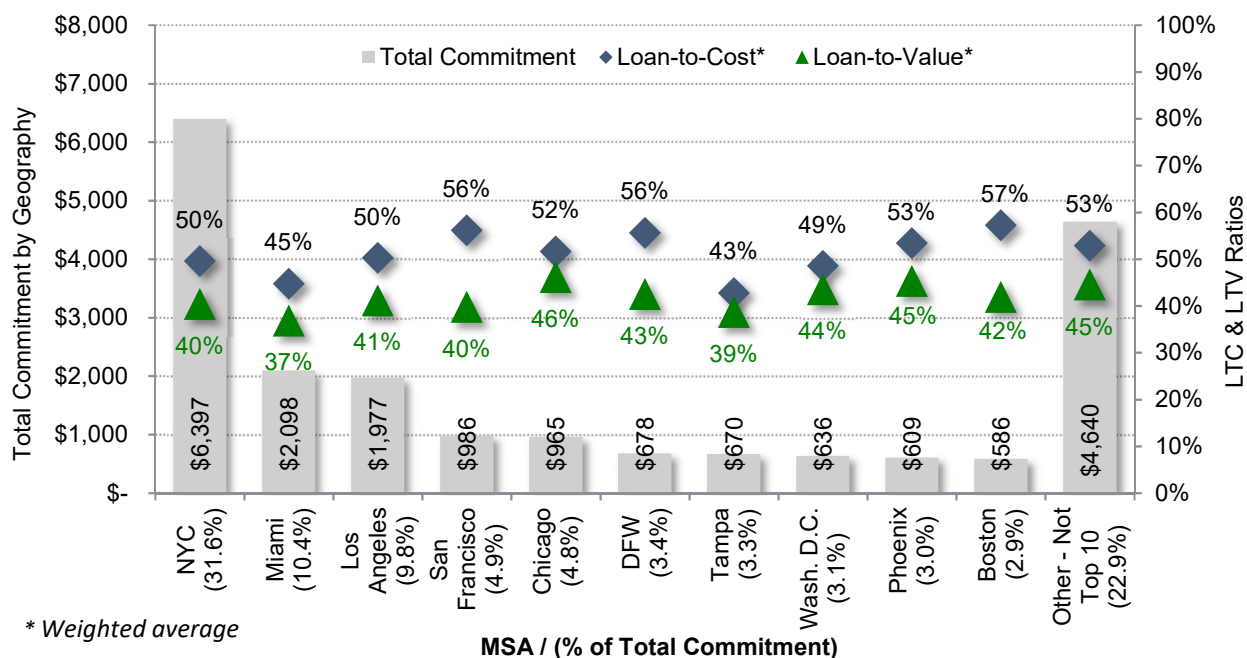


Figure 33: RESG Portfolio Diversity by Geography (As of March 31, 2020) (\$ millions)
(LTC and LTV ratios assume all loans are fully funded)



The COVID-19 pandemic has had a significant impact on travel and leisure, including the hospitality industry. As shown in Figure 32 above, hotels were the fifth largest component of RESG’s portfolio at March 31, 2020, comprising about 10.0% of RESG’s total commitments. In addition, at March 31, 2020, 13 of RESG’s 31 loans on mixed use projects contain some portion of hotel usage, with a total commitment amount allocated to hotels being approximately 21% of the total mixed use portfolio. Despite the challenges facing the hospitality industry, we remain cautiously optimistic about the performance of this portfolio, largely due to the quality and experience of our sponsors, the quality of these properties, and our low weighted average LTC and LTV ratios at 52% and 40%, respectively. We expect most sponsors will continue to support these assets until the COVID-19 pandemic passes and normal property performance returns. Figures 34 and 35, respectively, show the geographic distribution of RESG’s hotel portfolio and other information as of March 31, 2020.

Figure 34: RESG Hotel Portfolio Diversity by Geography (As of March 31, 2020) (\$ millions)

