MANAGEMENT COMMENTS FOR THE FIRST QUARTER 2021

APRIL 22, 2021

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, selling 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 the London Interbank Offered Rate ("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 actions in response to the coronavirus ("COVID-19") pandemic such as the Coronavirus Aid, Relief and Economic Security Act, the Consolidated Appropriations Act of 2021, the American Rescue Plan Act of 2021, and any similar or related laws, rules and regulations; changes in U.S. government monetary and fiscal policy, including changes that result from the recent U.S. elections; FDIC special assessments or changes to regular assessments; the ability to keep pace with technological changes, including changes regarding maintaining cybersecurity; 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 COVID-19 pandemic, including the duration of the pandemic and actions taken to contain or treat COVID-19, on the Bank, the Bank's customers, the Bank's staff, the global economy and financial markets; national, international or political instability; impairment of our goodwill or other intangible assets; adoption of new accounting standards, 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, 2020 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

We are pleased to report our results for the first quarter of 2021. Highlights of the quarter are as follows:

- ***Record Net Income.*** Our $148.4 million of net income for the quarter just ended was our best quarterly net income ever, and our diluted earnings per common share of $1.14 for the quarter matched our best ever.
- ***Solid Net Interest Income and Improved Core Spread.*** Our net interest income for the quarter was $234.6 million, an increase of $24.9 million, or 11.9%, from the first quarter of 2020, and only a $3.0 million, or 1.2%, decrease from the record level achieved in the fourth quarter of 2020. In 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"), increased 59 and 21 basis points ("bps") compared to the first and fourth quarters of 2020, respectively, helping offset the effects of the fewer days and the high level of net loan repayments in the quarter just ended.
- ***Excellent Asset Quality.*** Our focus on asset quality was again evident, as reflected in our annualized net charge-off ratios for the quarter just ended of 0.08% for non-purchased loans and 0.07% for total loans. Our March 31, 2021 ratios of nonperforming non-purchased loans to total non-purchased loans and nonperforming assets to total assets[1] were just 0.25% and 0.19%, respectively.
- ***Efficiency Among the Industry's Best.*** Our efficiency ratio for the quarter was 39.6%.
- ***Dividend Growth.*** We recently increased our regular quarterly dividend for the 43rd consecutive quarter.
- ***Strong Earnings and Capital Create Options.*** Our combination of strong earnings and robust capital gives us great optionality to increase shareholder value. Options for deploying our excess capital include organic loan growth, adding new business lines, continuing to increase our cash dividend, share repurchases, and financially attractive acquisitions for cash or some combination of cash and stock.

Profitability and Earnings Metrics

Net income for the first quarter of 2021 was a record $148.4 million, a 1,151% increase from $11.9 million for the first quarter of 2020. Diluted earnings per common share for the first quarter of 2021 were $1.14, a 1,167% increase from $0.09 for the first quarter of 2020.

Our annualized return on average assets was 2.23% for the first quarter of 2021 compared to 0.20% for the first quarter of 2020. Our annualized returns on average common stockholders' equity and average tangible common

[1] Excludes purchased loans, except for their inclusion in total assets.

stockholders' equity[2] for the first quarter of 2021 were 13.97% and 16.57%, respectively, compared to 1.16% and 1.39%, respectively, for the first quarter of 2020.

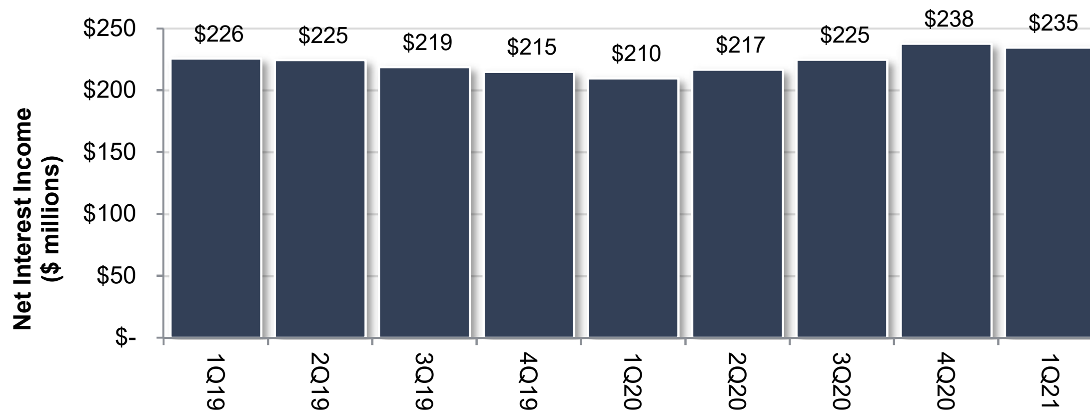
Our results for the first quarter of 2020 reflected the substantial build of our allowance for credit losses ("ACL") associated with the COVID-19 pandemic and the related actual and expected economic impacts at that time, and our results for the quarter just ended reflect some release of our ACL resulting from improved economic conditions.

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; volume and mix of deposits and other liabilities; net interest margin; core spread; and other factors.

As shown in Figure 1 below, our net interest income for the first quarter of 2021 was $234.6 million, an increase of $24.9 million, or 11.9%, from the first quarter of 2020, and only a $3.0 million, or 1.2%, decrease from the record level achieved in the fourth quarter of 2020. In the quarter just ended, our core spread increased 59 and 21 bps, compared to the first and fourth quarters of 2020, respectively, helping offset the effects of the fewer days and the elevated level of net loan repayments in the quarter just ended.

Figure 1: Quarterly Net Interest Income



[2] The calculation of the Bank's return on average tangible common stockholders' equity and the reconciliation to generally accepted accounting principles ("GAAP") are included in the schedule at the end of this presentation.

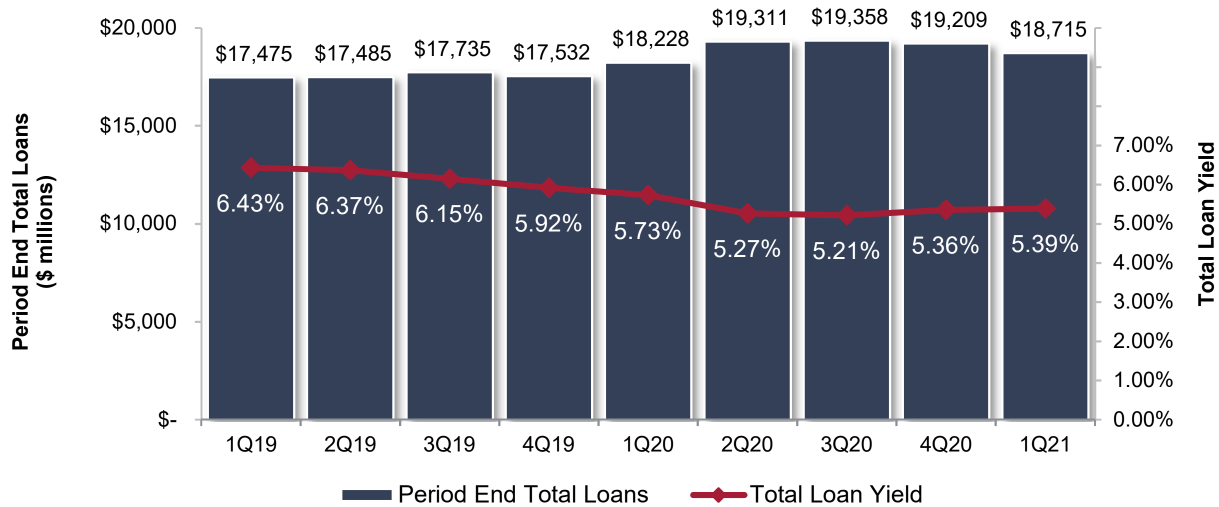
Average Earning Assets – Volume and Mix

Our average earning assets for the quarter just ended totaled $24.8 billion, a 15.5% increase from $21.4 billion for the first quarter of 2020 and a 0.9% increase from $24.5 billion for the fourth quarter of 2020.

Total Loans

Our outstanding balance of total loans at March 31, 2021 increased $0.49 billion, or 2.7%, from March 31, 2020, but, due to a high level of net loan repayments in the quarter just ended, decreased $0.49 billion, or 2.6% not annualized, from December 31, 2020, all as illustrated in Figure 2.

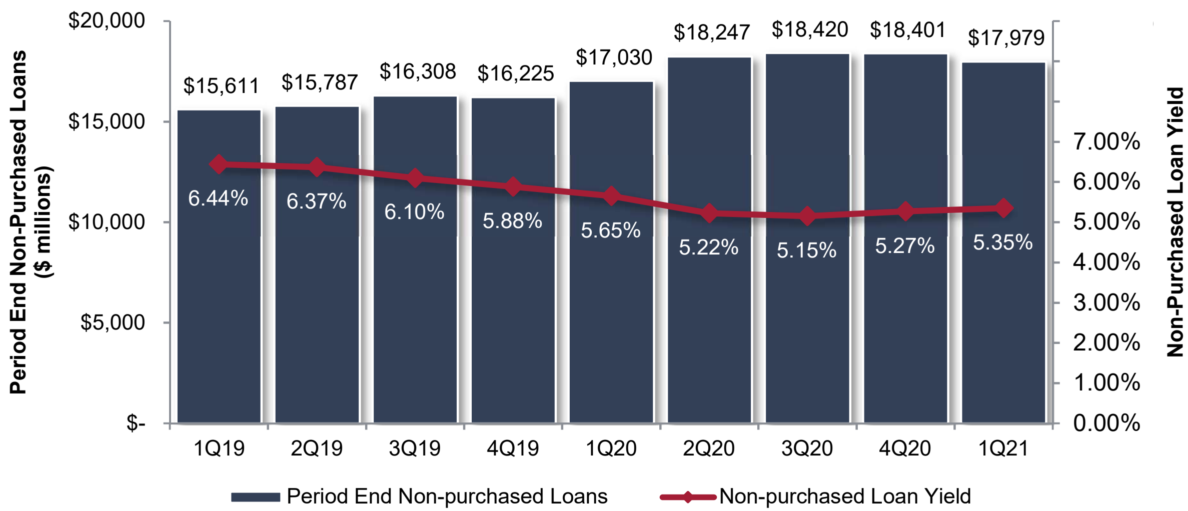
Figure 2: Total Loan Balances and Yields



Non-purchased Loans

Non-purchased loans, which are all loans excluding the remaining loans from our 15 acquisitions, accounted for 95.9% of our average total loans and 73.4% of our average earning assets in the quarter just ended. Non-purchased loans at March 31, 2021 increased $0.95 billion, or 5.6%, as compared to March 31, 2020, but, due to a high level of net loan repayments in the quarter just ended, our outstanding balance of non-purchased loans decreased by $0.42 billion, or 2.3% not annualized, as compared to December 31, 2020, all as illustrated in Figure 3.

Figure 3: Non-Purchased Loan Balances and Yields



In the first quarter of 2021, our yield on non-purchased loans was 5.35%, a 30 bps decrease from the first quarter of 2020, but an eight bps increase from the fourth quarter of 2020.

RESG accounted for 64% of the funded balance of non-purchased loans as of March 31, 2021. RESG's funded balance of non-purchased loans increased $1.44 billion over the last four quarters, but decreased $0.17 billion during the first quarter of 2021. Figures 4 and 5 reflect the changes in the funded balance of RESG loans for the last four quarters and for the first quarter 2021, respectively.

Figure 4: Activity in RESG Funded Balances – Last Four Quarters ($ billions)

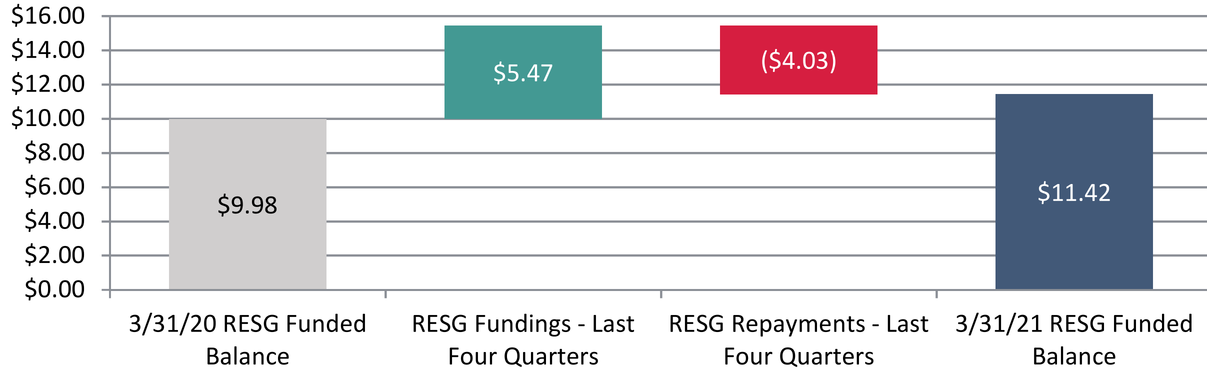


Figure 5: Activity in RESG Funded Balances – 1Q21 ($ billions)

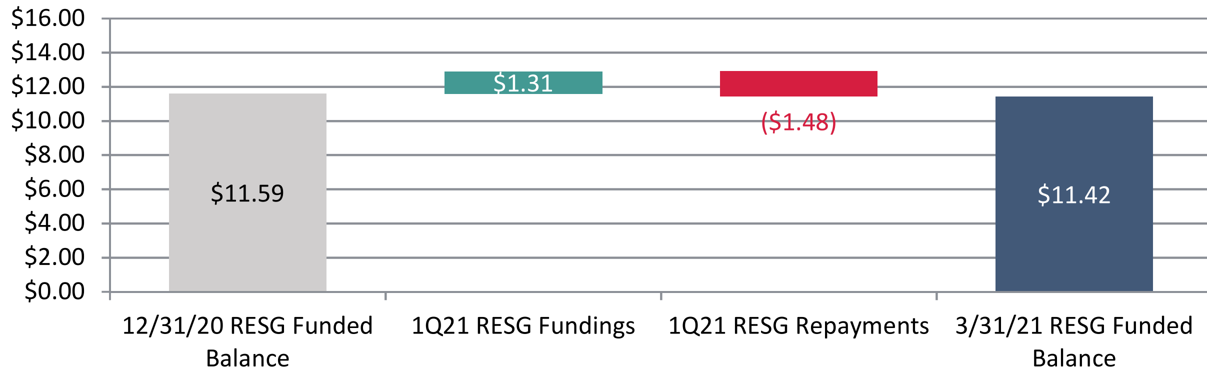


Figure 6 shows RESG's loan repayments for each of the last 21 quarters. After being restrained for much of 2020 by the various impacts of the COVID-19 pandemic, RESG loan repayments in the quarter just ended were $1.48 billion, our highest quarterly level since the fourth quarter of 2019. As we have previously stated, we expect RESG loan repayments in 2021 will likely be above the record annual $5.67 billion level in 2019, making RESG loan repayments a meaningful headwind to 2021 loan growth.

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	$0.69	$0.65	$1.19	$3.54
FY2021	$1.48				$1.48

**3M21 Not Annualized*

Based on current estimates, we anticipate loan repayments in the second quarter of 2021 will probably be an all-time quarterly record, likely resulting in another quarter of negative RESG and total loan growth. However, we expect to resume positive loan growth for RESG and total loans in the third and fourth quarters of 2021.

The level of repayments may vary substantially from quarter-to-quarter and may have an outsized impact in one or more quarters.

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)*

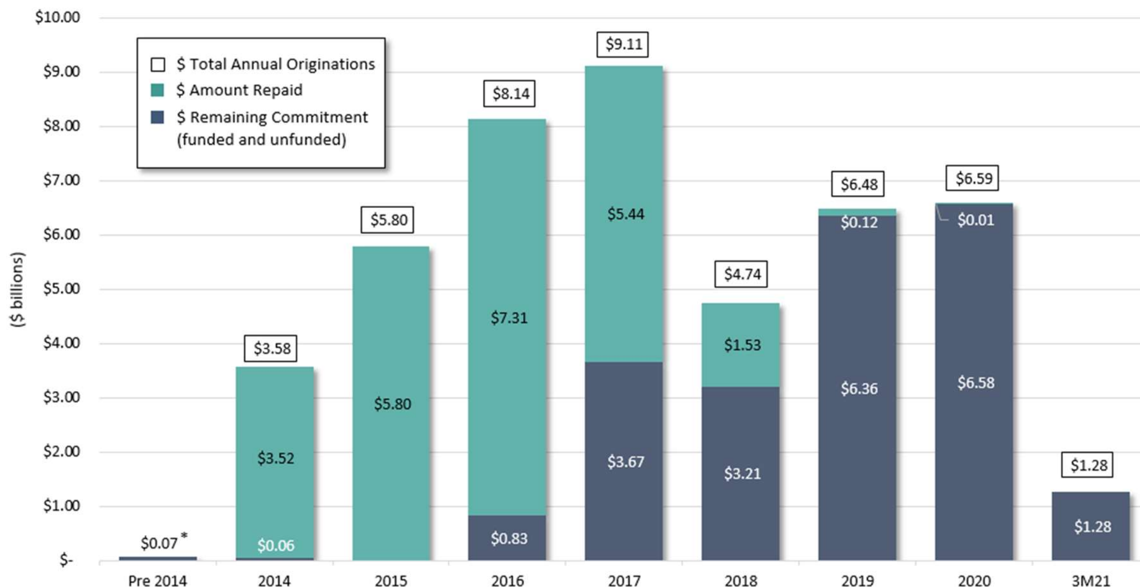


Figure 8 shows RESG's loan originations for each of the last 21 quarters. RESG loan originations for the first quarter of 2021 were $1.28 billion. We are very pleased with the job that our team is doing in finding good opportunities. In the quarter just ended, our RESG team closed 24 loans, which was an increase from 13 loans closed in the first quarter of 2020. However, the average commitment of the RESG loans closed in the quarter just ended was $53 million, which was a decrease from an average commitment of $136 million for loans closed in the first quarter of 2020.

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	$1.67	$1.40	$1.77	$6.59
FY2021	$1.28				$1.28

**3M21 Not Annualized*

The smaller size of our RESG loans closed in the most recent quarter impacted our total origination dollar volume and reflects (i) the fact that fewer large mixed use projects were launched during the quarter in the aftermath of the COVID-19 pandemic and (ii) the fact that we saw fewer origination opportunities meeting our standards in the very large urban markets, such as New York City, where transaction sizes tend to be larger. We expect these factors may normalize in the second half of 2021 and in 2022.

Even though some sponsors have elected to pause commencement of some new projects until future conditions clarify, we continue to be encouraged by our RESG pipeline of potential originations. 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, 2021, RESG accounted for 90% of our $11.78 billion of unfunded balance of loans already closed. Figures 9 and 10 reflects the changes in the unfunded balance of our loans already closed, both RESG and others, for the last four quarters and the first quarter of 2021, respectively. The total unfunded balance increased by approximately $0.45 billion over the last four quarters, but decreased slightly by approximately $0.07 billion during the quarter just ended. Future quarterly changes in this unfunded balance will vary based on a variety of factors.

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

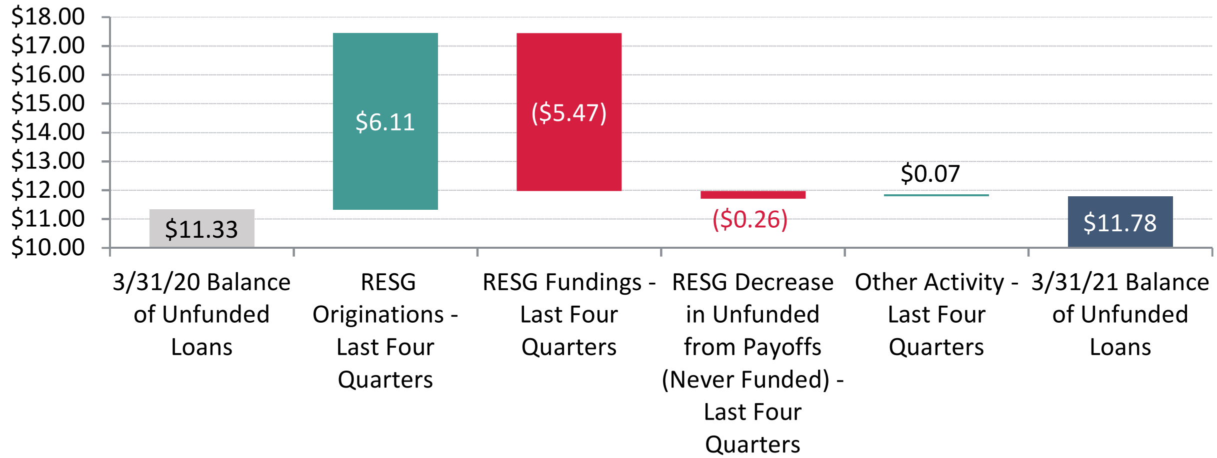
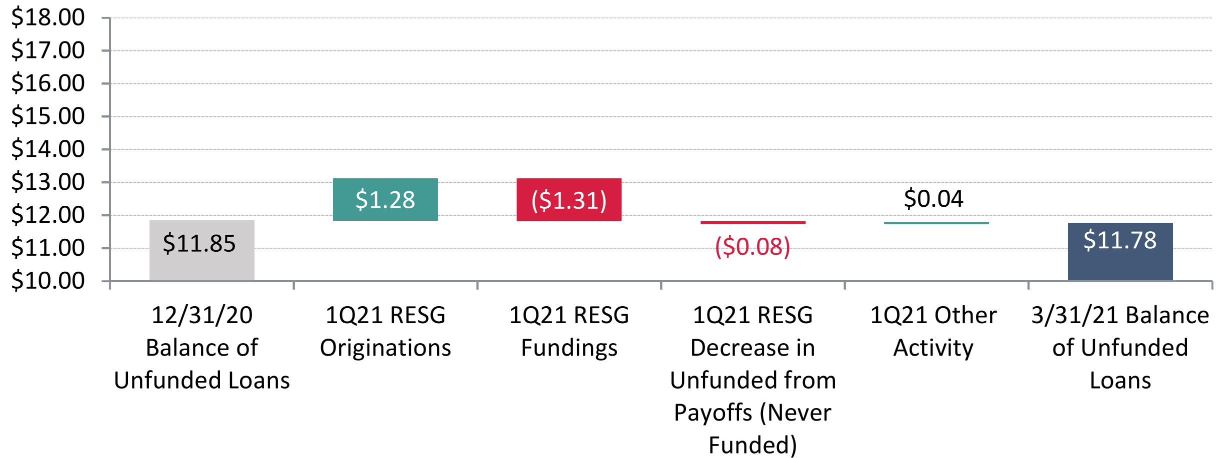


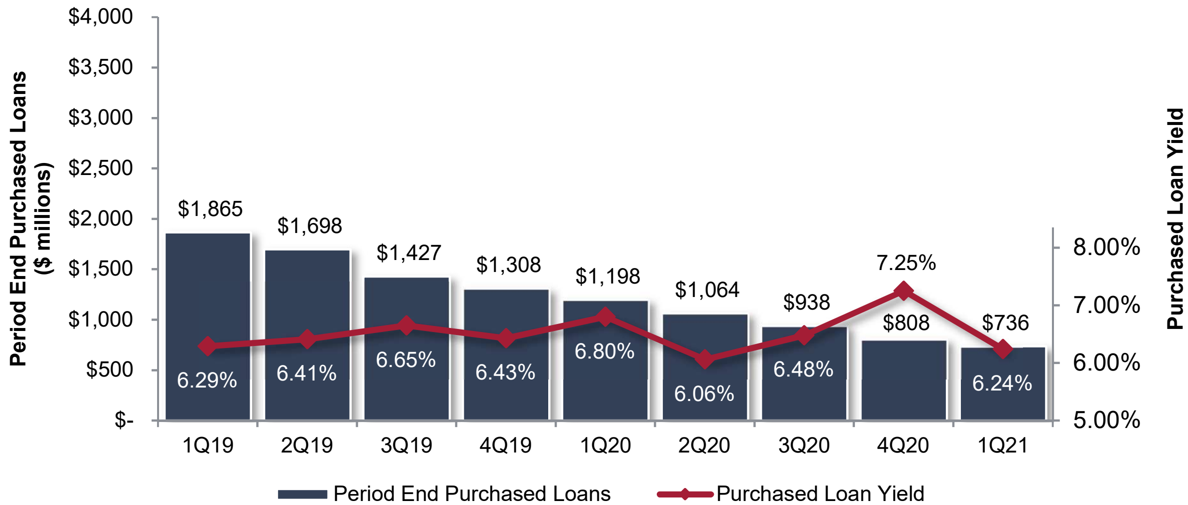
Figure 10: Activity in Unfunded Balances – 1Q21 ($ billions)



Purchased Loans

Purchased loans, which are the remaining loans from our 15 acquisitions, accounted for 4.1% of average total loans and 3.1% of our average earning assets in the quarter just ended. Purchased loans at March 31, 2021 decreased $0.46 billion, or 38.6%, as compared to March 31, 2020 and decreased $0.07 billion, or 8.9% not annualized, as compared to December 31, 2020. Purchased loan runoff will continue to be a headwind to total loan growth in 2021. Figure 11 shows our recent purchased loan portfolio trends.

Figure 11: Purchased Loan Balances and Yields

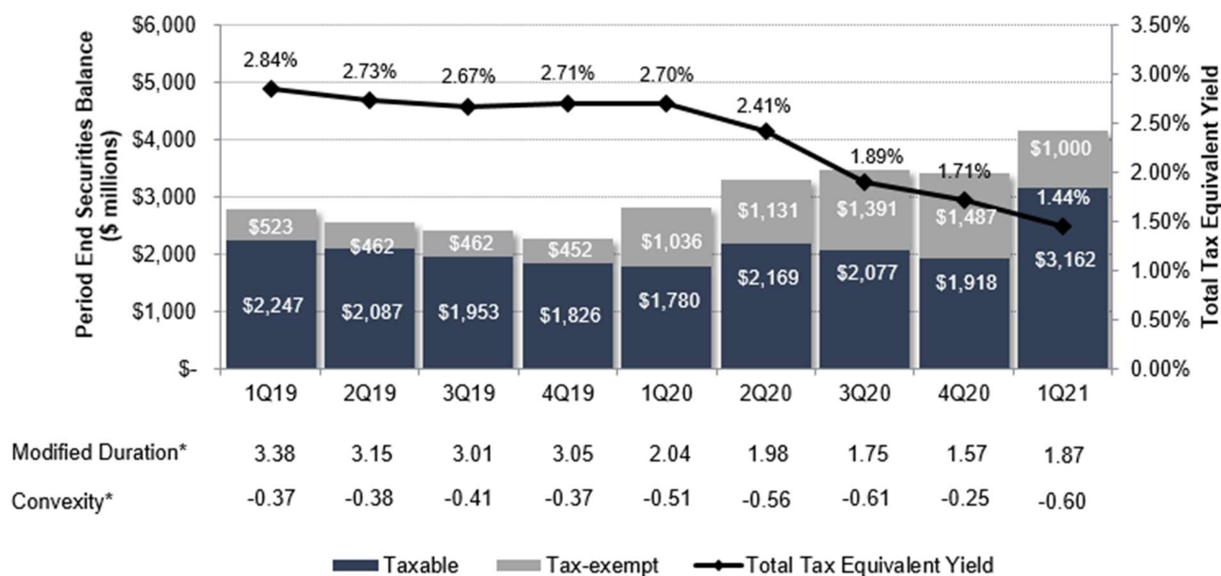


In the first quarter of 2021, our yield on purchased loans was 6.24%, a 56 bps decrease from the first quarter of 2020 and a 101 bps decrease from an elevated level in the fourth quarter of 2020.

Investment Securities

At March 31, 2021, our investment securities portfolio was $4.16 billion, which was an increase of $1.35 billion, or 47.8%, as compared to March 31, 2020, and an increase of $0.76 billion, or 22.2% not annualized, as compared to December 31, 2020, all as illustrated in Figure 12. As our liquidity position has increased, we have purchased high-quality, mostly very short-term securities, which have relatively low yields reflective of their quality and short-term nature. As shown below, this, among other factors, has had a dilutive effect on our investment portfolio yield over the past four quarters, and, in turn, a dilutive effect on our net interest margin. In the first quarter of 2021, the yield on our investment portfolio, on a fully taxable equivalent basis, was 1.44%, a 126 bps decrease from the first quarter of 2020 and a 27 bps decrease from the fourth quarter of 2020. Reflecting the current interest rate environment and market conditions, we expect the yield on our investment portfolio to continue to decrease in the coming quarters.

Figure 12: Investment Portfolio Loan Balances and Yields



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.