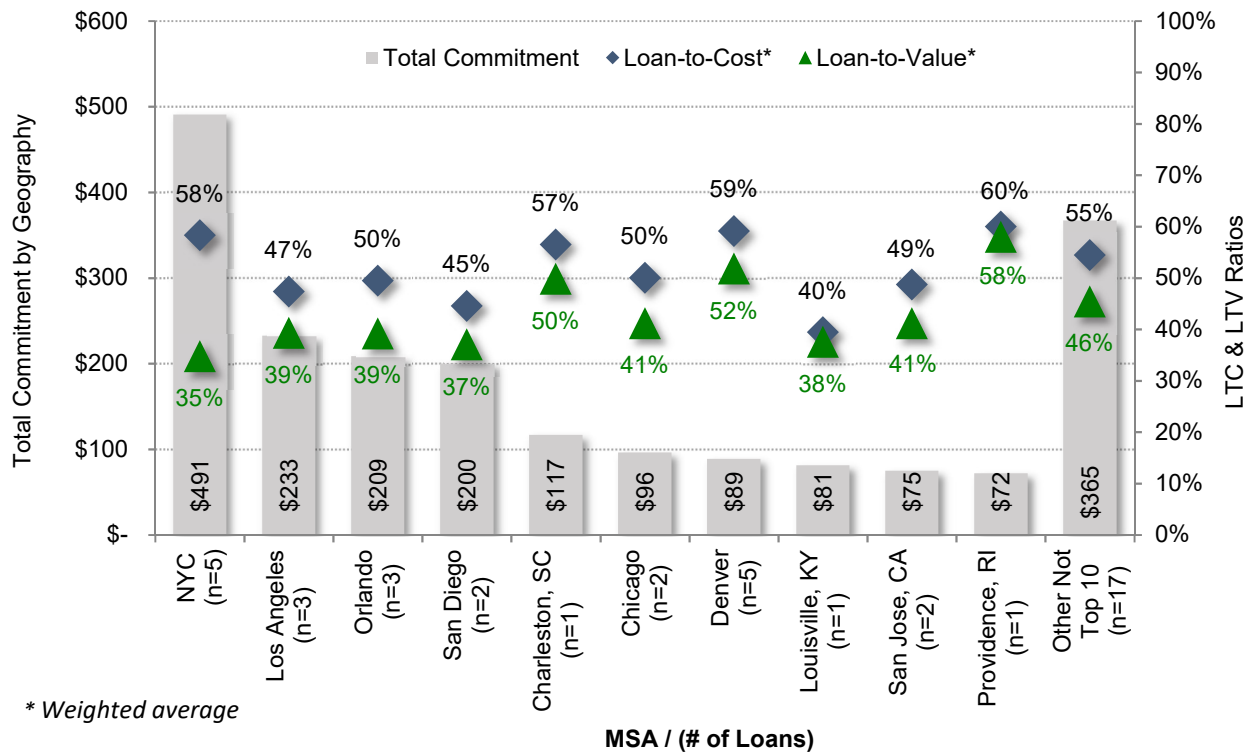
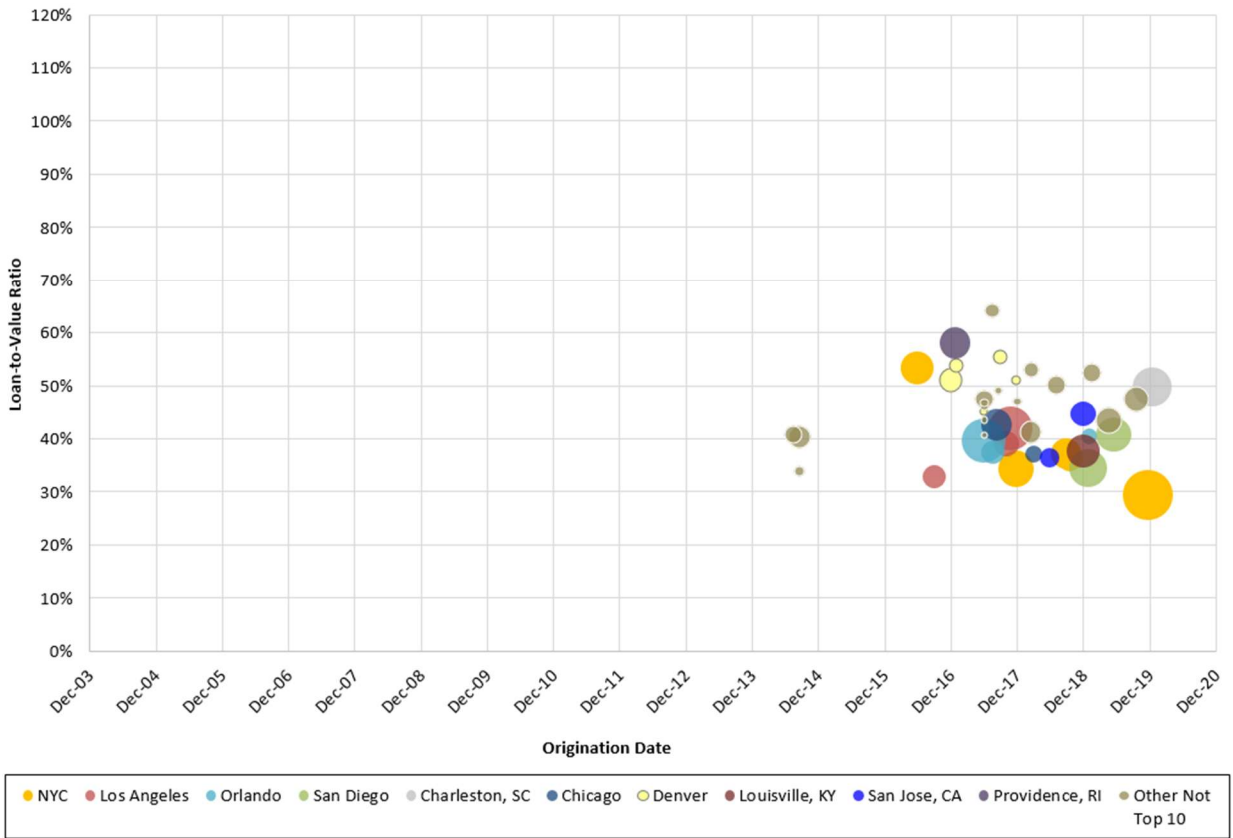