Net Interest Margin

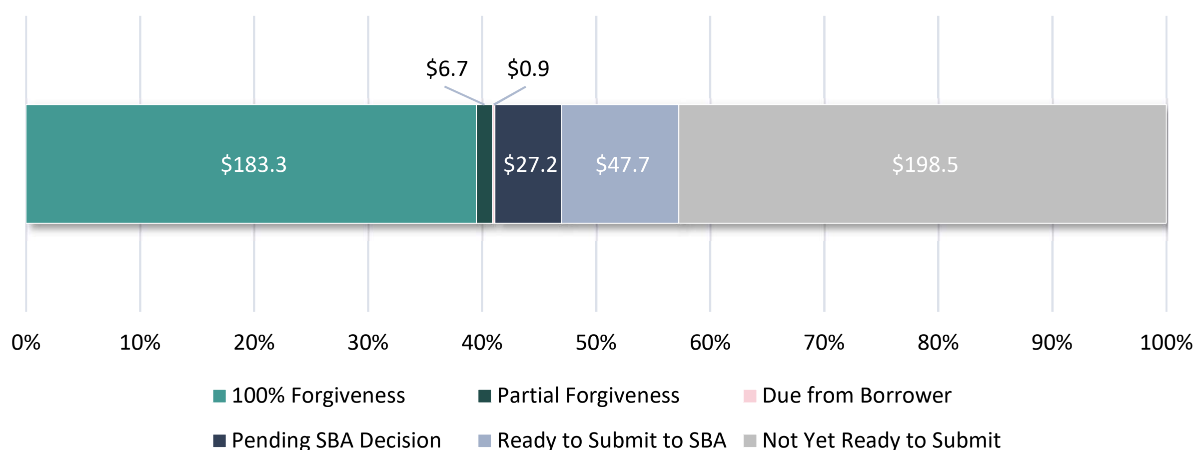
Our net interest margin was 3.86% for the quarter just ended, down 10 bps and two bps, respectively, from the first quarter and fourth quarter of 2020. Throughout 2020 and in the first quarter of 2021, we held increased amounts of liquidity in the form of cash balances and very short-term securities, and this additional liquidity has had a dilutive impact on our net interest margin.

Non-purchased Loan Yield

As previously shown in Figure 3, our yield on non-purchased loans was 5.35% for the quarter just ended, a decrease of 30 bps from the first quarter of 2020, but an increase of eight bps from the fourth quarter of 2020.

As of March 31, 2021, we continued to have outstanding $0.28 billion of the $0.46 billion of loans we originated in 2020 under the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP1"). The PPP1 loans have a contractual interest rate of 1%. During the quarter just ended, we recognized $3.6 million of previously un-accreted net deferred fees from $0.16 billion of PPP1 loans that received forgiveness and paid off. Recognition of this $3.6 million in previously deferred fees contributed approximately eight bps to our yield on non-purchased loans in the first quarter of 2021. As of March 31, 2021, we had $5.2 million of un-accreted net deferred fees associated with the remaining balance of our PPP1 loans. While the timing for the forgiveness or repayment of our remaining PPP1 loans may vary, our current expectation is that a large portion of such remaining loans will be forgiven and repaid by the SBA in the second quarter of 2021.

Figure 13: PPP1 Loan Forgiveness Status as of March 31, 2021 *($ millions)*



During the first quarter of 2021, we originated $0.11 billion of loans under the SBA's Paycheck Protection Program ("PPP2"). As of March 31, 2021, our outstanding balance of PPP2 loans was $0.11 billion. The PPP2 loans also have a contractual interest rate of 1%. It is currently expected that we will continue originating PPP2 loans in the second quarter of 2021 at a modest pace. At March 31, 2021, we had $4.6 million of un-accreted net deferred fees associated with our outstanding PPP2 loans.

Variable Rate Loans

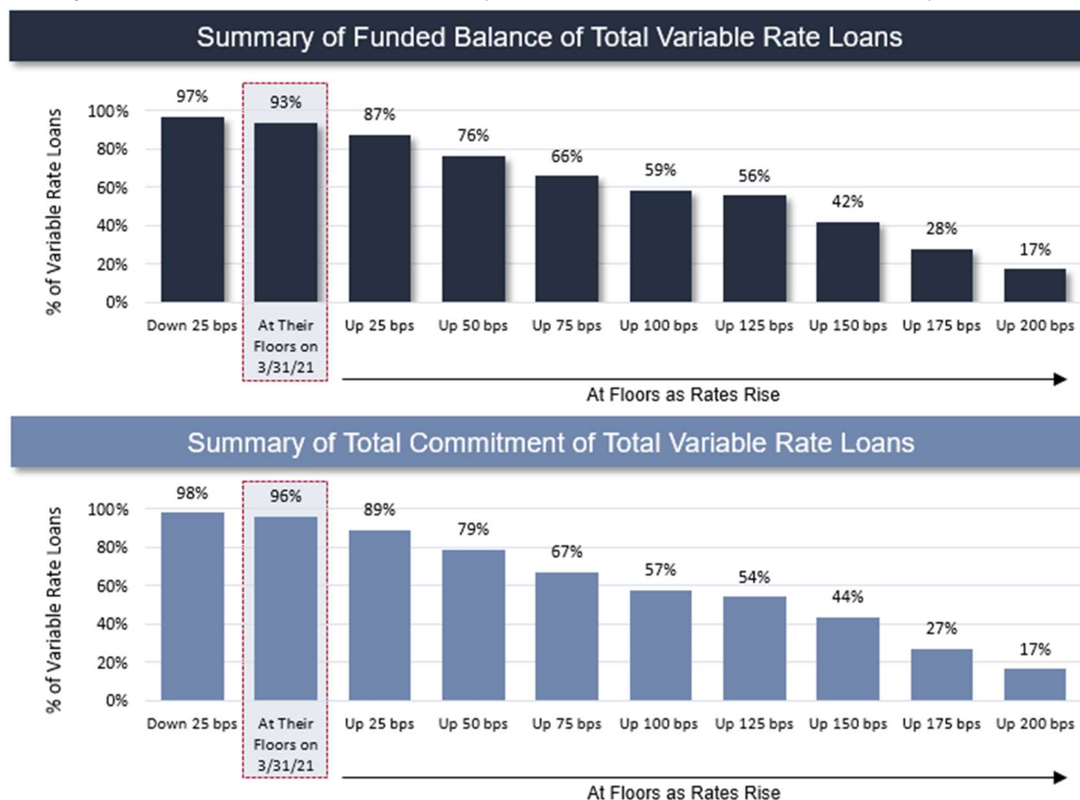
At March 31, 2021, 78% of our funded balance of non-purchased loans and 35% of our funded balance of purchased loans had variable rates. As shown in Figure 14, at March 31, 2021, 83.1% of our total funded balance of variable rate loans were tied to 1-month LIBOR, 0.8% were tied to 3-month LIBOR and 14.7% were tied to WSJ Prime.

Figure 14: Summary of Funded Balance of Variable Rate Loan Indexes as of March 31, 2021

% 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	84.3%	1-Month LIBOR	18.6%	1-Month LIBOR	83.1%
3-Month LIBOR	0.8%	3-Month LIBOR	0.0%	3-Month LIBOR	0.8%
WSJ PRIME	14.0%	WSJ PRIME	53.1%	WSJ PRIME	14.7%
Other	0.9%	Other	28.3%	Other	1.4%

At March 31, 2021, 99% of our funded variable rate total loans (non-purchased and purchased) had floor rates. As of March 31, 2021, 93% of the funded balance of total loans in our variable rate loan portfolio were at their floors, and 96% of the total commitment of variable rate loans were at their floors. Figure 15 illustrates the volume of our funded balance and our total commitments, respectively, of total variable rate loans that would be expected to be at their floors with future moves, either up or down, in interest rates.

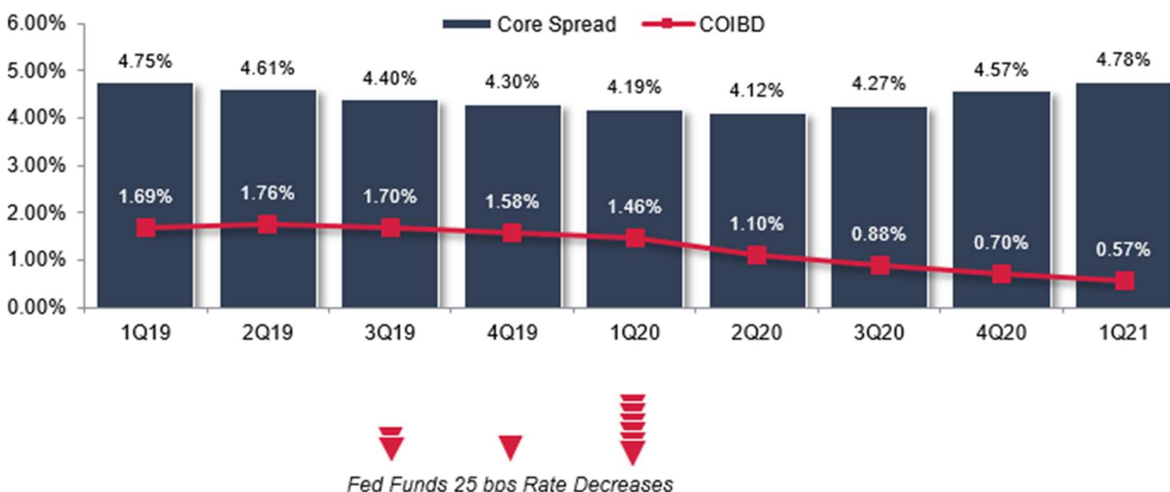
Figure 15: Impact of Floors in Variable Rate Loans (Funded Balance and Total Commitment) as of March 31, 2021



Core Spread

Our core spread improved further in the quarter just ended to 4.78%, increasing 59 bps from the first quarter of 2020 and 21 bps from the fourth quarter of 2020. As reflected in Figure 16, in the quarter just ended, our COIBD decreased 89 bps from the first quarter of 2020 and 13 bps from the fourth quarter of 2020. Decreasing our COIBD has been a significant factor in our recent improvements in core spread.

Figure 16: COIBD and Core Spread



Fed Funds 25 bps Rate Decreases

We expect we can achieve some further improvements in our COIBD. Figure 17 shows our volume and average interest rates on time deposits maturing over the next four quarters and thereafter compared to our results for new and renewed time deposits in the first quarter of 2021. Whether or not any further reductions in our COIBD will result in improvement in our core spread will depend on a number of factors, including our ability to mitigate downward pressure on our loan pricing and maintain loan yields near current levels in an increasingly competitive environment.

Figure 17: Time Deposit Maturity Schedule

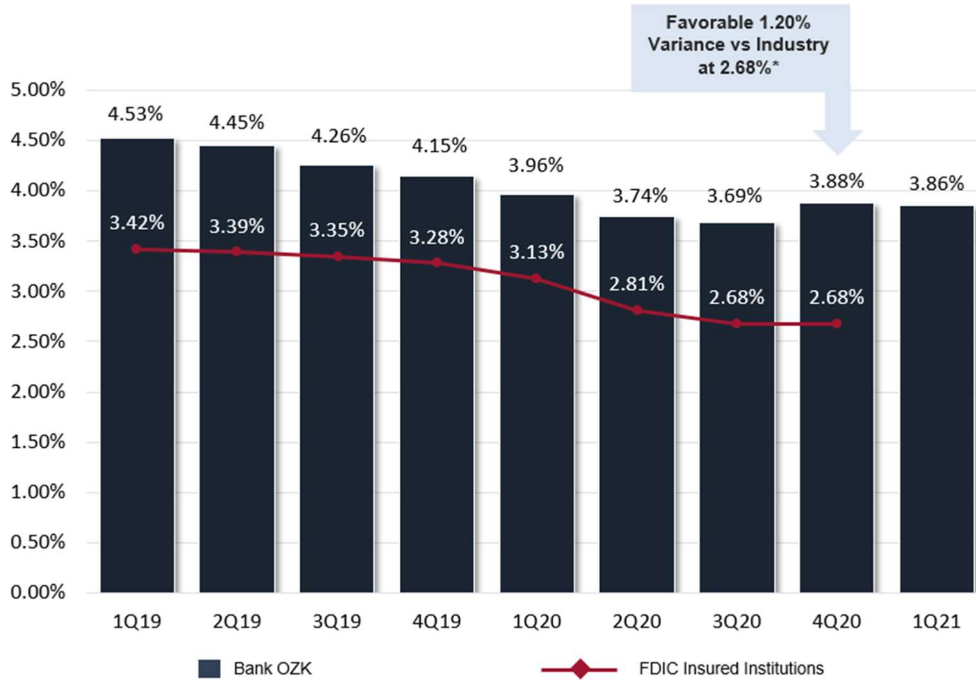
($ millions)	Time Deposits	Wtd. Avg. Rate at 3/31/2021
2Q21	$ 3,136	1.13%
3Q21	2,346	0.82%
4Q21	1,472	0.60%
1Q22	557	0.55%
2Q22 & Beyond	1,059	0.75%
Total	**$ 8,571**	**0.87%**

New and Renewed Time Deposits		
1st Quarter 2021	**$ 904**	**0.36%**

Net Interest Margin

During the quarter just ended, our net interest margin decreased 10 bps from the first quarter of 2020 and two bps from the fourth quarter of 2020; however, we continue to outperform the industry on net interest margin, as shown in Figure 18. In fact, in the fourth quarter of 2020, the latest quarter for which comparative data is available, our net interest margin outperformed the industry by 120 bps.

Figure 18: Quarterly Net Interest Margin (%)



Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2020.

Non-interest Income

Non-interest income for the first quarter of 2021 was $32.1 million, a 16.0% increase from $27.7 million for the first quarter of 2020 and a 12.1% increase from $28.7 million for the fourth quarter of 2020. Non-interest income for the quarter just ended included gains of $4.4 million on the sale of our only two South Carolina branches and $1.4 million of BOLI death benefit income. The COVID-19 pandemic has significantly impacted customer activity which reduced certain categories of non-interest income, including income from service charges on deposit accounts, in recent quarters. Figures 19 and 20, respectively, summarize non-interest income for the most recent nine quarters and year-over-year trends for the first quarter of 2021.

Figure 19: Quarterly Trends in Non-interest Income *($ thousands)*

	For the Three Months Ended								
	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Service charges on deposit accounts	$ 9,722	$ 10,291	$ 10,827	$ 10,933	$ 10,009	$ 8,281	$ 9,427	$ 9,983	$ 9,665
Trust income	1,730	1,839	1,975	2,010	1,939	1,759	1,936	1,909	2,206
BOLI income									
Increase in cash surrender value	5,162	5,178	5,208	5,167	5,067	5,057	5,081	5,034	4,881
Death benefit	-	-	206	2,989	608	-	-	-	1,409
Other income from purchased loans	795	1,455	674	759	-	-	-	-	-
Loan service, maintenance and other fees	4,874	4,565	4,197	4,282	3,716	3,394	3,351	3,797	3,551
Net gains on investment securities	-	713	-	-	2,223	-	2,244	-	-
Gains (losses) on sales of other assets	284	402	189	1,358	161	621	891	5,189	5,828
Other	1,505	2,160	3,170	2,908	3,957	2,479	3,746	2,749	4,577
Total non-interest income	$ 24,072	$ 26,603	$ 26,446	$ 30,406	$ 27,680	$ 21,591	$ 26,676	$ 28,661	$ 32,117

Figure 20: Trends in Non-interest Income – 1Q20 vs. 1Q21 *($ thousands)*

	For the Three Months Ended		
	3/31/2020	3/31/2021	% Change
Service charges on deposit accounts	$ 10,009	$ 9,665	-3.4%
Trust income	1,939	2,206	13.8%
BOLI income			
Increase in cash surrender value	5,067	4,881	-3.7%
Death benefit	608	1,409	131.7%
Loan service, maintenance and other fees	3,716	3,551	-4.5%
Net gains on investment securities	2,223	-	NM
Gains (losses) on sales of other assets	161	5,828	NM
Other	3,957	4,577	15.7%
Total non-interest income	$ 27,680	$ 32,117	16.0%

Non-interest Expense

Non-interest expense for the first quarter of 2021 was $106.1 million, a 2.5% increase from $103.4 million in the first quarter of 2020 and a 2.6% increase from $103.4 million in the fourth quarter of 2020.

The unique operating environment of 2020 caused many changes in our expense base. We believe some of these changes to our business will be more permanent, as we have adjusted many aspects of branch operations and staffing, accelerated our already important emphasis on mobile banking and other technology solutions, adjusted certain product offerings, and made many other changes that we feel are more appropriate for the current and expected future operating environment. In recent quarters, we eliminated dozens of positions that were no longer needed or productive, while adding new headcount to address the changing needs and expectations of our customers in this rapidly evolving environment. We have evaluated and will continue to evaluate our branches to ensure we have an optimal branch network. In the first quarter of 2021, we opened two branches in Atlanta, Georgia and closed one branch in Russellville, Arkansas, which closure resulted in a charge of approximately $0.6 million, and we completed the previously announced sale of our only two branches in South Carolina. In the coming months, we expect to close four branches - one in Georgia, two in Arkansas, and one in Florida. We expect to retain the majority of the customers of these four branches, because we have nearby branches which can effectively service those customers. We may realize small gains on the sale of one or more of these closed branch facilities, and we may recognize some charges in connection with these closures, however, we do not expect the combined impact of these closures to have a material effect on our operating results for the second quarter of 2021.

Figures 21 and 22, respectively, summarize non-interest expense for the most recent nine quarters and year-over-year trends for the first quarter of 2021.

Figure 21: Quarterly Trends in Non-interest Expense *($ thousands)*

	For the Three Months Ended								
	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Salaries & employee benefits	$ 44,868	$ 47,558	$ 48,376	$ 52,050	$ 51,473	$ 48,410	$ 53,119	$ 53,832	$ 53,645
Net occupancy and equipment	14,750	14,587	14,825	14,855	15,330	15,756	16,676	15,617	16,468
Professional and outside services	8,261	7,801	8,898	6,869	6,764	7,629	8,320	7,026	6,326
Advertising and public relations	1,683	1,671	2,067	1,822	1,703	1,704	1,557	1,086	308
Telecommunication services	3,344	2,810	2,094	2,335	2,177	2,334	2,352	2,296	2,232
Software and data processing	4,709	4,757	5,095	4,974	4,974	5,145	5,431	5,729	5,792
Travel and meals	2,669	2,939	2,777	2,845	2,102	710	689	835	774
FDIC insurance and state assessments	3,652	3,488	2,505	3,780	3,420	4,585	3,595	3,647	3,520
Amortization of intangibles	3,145	3,012	2,907	2,854	2,795	2,582	1,914	1,794	1,730
Postage and supplies	2,103	2,058	2,040	2,483	2,053	1,892	1,808	1,709	1,645
ATM expense	987	1,099	1,277	1,263	1,160	1,002	1,604	1,490	1,283
Loan collection and repossession expense	984	918	317	600	694	857	1,030	481	509
Writedowns of foreclosed assets	562	594	354	910	879	720	488	1,582	1,363
Amortization of CRA and tax credit investments	878	878	725	581	2,740	3,107	1,611	823	4,125
Other expenses	4,083	4,961	6,657	6,185	5,161	4,520	5,447	5,447	6,339
Total non-interest expense	$ 96,678	$ 99,131	$ 100,914	$ 104,406	$ 103,425	$ 100,953	$ 105,641	$ 103,394	$ 106,059

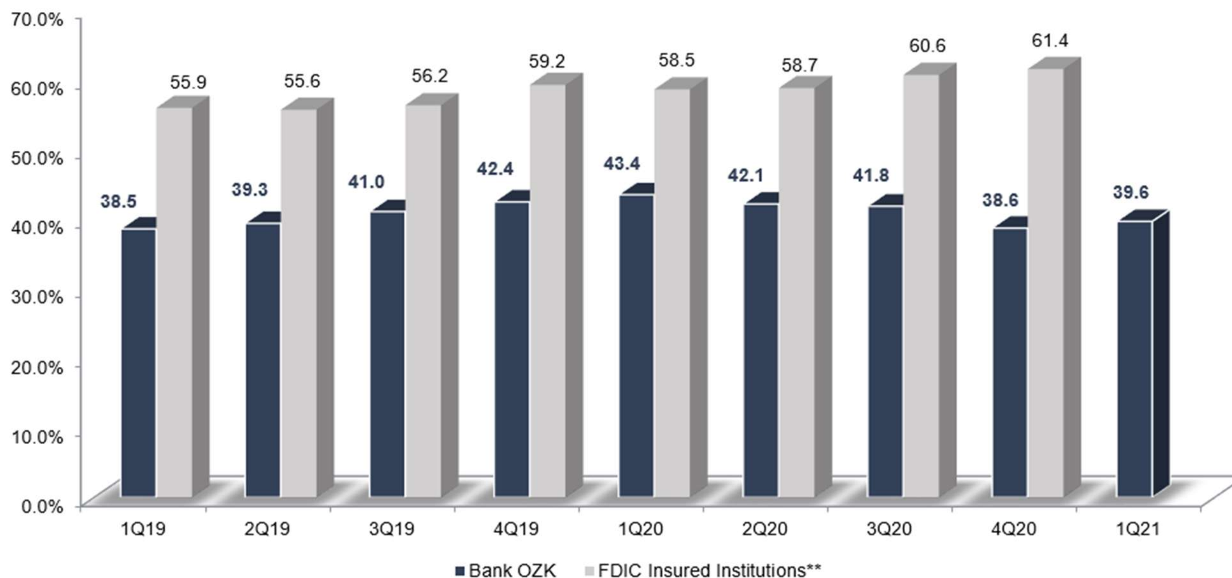
Figure 22: Trends in Non-interest Expense – 1Q20 vs. 1Q21 *($ thousands)*

	For the Three Months Ended		
	3/31/2020	3/31/2021	% Change
Salaries & employee benefits	$ 51,473	$ 53,645	4.2%
Net occupancy and equipment	15,330	16,468	7.4%
Professional and outside services	6,764	6,326	-6.5%
Advertising and public relations	1,703	308	-81.9%
Telecommunication services	2,177	2,232	2.5%
Software and data processing	4,974	5,792	16.4%
Travel and meals	2,102	774	-63.2%
FDIC insurance and state assessments	3,420	3,520	2.9%
Amortization of intangibles	2,795	1,730	-38.1%
Postage and supplies	2,053	1,645	-19.9%
ATM expense	1,160	1,283	10.6%
Loan collection and repossession expense	694	509	-26.7%
Writedowns of foreclosed assets	879	1,363	55.1%
Amortization of CRA and tax credit investments	2,740	4,125	50.5%
Other expenses	5,161	6,339	22.8%
Total non-interest expense	$ 103,425	$ 106,059	2.5%

Efficiency Ratio

As shown in Figure 23, in the quarter just ended, our efficiency ratio was 39.6%. Our efficiency ratio remains among the best in the industry, having now been among the top decile of the industry for 19 consecutive years.*

Figure 23: Quarterly Efficiency Ratio (%)



** Data from S&P Global Market Intelligence.*
*** Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2020.*

Provision and Allowance for Credit Losses ("ACL")

Our total provision expense for the quarter just ended was a negative $31.6 million. As of March 31, 2021, our allowance for loan losses ("ALL") for outstanding loans was $268.1 million, or 1.43% of total outstanding loans, and our reserve for potential losses on unfunded loan commitments was $74.2 million, or 0.63% of unfunded loan commitments, bringing our total ACL, which includes the ALL and the reserve for potential losses on our unfunded loans commitments, to $342.3 million.

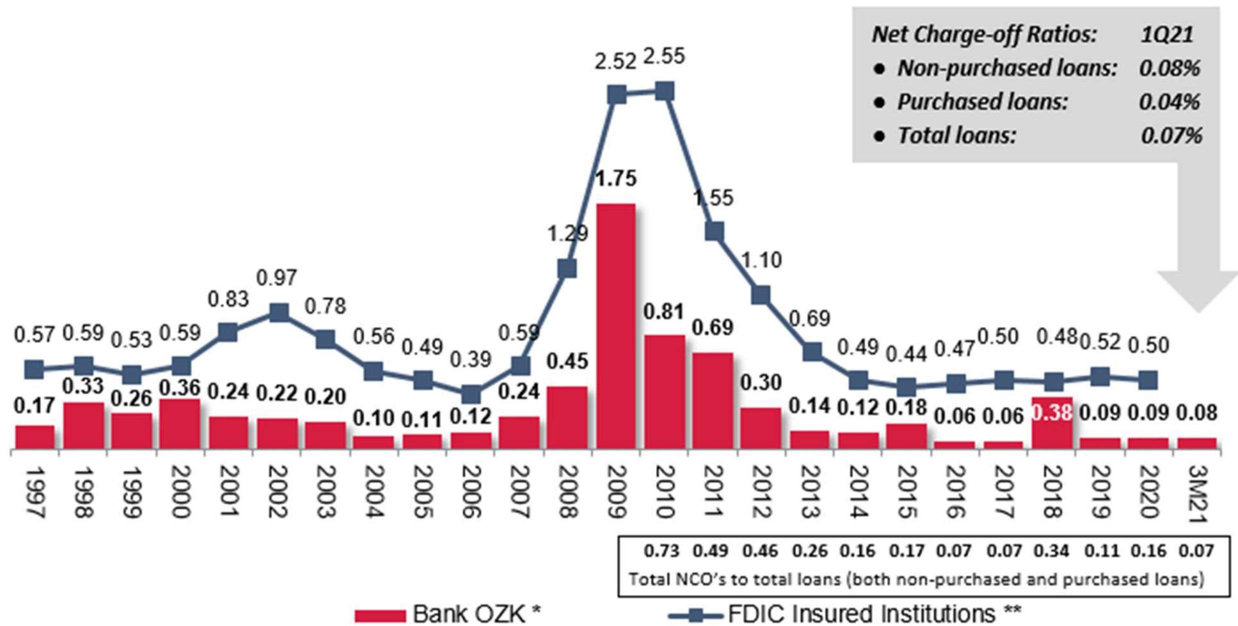
The calculations of our provision expense for the first quarter of 2021 and our total ACL at March 31, 2021 were based on a number of key estimates, assumptions and economic forecasts. We utilized recent economic forecasts provided by Moody's, including their updates released in March 2021. In our selection of macroeconomic scenarios, we assigned our largest weightings to the Moody's baseline and the Moody's S3 (Moderate Recession) scenarios and a lesser weighting to the Moody's S4 (Protracted Slump) scenario. Our selection and weightings of these scenarios reflected improving conditions in and prospects for the U.S. economy, but were tempered by the reality that uncertainty remains about future U.S. economic conditions, including uncertainty about the COVID-19 pandemic, COVID-19 variants, the rate and effectiveness of vaccination programs in the United States and globally, the timing and magnitude of any additional U.S. fiscal policy actions, global trade and geopolitical matters, and various other factors. Our ACL at March 31, 2021 included adjustments to capture certain risks that we thought were not fully reflected in our modeled results.

Our loan portfolio has performed very well in recent quarters, as our net charge-off ratio for total loans has remained excellent and continued to be in the lower end of the range experienced over the last eight years. We have built our portfolio in a conservative manner with the goal that it would perform well in adverse economic conditions, and our consistent discipline has been evident in recent results. Because of the quality of our portfolio and the significant federal monetary and fiscal policy response to the economic impacts of the COVID-19 pandemic, our net charge-offs in recent quarters have outperformed our previous modeled estimates.

Asset Quality

In the quarter just ended, our annualized net charge-off ratio for non-purchased loans was 0.08%, for purchased loans was 0.04%, and for total loans was 0.07%, continuing our long-standing track record of having net charge-off ratios well below industry averages, as shown in Figure 24. In our 23+ years as a public company, our net charge-off ratio for non-purchased loans 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.

Figure 24: 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 2020.*
Annualized when appropriate.

As shown in Figure 25, 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 11 bps.