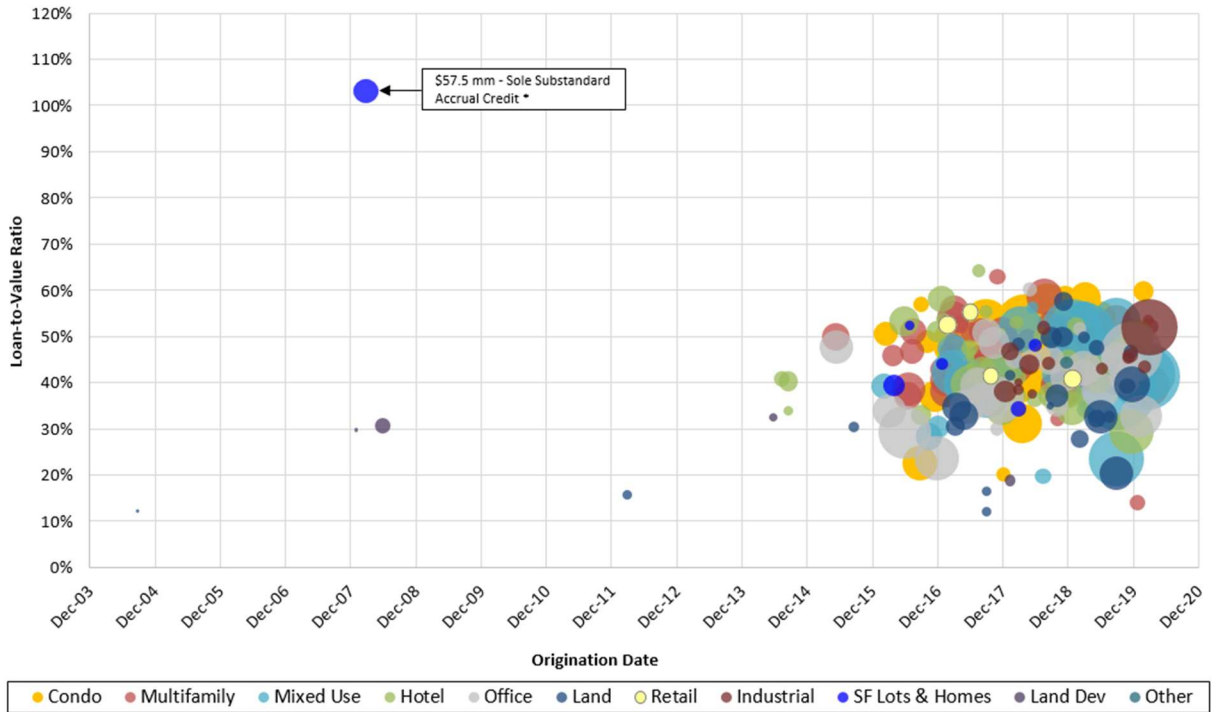