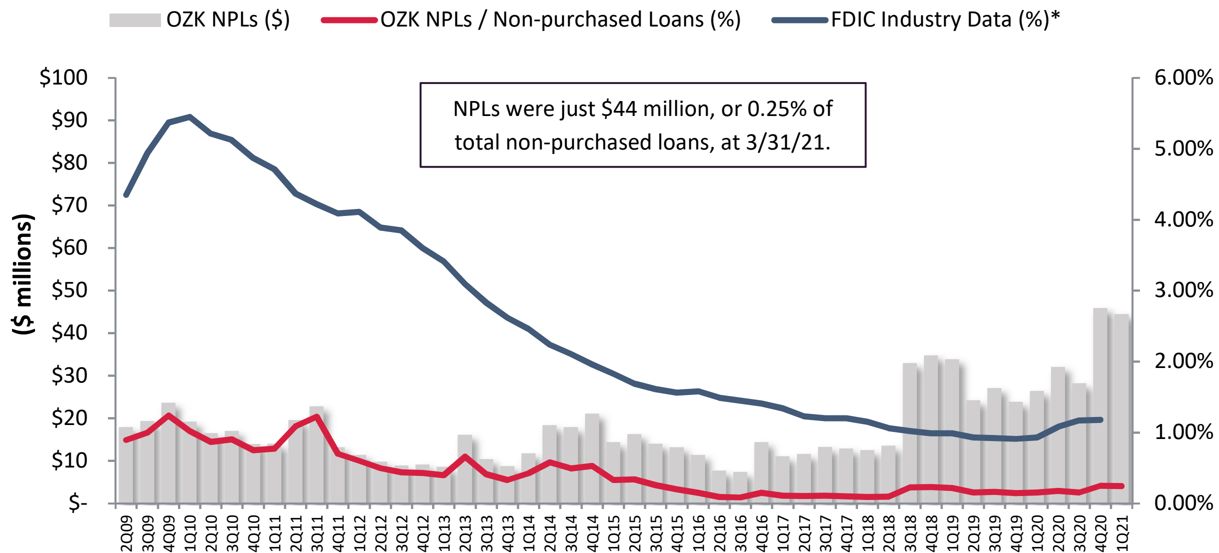
As shown in Figures 26, 27 and 28, the dollar volumes of our nonperforming non-purchased loans, nonperforming assets and past due non-purchased loans continued our longstanding track record of outperforming industry averages. We expect our asset quality to continue our long tradition of outperforming industry averages.

Figure 25 - 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%
3/31/2021	11,419,095	11,471,378	-	0.00%
Total			**$ 56,768**	
		Weighted Average		**0.11%**

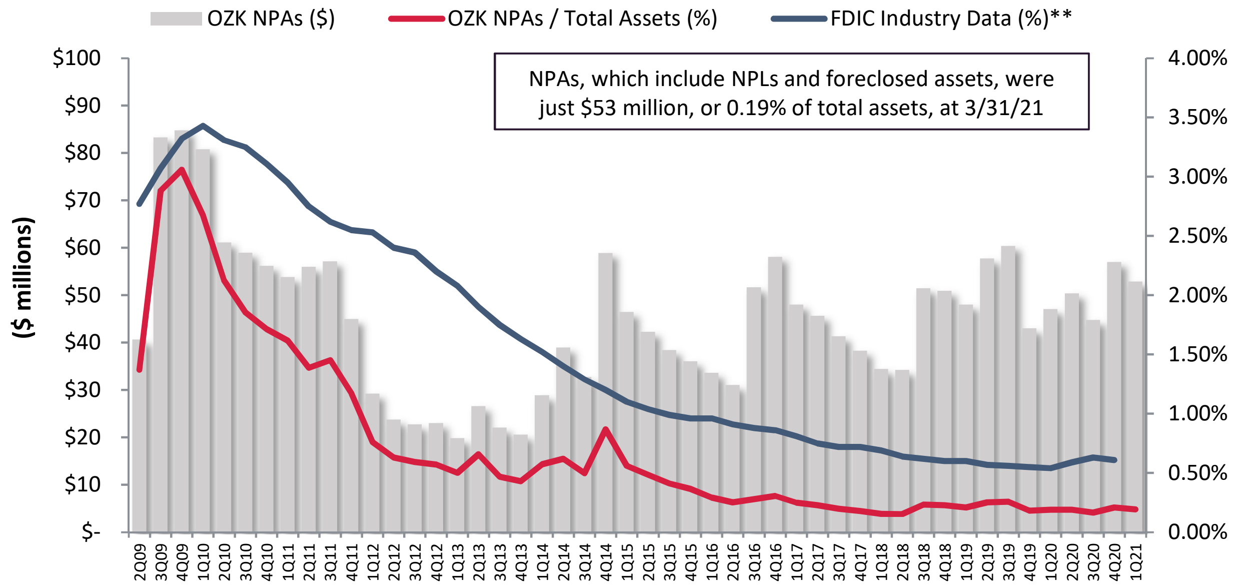
** Net charge-offs shown in this column reflect both net charge-offs and OREO write-downs.*
*** Annualized.*

Figure 26: Nonperforming Non-purchased Loans ("NPLs")



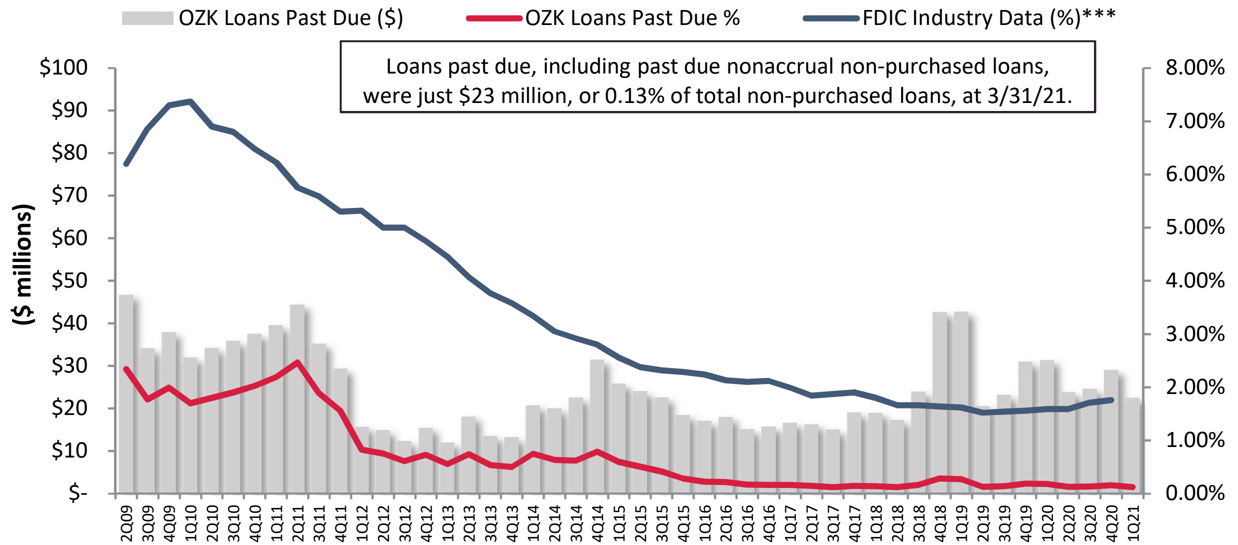
** Note: Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2020. Percent of Loans Noncurrent is the percentage of loans that are past due 90 days or more or that are in nonaccrual status.*

Figure 27: Nonperforming Assets ("NPAs")



*** Note: Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated fourth quarter 2020. Noncurrent assets plus other real estate owned to assets (%).*

Figure 28: 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 2020. Percent of Loans Noncurrent + Percent of Loans 30-89 Days Past Due.*

As shown in Figure 29, 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, 2021 remains at a very low level.

Figure 29: Substandard Non-purchased Loan Trends ($ millions)

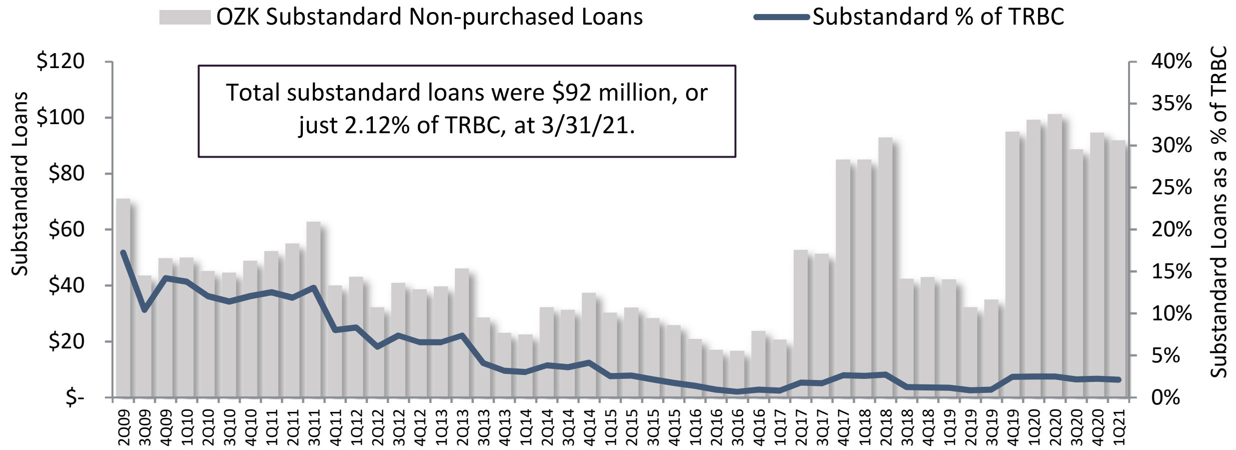
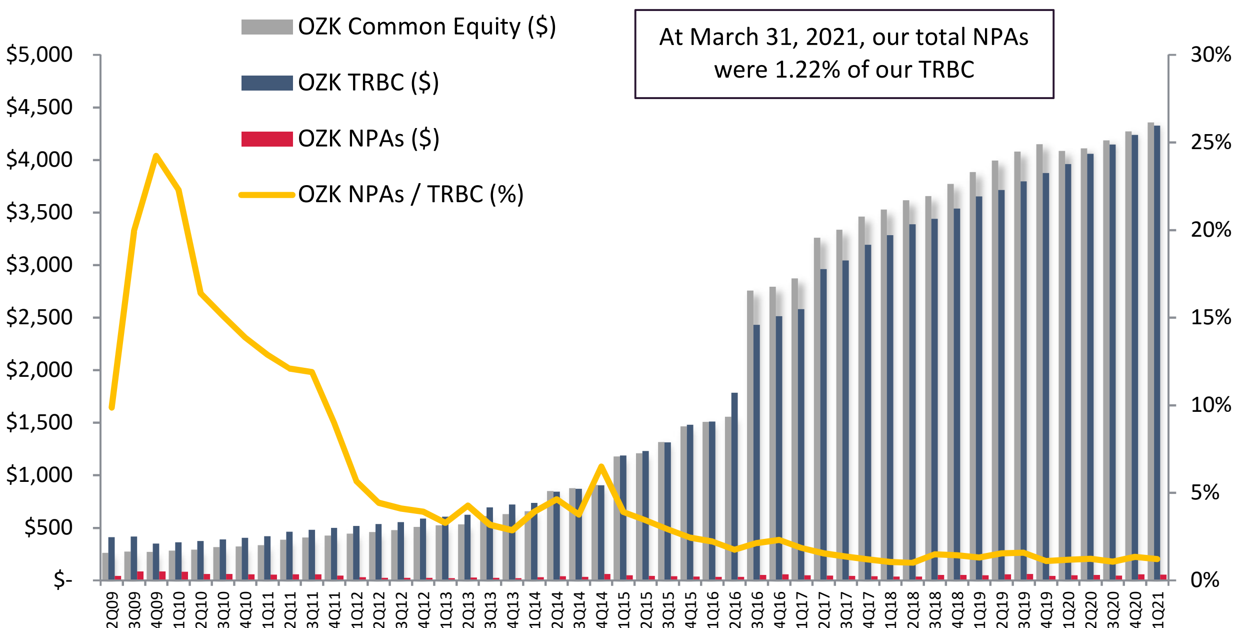


Figure 30 shows the tremendous growth in our common equity and TRBC over the last 12 years, while our volume of total nonperforming assets has generally declined to relatively nominal levels.

Figure 30: Capital vs. NPAs – ($ millions)



Loan Portfolio Diversification & Leverage

Figures 31 and 32 reflect the mix in our non-purchased loan growth in the last four quarters and the first quarter of 2021.

Figure 31: Non-purchased Loan Growth – Last Four Quarters ($ millions)

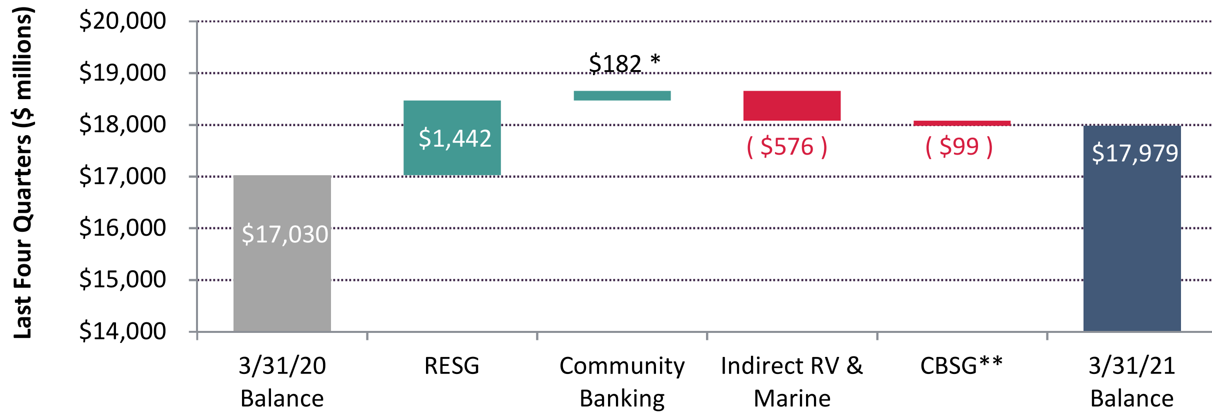
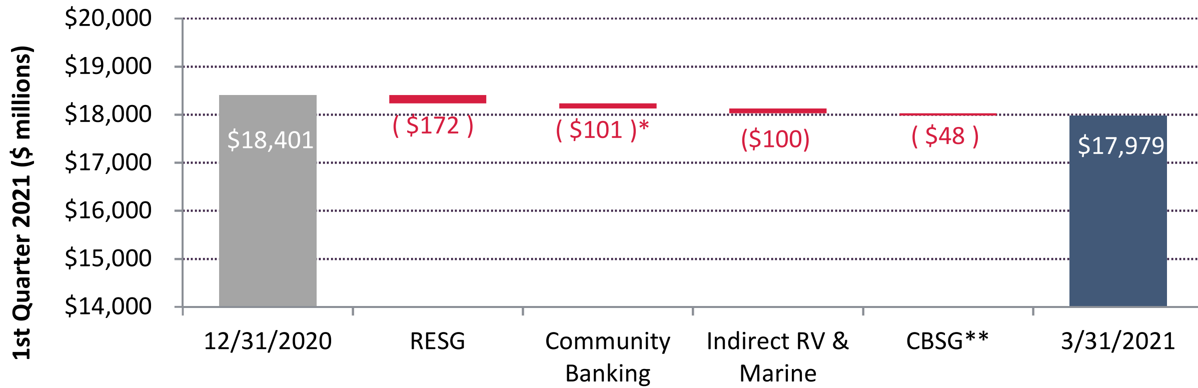


Figure 32: Non-purchased Loan Growth – 1Q21 ($ millions)

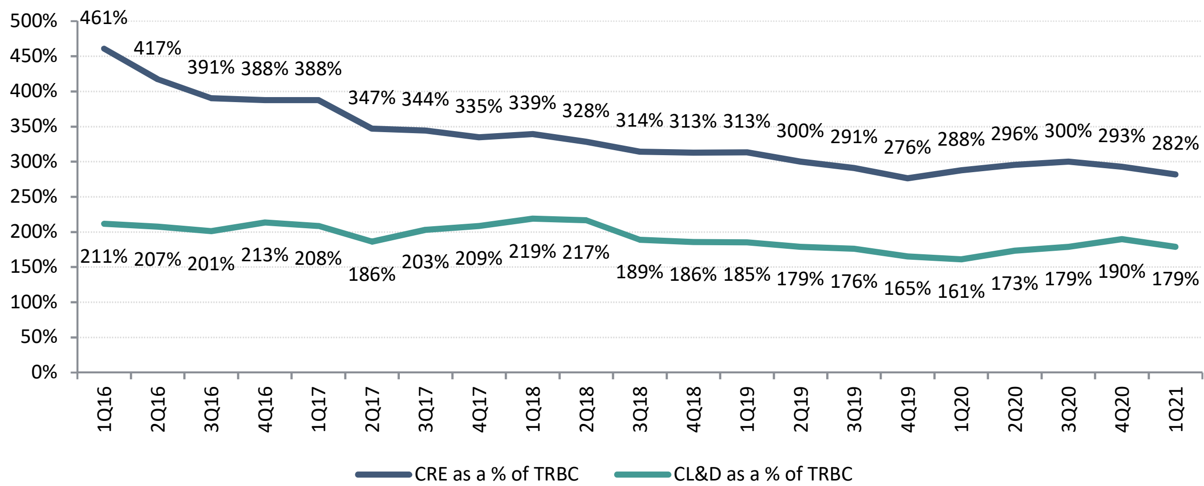


** Includes the net balance of loans originated through the Small Business Administration's PPP. For the last four quarters, that includes originations net of payoffs of $383 million, and for the first quarter of 2021 includes payoffs net of originations of $50 million.*

*** Corporate & Business Specialties Group ("CBSG") is a small team focused on subscription finance and other secured non-real estate lending opportunities, and also servicing our shared national credit portfolio.*

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 for most of 2016-2019, as shown in Figure 33, is primarily due to growth in our TRBC and not the result of any strategic shift in focus away from these important areas. We expect to continue lending in these asset classes. However, we expect loan repayments in the coming quarters, along with growth in our TRBC, may lower our CRE and CL&D concentration ratios over the longer term, just as it did for most of 2016-2019 and in the quarter just ended.

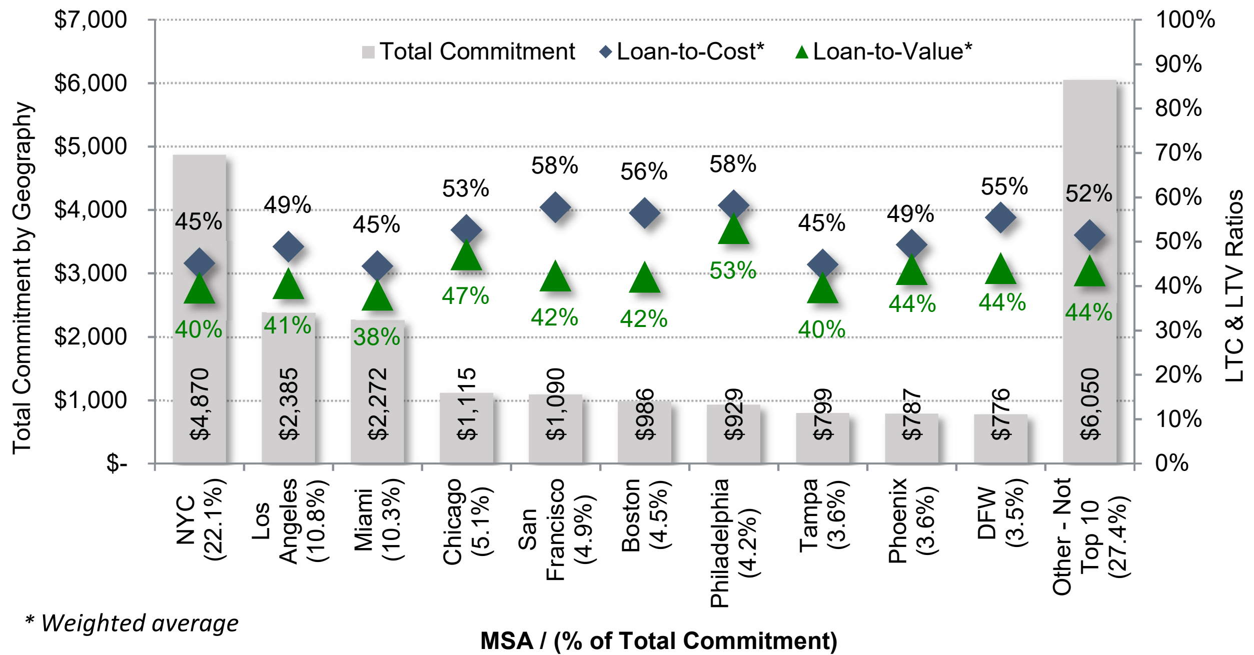
Figure 33: Declining Regulatory CRE and CL&D Concentration Ratios



Note: Concentration ratios exclude loans included in "other" category for FDIC call report which were originated to acquire promissory notes from non-depository financial institutions and are typically collateralized by an assignment of the promissory note.

Within the RESG portfolio, we benefit from substantial geographic diversification, as well as low loan-to-cost ("LTC") and loan-to-value ("LTV") ratios, as shown in Figures 34, 35 and 36.

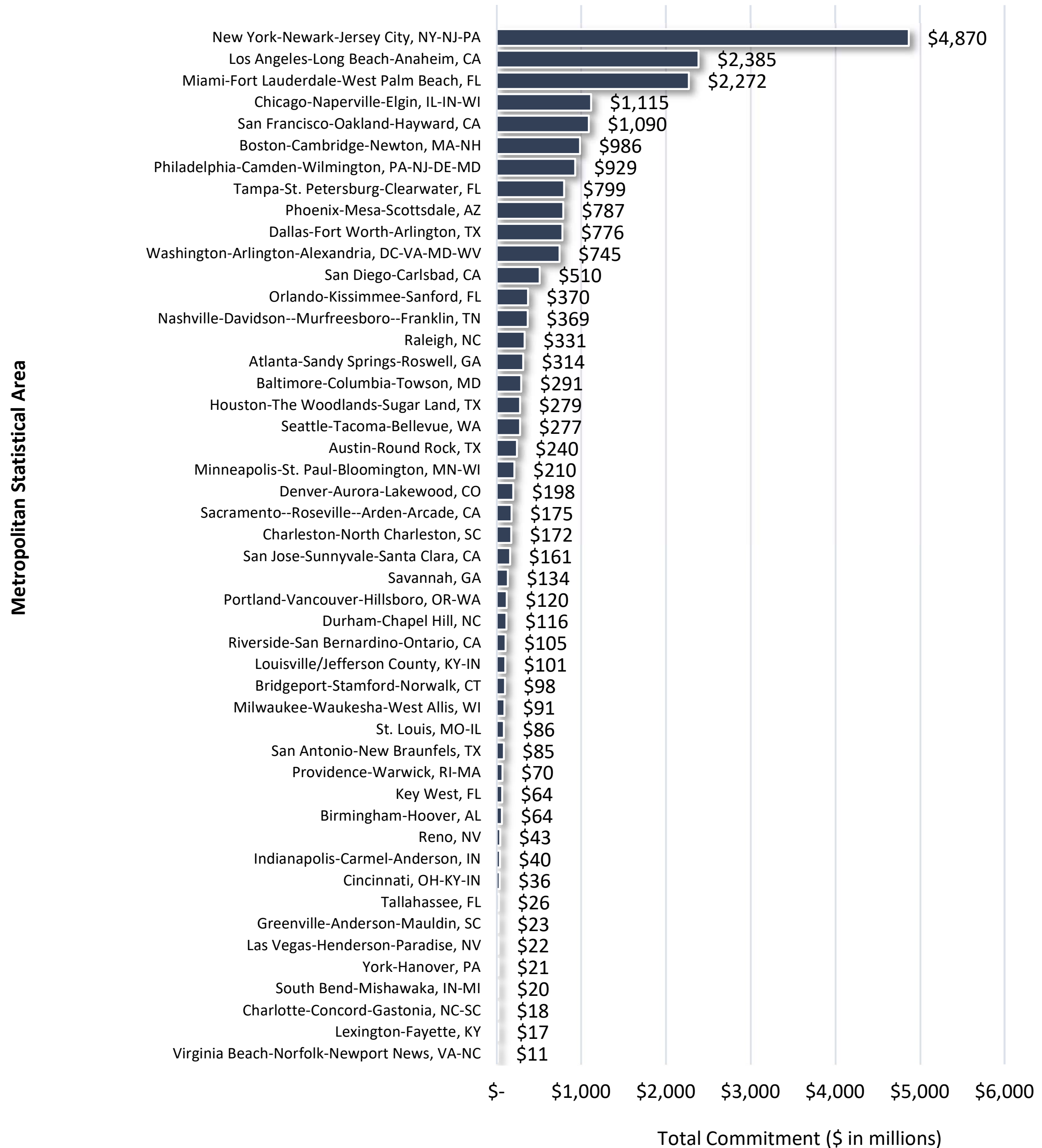
Figure 34: RESG Portfolio Diversity – Top 10 Geographies (As of March 31, 2021) ($ millions)
(LTC and LTV ratios assume all loans are fully funded)



** Weighted average*

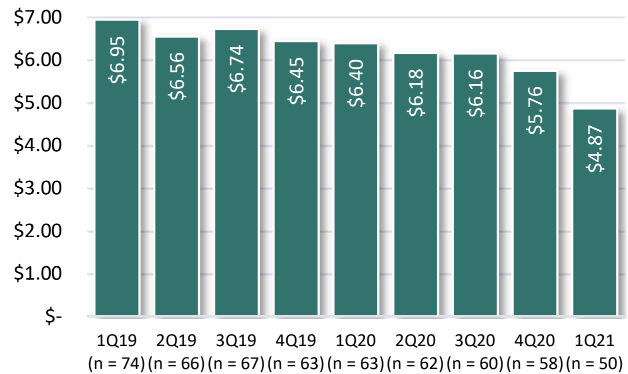
Figure 35 shows RESG's total commitments in each MSA in which it currently has loans. As RESG's total commitments have decreased in recent quarters in some of its largest markets (e.g., New York), its business has increased in many other markets. This has enhanced the portfolio's already significant geographic diversification.

Figure 35: RESG's Portfolio Diversity - All Geographies (As of March 31, 2021) ($ millions)



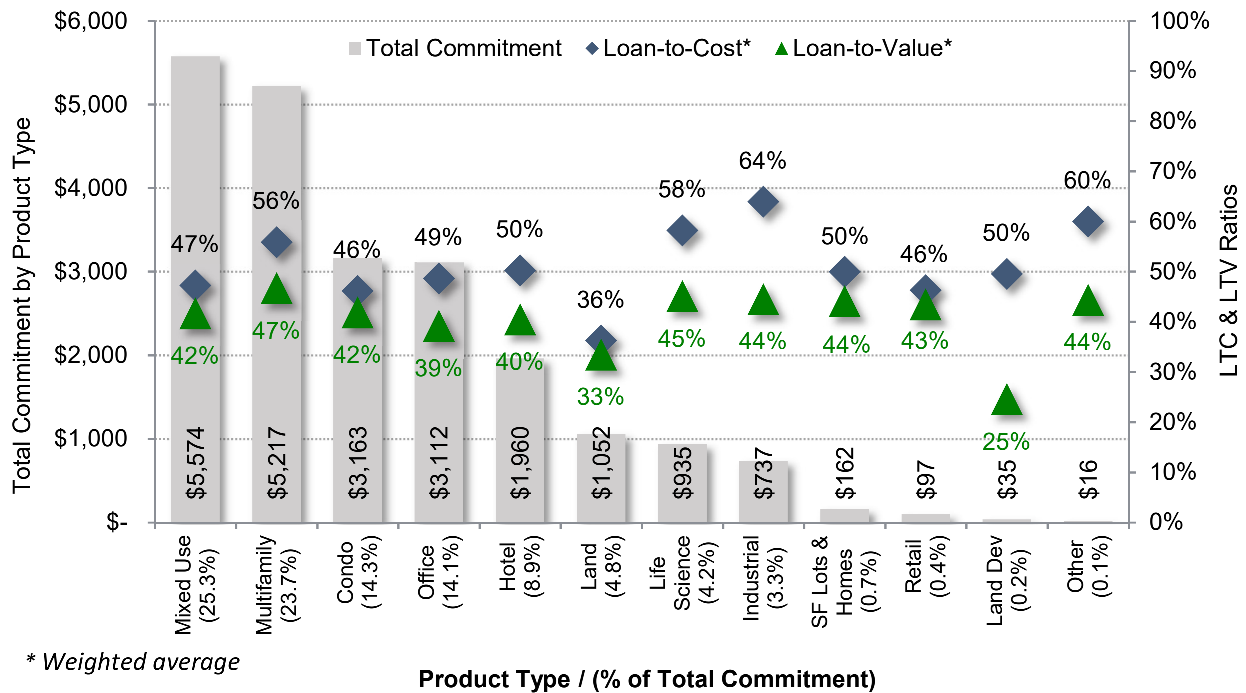
Our dollar volume of RESG total commitments in the NYC MSA peaked in the fourth quarter of 2018 at $6.95 billion and 81 loans. Despite our continued positive long-term view on that MSA, and our desire to originate loans there, the volume of new opportunities meeting our standards in the market has not been as great in recent years. Accordingly, as shown in Figure 36, as earlier originations have paid off, our balance of total commitments in the market has steadily declined to $4.87 billion at March 31, 2021. In the near term, we expect further declines in our balance of total commitments in this market are likely, but the NYC MSA will continue to be one of our most important and largest markets, and we expect to return to positive growth there when market opportunities for new construction improve.