Figure 35: RESG Hotel Portfolio by LTV & Origination Date (As of March 31, 2020)
Bubble Size Reflects Total Funded and Unfunded Commitment Amount
LTV Ratios Assume All Loans Are Fully Funded



Assuming full funding of every RESG loan, as of March 31, 2020, the weighted average LTC for the RESG portfolio was a conservative 50.4%, and the weighted average LTV was even lower at just 41.5%. Other than the one substandard-accruing credit specifically referenced below in Figure 36, all other credits in the RESG portfolio have LTV ratios less than 65%. The LTV metrics on individual loans within the RESG portfolio are illustrated in Figure 36.

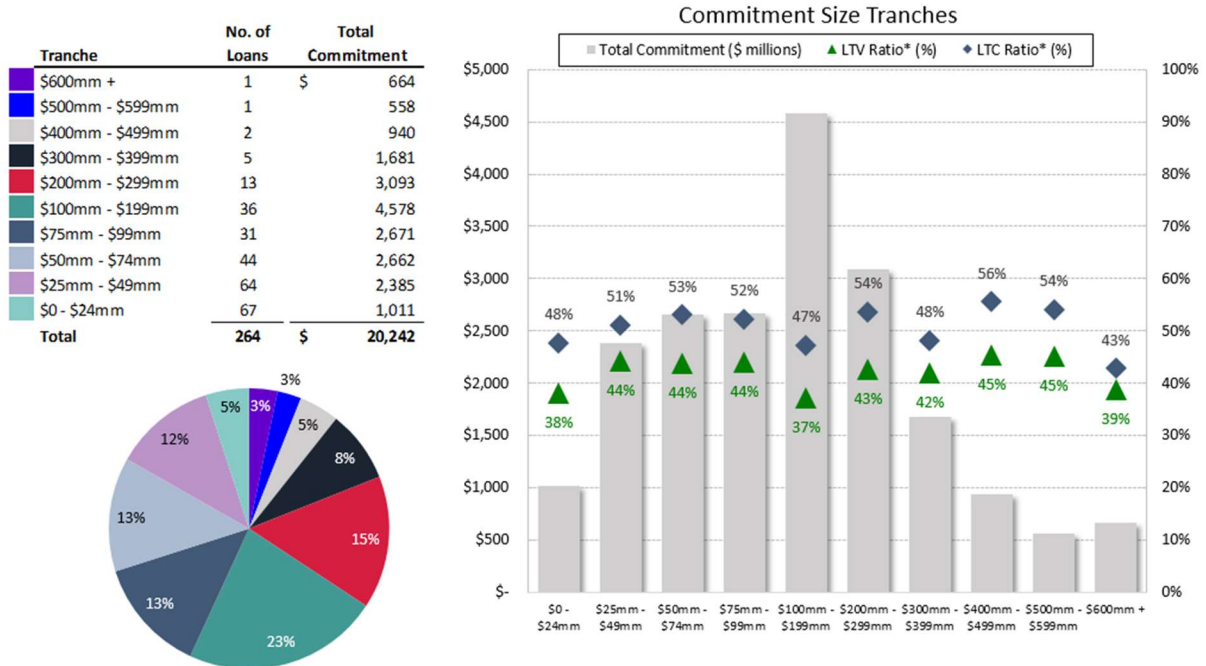
Figure 36: RESG Portfolio by LTV & Origination Date (As of March 31, 2020)
Bubble Size Reflects Total Funded and Unfunded Commitment Amount
LTV Ratios Assume All Loans Are Fully Funded



*At December 31, 2019, this borrower had eight townhomes under contract and one lot under contract. During the quarter just ended, the borrower closed three townhome sales with total gross proceeds of \$4.3 million and two lot sales with total gross proceeds of \$0.8 million. At March 31, 2020, the borrower had eight townhomes under contracts totaling \$12.6 million and one lot contract for \$0.4 million. At March 31, 2020 the Bank had an ACL and reserve of \$14.0 million, or approximately 24.4% of the total commitment, related to this credit.

The RESG portfolio includes loans of many different sizes, and historically approximately 85%, on average, of our total commitment is actually funded before the loan is repaid. The stratification of the RESG portfolio by commitment size is reflected in Figure 37.

Figure 37: RESG Portfolio Stratification by Loan Size - Total Commitment (As of March 31, 2020) (\$ millions)



* 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.