Figure 36: RESG NYC MSA Portfolio Total Commitment and Loan Count Recent Trends ($ billions)



Within the RESG portfolio, we also benefit from substantial diversification by product type as shown in Figure 37.

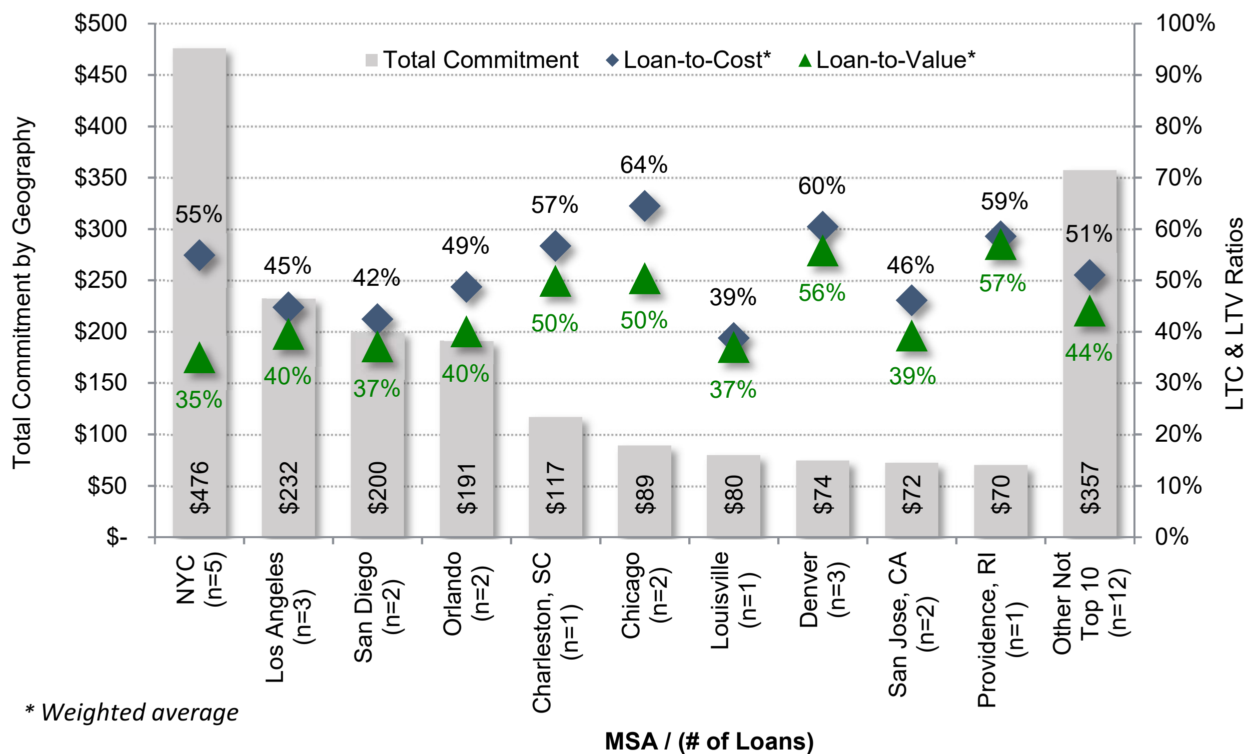
Figure 37: RESG Portfolio Diversity by Product Type (As of March 31, 2021) ($ millions)
(LTC and LTV ratios assume all loans are fully funded)



** Weighted average*

The COVID-19 pandemic has had a significant impact on the travel and leisure sectors, including the hospitality industry. As shown in Figure 37 above, hotels were the fifth largest component of RESG's portfolio at March 31, 2021, comprising about 8.9% of RESG's total commitments. In addition, at March 31, 2021, 15 of RESG's 35 loans on mixed use projects included a hotel component, with a total commitment amount allocated to hotels being approximately 19% of the total mixed use portfolio. 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 50.2% and 40.5%, respectively, as of March 31, 2021. We expect most sponsors will continue to support these assets, if needed, until property performance returns to more normal levels. Figures 38 and 39 respectively, show the geographic distribution of RESG's hotel portfolio (excluding hotels in mixed use projects) and other information as of March 31, 2021. During the quarter just ended, six of the 34 hotels in the portfolio received new appraisals, with the weighted average LTV ratio decreasing by 0.2% for these properties. Four of these six properties saw an increase in their LTV ratio and two saw a decrease. During the quarter just ended, in the RESG portfolio, no hotel loans paid off and no new hotel loans were originated.

Figure 38: RESG Hotel Portfolio Diversity by Geography (As of March 31, 2021) ($ millions)

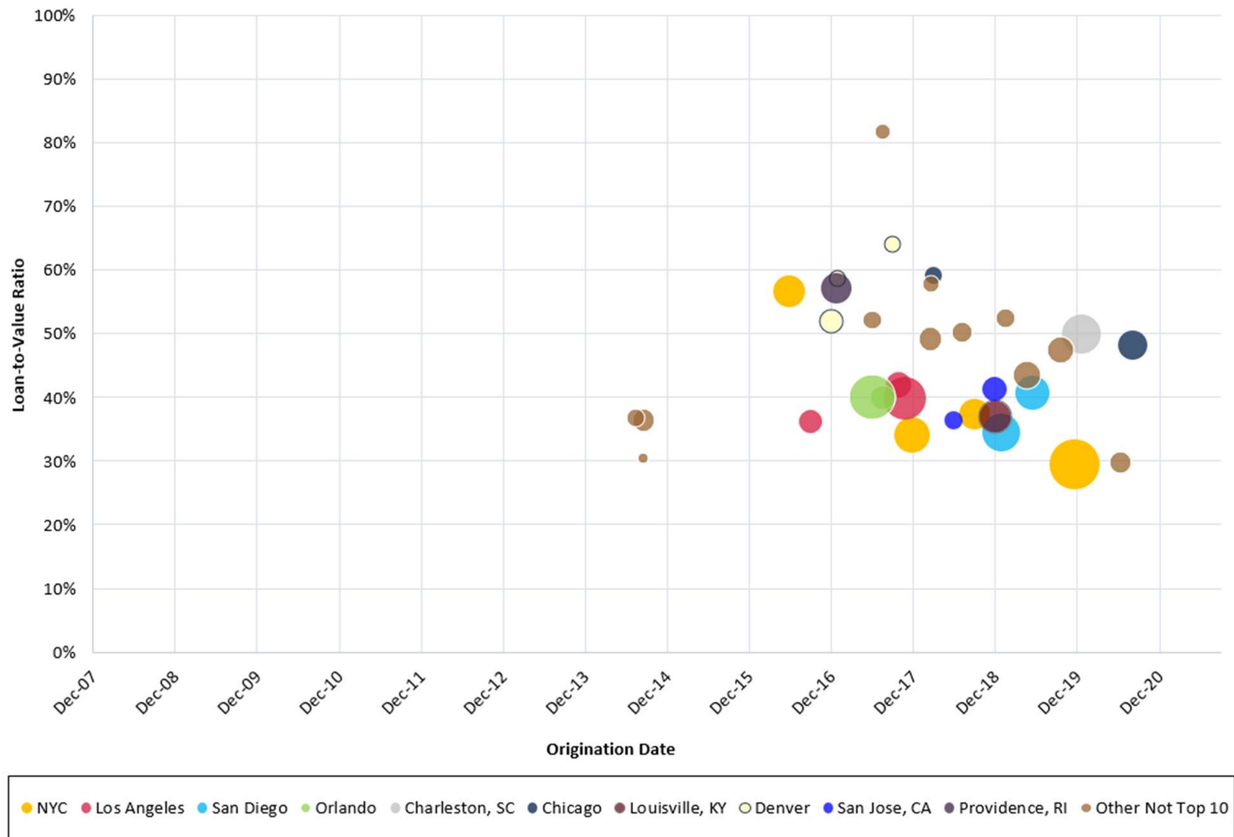


** Weighted average*

Figure 39: RESG Hotel Portfolio by LTV & Origination Date (As of March 31, 2021)

Bubble Size Reflects Total Funded and Unfunded Commitment Amount

LTV Ratios Assume All Loans Are Fully Funded



As shown in Figure 39 above, based on the most recent appraisals, only one RESG hotel loan shows an elevated LTV ratio at 81.7%. This loan had a total commitment of $17.4 million as of March 31, 2021, and has a full repayment guarantee. All other RESG hotel loans have LTV ratios of less than 65% based on their most recent appraisals.

The COVID-19 pandemic has also had an impact on the office sector. As shown in Figure 37 above, offices were the fourth largest component of RESG's portfolio at March 31, 2021, comprising about 14.1% of RESG's total commitments. In addition, at March 31, 2021, 17 of RESG's 35 loans on mixed use projects include an office component, with a total commitment amount allocated to offices being approximately 21% of the total mixed use portfolio. 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, the substantial leasing or pre-leasing on certain properties, and our low weighted average LTC and LTV ratios at 48.6% and 39.2%, respectively, as of March 31, 2021. We expect most sponsors will continue to support these assets, if needed, until property performance returns to more normal levels. Figures 40 and 41, respectively, show the geographic distribution of RESG's office portfolio (excluding offices in mixed use projects) and other information as of March 31, 2021. During the quarter just ended, two of the 35 offices in the portfolio received new appraisals, with the weighted average LTV ratio decreasing by 6.3% for these properties. Both properties showed a reduction in their LTV ratios. During the quarter just ended, in the RESG portfolio, two office loans paid off and four new office loans were originated.

Figure 40: RESG Office Portfolio Diversity by Geography (As of March 31, 2021) ($ millions)

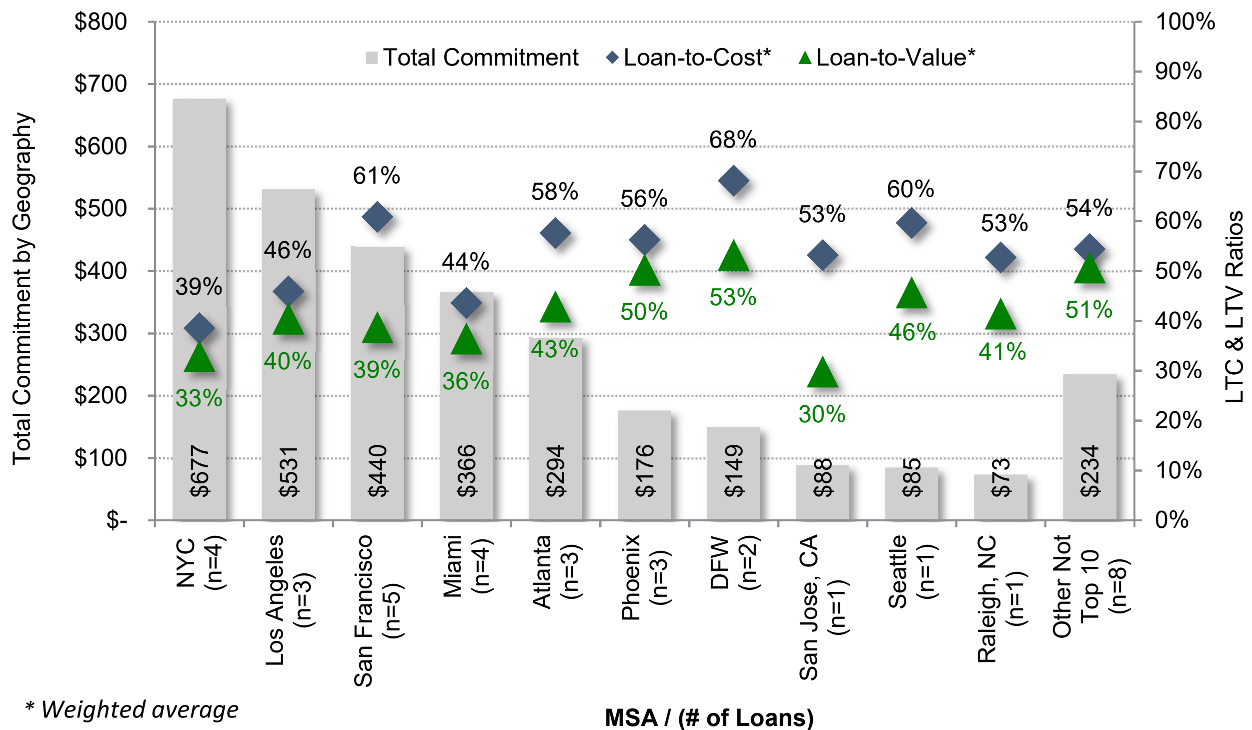
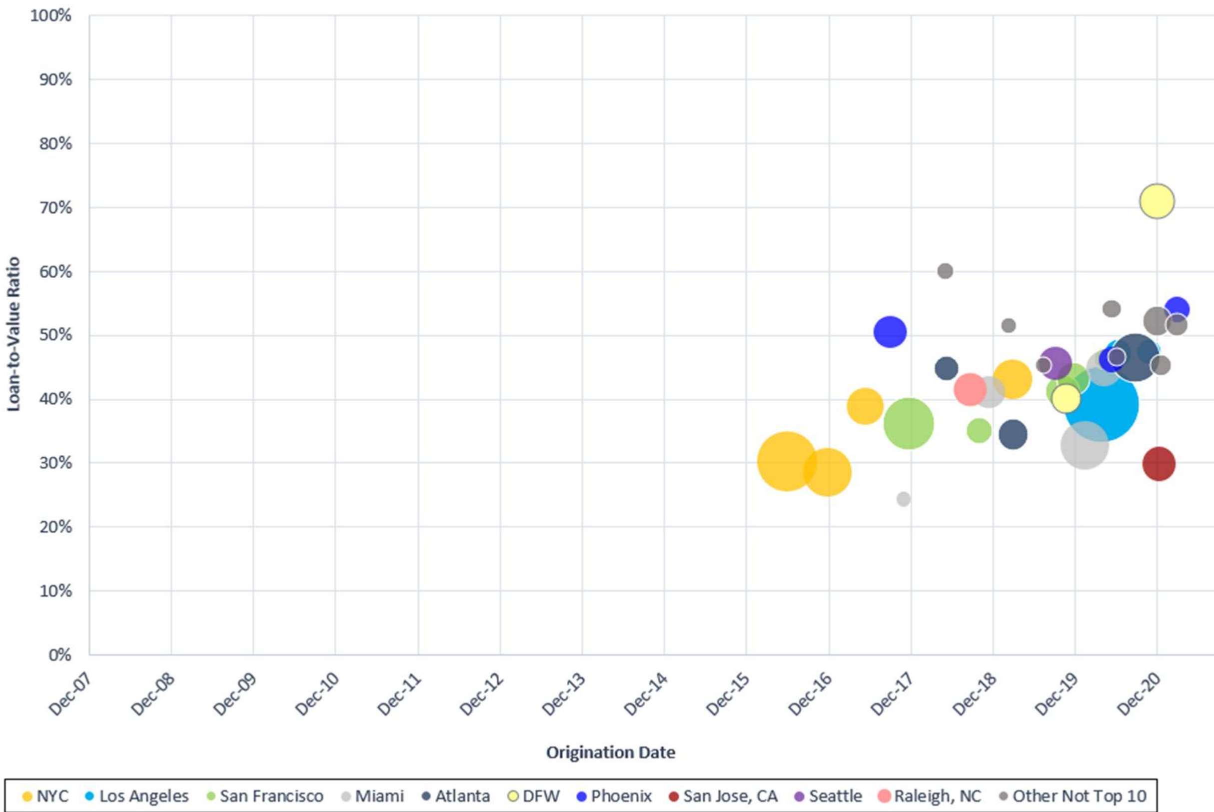