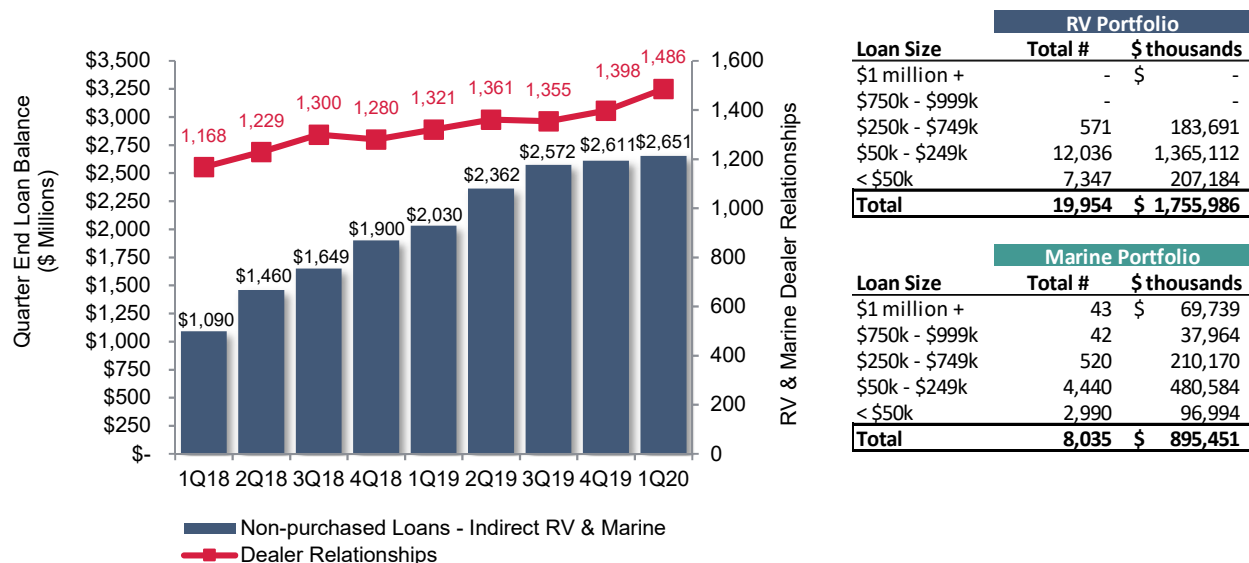
Our Community Banking loans include consumer and small business loans, loans originated by our commercial (generalist) lenders, and loans originated through our specialty lending channels in Community Banking, which include our government guaranteed, agricultural (including poultry), business aviation, subscription finance, affordable housing, middle market CRE and home builder finance loan teams. We have been building a foundation for and refining many of these specialty-lending channels for years. Although achieving growth in 2020 for some of these lending channels will be limited by the current economic environment, we believe that we are in a good position to achieve more growth through these channels over the long term. Our portfolio diversification is enhanced by the wide variety of products and geographic diversity within our Community Banking businesses.

Indirect RV & Marine lending is another nationwide business that has allowed us to originate consumer loans, while maintaining our conservative credit-quality standards. It was the largest contributor to our loan growth in 2018 and 2019, but we now expect this portfolio will shrink for the remainder of this year as we expect payoffs to significantly outpace origination volume. In recent quarters, our origination volume has declined due to competitors' aggressive credit and pricing standards. Considering the competitive environment and the increased

risks from the COVID-19 pandemic, we recently increased interest rates offered on our indirect loan products until we see more favorable market conditions. This strategic decision is expected to significantly diminish loan origination volume.

As of March 31, 2020, the non-purchased indirect portfolio had an average loan size of approximately \$95,000 and a 30+ day delinquency ratio of eight bps. For the first quarter of 2020, the annualized net charge-off ratios for the non-purchased indirect portfolio was 31 bps. Figure 38 provides additional details regarding this portfolio.

Figure 38: Growth in RV & Marine Dealers and Outstanding Non-purchased Loan Balances



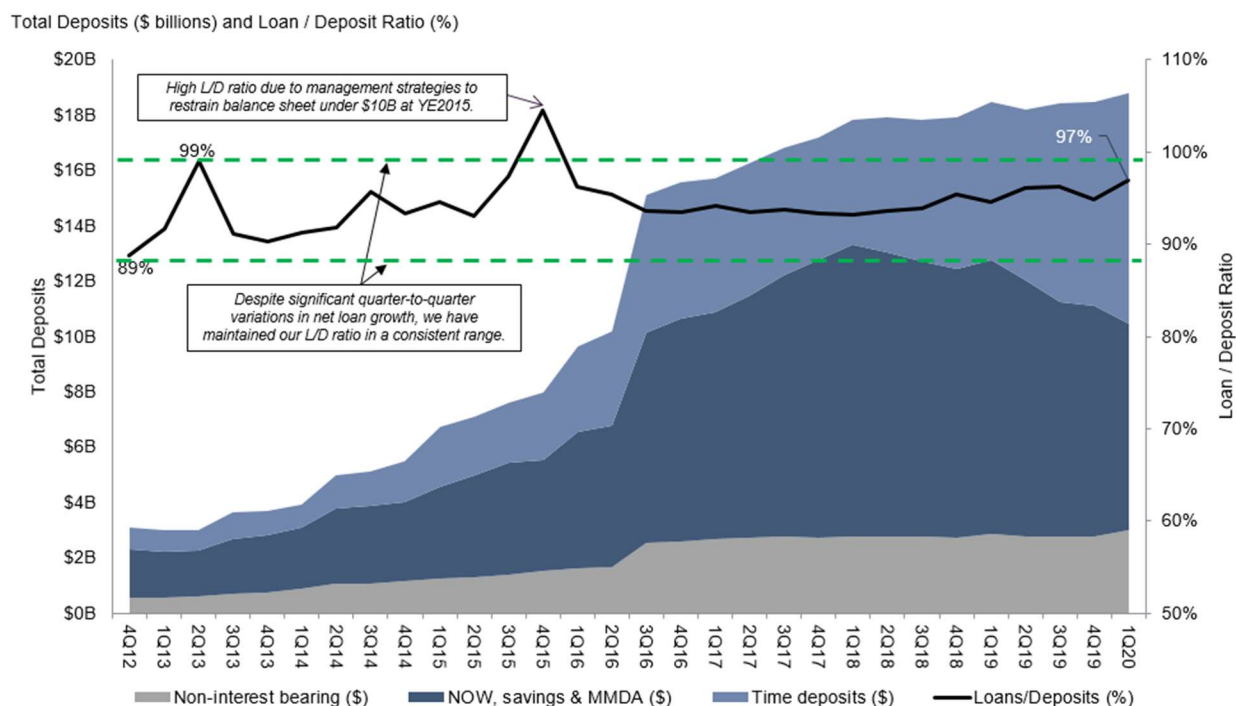
| RV Portfolio | | |
|-----------------|---------------|---------------------|
| Loan Size | Total # | \$ thousands |
| \$1 million + | - | \$ - |
| \$750k - \$999k | - | - |
| \$250k - \$749k | 571 | 183,691 |
| \$50k - \$249k | 12,036 | 1,365,112 |
| < \$50k | 7,347 | 207,184 |
| Total | 19,954 | \$ 1,755,986 |

| Marine Portfolio | | |
|------------------|--------------|-------------------|
| Loan Size | Total # | \$ thousands |
| \$1 million + | 43 | \$ 69,739 |
| \$750k - \$999k | 42 | 37,964 |
| \$250k - \$749k | 520 | 210,170 |
| \$50k - \$249k | 4,440 | 480,584 |
| < \$50k | 2,990 | 96,994 |
| Total | 8,035 | \$ 895,451 |

Liquidity

We believe that we have significant capacity for future deposit growth in our existing network of over 240 branches in eight states. We have successfully increased our overall deposits as needed to fund our earning asset growth. Our loan-to-deposit ratio was 97% at March 31, 2020, within our historical range of 89% to 99%. As Figure 39 shows, we have consistently maintained our loan-to-deposit ratio within that range over the last seven years, even as our total assets grew 515% from \$4.0 billion at December 31, 2012 to \$24.6 billion at March 31, 2020.

Figure 39: Maintaining a Consistent Loan / Deposit Ratio While Achieving Substantial Growth



We expect our weighted average rate on deposits to continue declining throughout 2020. As illustrated in Figure 40, as of March 31, 2020, we had approximately \$7.8 billion of Certificates of Deposit (“CDs”) maturing in the next twelve months. We expect to replace these higher rate deposits with lower rates as a result of the recent declines in the Fed funds target rate. During the quarter just ended, our weighted average interest rate on CDs declined by 11 basis points as compared to the fourth quarter of 2019.

Figure 40: CD Maturity Schedule

| | Certificates of Deposit | Wtd. Avg. Rate at 3/31/2020 |
|---------------|-------------------------|-----------------------------|
| 2Q20 | \$ 2,910 | 2.03% |
| 3Q20 | 2,426 | 1.93% |
| 4Q20 | 1,837 | 1.77% |
| 1Q21 | 625 | 1.43% |
| 2Q21 | 278 | 1.40% |
| 3Q21 | 49 | 1.22% |
| 4Q21 | 25 | 1.46% |
| 2022 & Beyond | 189 | 1.45% |
| Total | \$ 8,340 | 1.86% |

During the quarter just ended, we elected to utilize Federal Home Loan Bank (“FHLB”) advances to replace two of our largest and highest cost public funds deposit relationships. This shift was intended to reduce our cost of funds by utilizing specially priced FHLB advances, while also continuing our recent efforts to diversify our deposit base by eliminating several large, higher cost deposit customers. Since we had utilized FHLB letters of credit to collateralize the public funds deposits we eliminated, the replacement of the deposits with direct FHLB advances had no effect on our primary or secondary liquidity position. Figure 41 shows the FHLB advances we added during the quarter just ended.

Figure 41: FHLB Advances Added During 1Q20

| Date | Borrowing Type | Amount (\$ Millions) | Rate | Maturity Date | Lockout Term |
|-------------------------------|----------------------------|-------------------------|--------------|---------------|--------------|
| 2/28/2020 | Fixed- Rate FOTO Advance * | \$ 500 | 0.48% | 2/28/2035 | 1-Year |
| 2/28/2020 | Fixed- Rate FOTO Advance * | \$ 250 | 0.65% | 2/28/2035 | 2-Years |
| 3/26/2020 | FHLB Bullet Advance | \$ 150 | 0.30% | 6/26/2020 | --- |
| 3/26/2020 | FHLB Bullet Advance | \$ 150 | 0.25% | 7/27/2020 | --- |
| Total / Wtd. Avg. Rate | | \$ 1,050 | 0.46% | | |

**FHLB Dallas Owns The Option ("FOTO") advance is a fixed rate, non-amortizing puttable advance. FHLB Dallas has the option, at its sole discretion, to terminate the advance on a quarterly basis after the initial lockout term.*

The amount of deposits by customer type as of the dates indicated and their respective percentage of total deposits are reflected in Figure 42.

Figure 42: Deposits by Customer Type

| | Period Ended | | | | | |
|--------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | 3/31/2019 | | 12/31/2019 | | 3/31/2020 | |
| Consumer | \$ 7,230 | 39.1% | \$ 7,526 | 40.7% | \$ 8,535 | 45.4% |
| Commercial | 4,543 | 24.6% | 4,334 | 23.5% | 4,658 | 24.8% |
| Public Funds | 3,656 | 19.8% | 3,782 | 20.5% | 2,667 | 14.2% |
| Brokered | 2,130 | 11.5% | 2,115 | 11.4% | 2,233 | 11.8% |
| Reciprocal | 919 | 5.0% | 716 | 3.9% | 716 | 3.8% |
| Total | <u>\$ 18,477</u> | <u>100.0%</u> | <u>\$ 18,474</u> | <u>100.0%</u> | <u>\$ 18,809</u> | <u>100.0%</u> |

Capital and Dividends

During the quarter just ended, primarily due to the adoption of CECL as of January 1, 2020 and the unusually large provision expense resulting from the economic impact of the COVID-19 pandemic, our book value per common share decreased to \$31.57 compared to \$32.19 as of December 31, 2019. Despite this recent decline, importantly, over the last 10 years, we have increased book value per common share by a cumulative 653%, resulting in a compound annual growth rate of 22.4%, as shown in Figure 43.

Figure 43: Book Value per Share (Period End)



Similarly, during the quarter just ended, our tangible book value per common share decreased to \$26.30 compared to \$26.88 as of December 31, 2019³. Over the last 10 years, we have increased tangible book value per common share by a cumulative 545%, resulting in a compound annual growth rate of 20.5%, as shown in Figure 44.













Figure 44: Tangible Book Value per Share (Period End) ³



³ 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.

Our historically strong earnings and earnings retention rate, among other factors, have contributed to our building robust capital ratios, as shown in Figure 45, which are some of the strongest among the largest 100 U.S. banks. The reduction in our capital ratios for the quarter just ended was primarily due to the adoption of CECL as of January 1, 2020, and the unusually large provision expense resulting from the economic impact of the COVID-19 pandemic.

Figure 45: Recent Trends in Regulatory Capital

| | 12/31/2017 | 12/31/2018 | 12/31/2019 | Estimated 3/31/2020 ⁴ |
|-----------------|------------|--|--|--|
| CET 1 Ratio | 11.06% | 12.56%  | 13.76%  | 13.00%  |
| Tier 1 Ratio | 11.06% | 12.56%  | 13.76%  | 13.00%  |
| Total RBC Ratio | 12.81% | 14.37%  | 15.57%  | 15.20%  |
| Tier 1 Leverage | 13.83% | 14.25%  | 15.36%  | 14.60%  |

We have increased our cash dividend in each of the most recent 39 quarters and every year since going public in 1997. We expect to maintain our current dividend, and may continue to increase it, but, given current economic conditions, our board of directors may elect to slow the rate of increase, if any, in any future quarterly dividends.

Effective Tax Rate

Our effective tax rate during the quarter just ended was 27.5%. We expect that our effective tax rate for the full year of 2020 will be between 23.5% and 24.5%.

Final Thoughts

In recent months, we have continued our long-standing focus on our team members, meeting the needs of our customers, serving the communities in which we operate and delivering favorable returns for our shareholders. Our strong credit culture and consistent discipline have been important ingredients in our long-term success, and we believe they have positioned us well for the current economic environment and beyond. Our goals are to successfully navigate challenges that arise from the current economic environment, and to identify and capitalize on investment and other opportunities which often come from such turbulent conditions. Our team of banking and technology professionals is well-positioned to lead the Bank to continued success.

⁴ Ratios as of March 31, 2020 are preliminary estimates and are subject to revision upon filing of our FFIEC 041 Call Report.

Non-GAAP Reconciliations

Calculation of Average Tangible Common Stockholders' Equity and the Return on Average Tangible Common

Stockholders' Equity

Unaudited (Dollars in Thousands)

| | Three Months Ended * | |
|--|----------------------|--------------|
| | 3/31/2020 | 3/31/2019 |
| Net Income Available To Common Stockholders | \$ 11,866 | \$ 110,706 |
| Average Common Stockholders' Equity Before Noncontrolling Interest | \$ 4,118,614 | \$ 3,813,979 |
| Less Average Intangible Assets: | | |
| Goodwill | (660,789) | (660,789) |
| Core deposit and other intangibles, net of accumulated amortization | (22,412) | (34,437) |
| Total Average Intangibles | (683,201) | (695,226) |
| Average Tangible Common Stockholders' Equity | \$ 3,435,413 | \$ 3,118,753 |
| Return On Average Common Stockholders' Equity | 1.16% | 11.77% |
| Return On Average Tangible Common Stockholders' Equity | 1.39% | 14.40% |

* Ratios for interim periods annualized based on actual days

Calculation of Tangible Book Value per Share

Unaudited (Dollars in Thousands, Except per Share)

| | As of March 31, | | | | | |
|---|-----------------|------------|------------|------------|------------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Total common stockholders' equity before noncontrolling interest | \$ 283,513 | \$ 334,830 | \$ 442,646 | \$ 523,679 | \$ 653,208 | \$ 1,179,256 |
| Less intangible assets: | | | | | | |
| Goodwill | (5,243) | (5,243) | (5,243) | (5,243) | (5,243) | (125,603) |
| Core deposit and other intangibles, net of accumulated amortization | (1,940) | (2,855) | (6,455) | (6,015) | (15,750) | (29,907) |
| Total intangibles | (7,183) | (8,098) | (11,698) | (11,258) | (20,993) | (155,510) |
| Total tangible common stockholders' equity | \$ 276,330 | \$ 326,732 | \$ 430,948 | \$ 512,421 | \$ 632,215 | \$ 1,023,746 |
| Common shares outstanding (thousands) | 67,704 | 68,392 | 69,142 | 70,734 | 73,888 | 86,758 |
| Book value per common share | \$ 4.19 | \$ 4.90 | \$ 6.40 | \$ 7.40 | \$ 8.84 | \$ 13.59 |
| Tangible book value per common share | \$ 4.08 | \$ 4.78 | \$ 6.23 | \$ 7.24 | \$ 8.56 | \$ 11.80 |

| | As of March 31, | | | | |
|---|-----------------|--------------|--------------|--------------|--------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Total common stockholders' equity before noncontrolling interest | \$ 1,508,080 | \$ 2,873,317 | \$ 3,526,605 | \$ 3,882,643 | \$ 4,083,150 |
| Less intangible assets: | | | | | |
| Goodwill | (125,693) | (660,789) | (660,789) | (660,789) | (660,789) |
| Core deposit and other intangibles, net of accumulated amortization | (25,172) | (57,686) | (45,107) | (32,527) | (20,958) |
| Total intangibles | (150,865) | (718,475) | (705,896) | (693,316) | (681,747) |
| Total tangible common stockholders' equity | \$ 1,357,215 | \$ 2,154,842 | \$ 2,820,709 | \$ 3,189,327 | \$ 3,401,403 |
| Common shares outstanding (thousands) | 90,714 | 121,575 | 128,612 | 128,948 | 129,324 |
| Book value per common share | \$ 16.62 | \$ 23.63 | \$ 27.42 | \$ 30.11 | \$ 31.57 |
| Tangible book value per common share | \$ 14.96 | \$ 17.72 | \$ 21.93 | \$ 24.73 | \$ 26.30 |

Note: All share and per share data adjusted to reflect impact of 2-for-1 stock splits on August 16, 2011 and June 23, 2014.