Figure 41: RESG Office Portfolio by LTV & Origination Date (As of March 31, 2021)

Bubble Size Reflects Total Funded and Unfunded Commitment Amount

LTV Ratios Assume All Loans Are Fully Funded



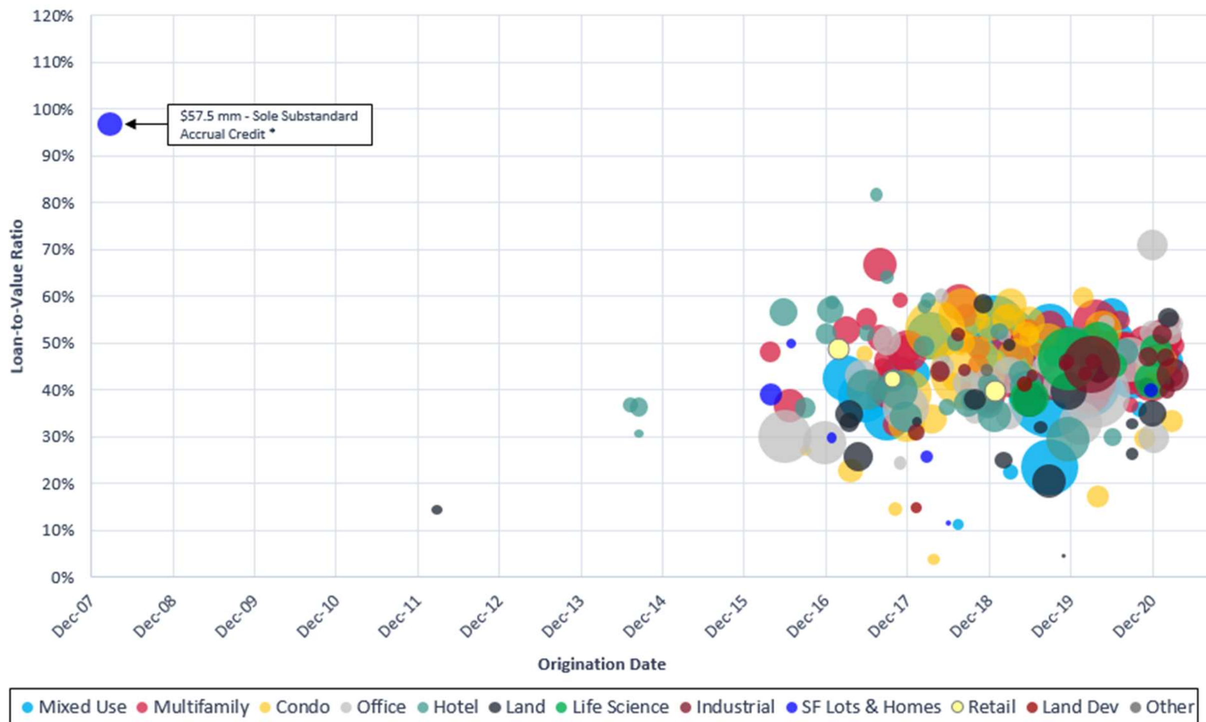
As shown in Figure 41 above, based on the most recent appraisals, one RESG office loan shows a LTV ratio of 71.0%. All other RESG office loans have LTV ratios of less than 61% based on their most recent appraisals.

Assuming full funding of every RESG loan, as of March 31, 2021, the weighted average LTC for the RESG portfolio was a conservative 49.5%, and the weighted average LTV was even lower at just 42.0%. The LTV metrics on individual loans within the RESG portfolio are illustrated in Figure 42. Other than the one substandard-accruing credit specifically referenced in the figure below, and the one hotel loan (81.7% LTV) and one office loan (71.0% LTV) previously discussed, all other credits in the RESG portfolio have LTV ratios less than 67%.

Figure 42: RESG Portfolio by LTV & Origination Date (As of March 31, 2021)

Bubble Size Reflects Total Funded and Unfunded Commitment Amount

LTV Ratios Assume All Loans Are Fully Funded



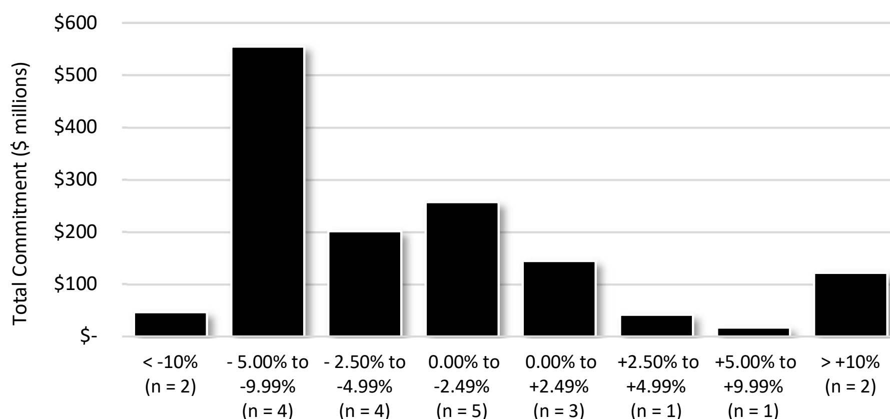
**During the first quarter of 2021, the borrower closed 9 lot sales with gross proceeds of $4.6 million. At March 31, 2021, the borrower had one lot under contract and 15 townhomes under contract for $550 thousand and $25.6 million, respectively. At March 31, 2021, the Bank had a total ACL of $14.0 million, or approximately 24.4% of the total commitment, related to this credit.*

As summarized in Figure 43, during the first quarter of 2021, updated appraisals were obtained by RESG on 22 loans with a total commitment of $1.38 billion, which were mostly loans for which a renewal or an extension was being considered. Figures 43 and 44 show the distribution of such loans, including the resulting changes in LTV as compared to the LTV as reflected at December 31, 2020 based on the previous appraised value. In summary, LTVs were relatively unchanged (plus or minus 5%) for 13 loans, LTVs increased more than 5% for three loans, and LTVs decreased more than 5% for six loans. It is important to note that (i) in some cases, the March 31, 2021 LTV ratios were positively influenced by pay-downs and/or loan curtailments associated with a loan renewal or an extension and (ii) the previous LTVs as of December 31, 2020 were based on earlier valuations, in some cases up to three years old, that may have been low relative to market conditions existing immediately prior to the onset of the COVID-19 pandemic.

Figure 43: Property Type Breakdown of Appraisals Obtained in 1Q21 ($ in millions)

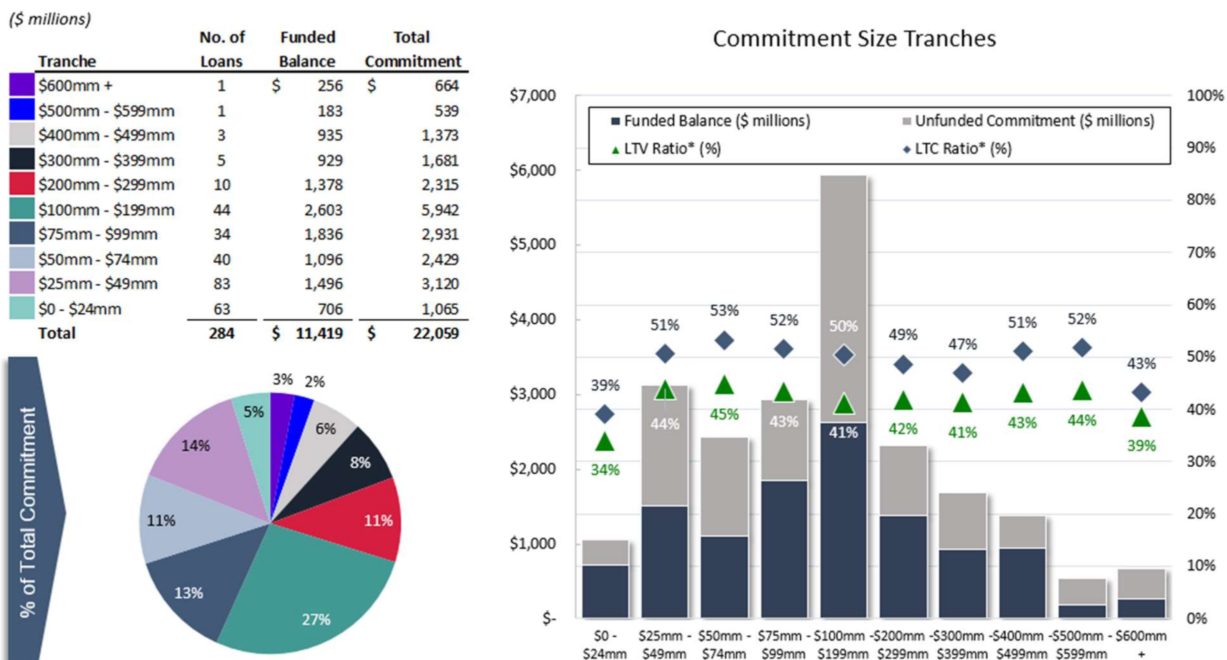
			Weighted Average		
Property Type	**# of Loans**	**Total Commitment**	**LTV @ 12/31/20**	**LTV @ 3/31/21**	**Δ in Wtd. Avg. LTV**
Multifamily	6	$ 381	46.8%	47.7%	0.9%
Mixed Use	1	350	58.9%	53.8%	-5.1%
Hotel	6	253	43.9%	43.7%	-0.2%
Office	2	170	45.5%	39.2%	-6.3%
Condo	3	160	40.1%	34.3%	-5.8%
Industrial	1	29	43.6%	30.8%	-12.8%
Land	2	26	22.9%	22.1%	-0.8%
Land Dev	1	13	18.8%	14.8%	-4.0%
Total	**22**	**$ 1,383**	**45.9%**	**42.8%**	**-3.1%**

Figure 44: Distribution of RESG LTV Changes Following Appraisals Obtained in 1Q21 ($ in millions)



The RESG portfolio includes loans of many different sizes. The stratification of the RESG portfolio by commitment size is reflected in Figure 45.

Figure 45: RESG Portfolio Stratification by Loan Size - Total Commitment (As of March 31, 2021)



($ millions)

Tranche	No. of Loans	Funded Balance	Total Commitment
$600mm +	1	$ 256	$ 664
$500mm - $599mm	1	183	539
$400mm - $499mm	3	935	1,373
$300mm - $399mm	5	929	1,681
$200mm - $299mm	10	1,378	2,315
$100mm - $199mm	44	2,603	5,942
$75mm - $99mm	34	1,836	2,931
$50mm - $74mm	40	1,096	2,429
$25mm - $49mm	83	1,496	3,120
$0 - $24mm	63	706	1,065
Total	**284**	**$ 11,419**	**$ 22,059**

** 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.*

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, affordable housing, middle market CRE and home builder finance loan teams. Although growth for many of these lending channels has been limited recently by competitive factors and the COVID-19 pandemic, we have recently seen some positive signs in the pipelines of many of our lenders. We are cautiously optimistic about our ability to achieve positive growth in the second half of 2021 and in 2022 in community bank lending (excluding PPP loan repayments). Growth in these units is an important part of our broader strategy for portfolio diversification, both in terms of product types and geography.

To continue to increase diversification of our loan portfolio and expand our lending team, we recently hired a seasoned banking leader to build a new lending unit focused on Asset Based Lending ("ABL"). This individual has previously developed a strong ABL unit characterized by excellent credit quality and growth metrics commensurate with our priorities. This new ABL unit will focus primarily on lending to medium size businesses, especially in our major markets in Texas, Georgia and Florida, and is expected to generate many cross-sell opportunities. The unit

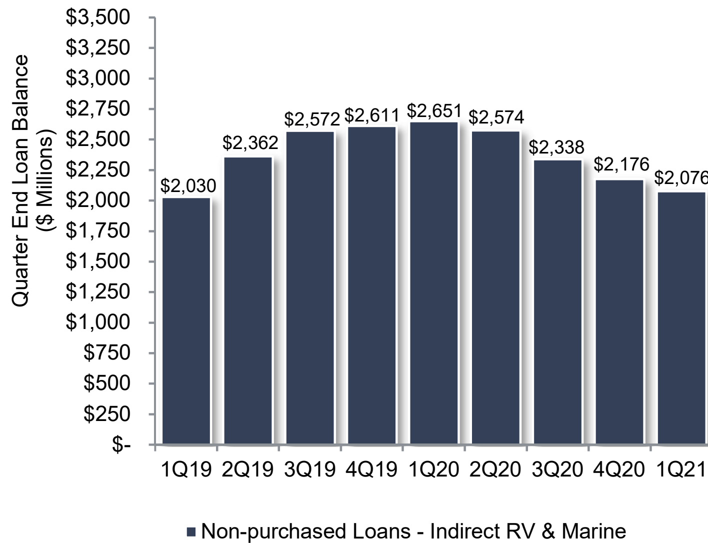
will be based in Dallas, Texas and report to Brannon Hamblen, and it will be grounded in many philosophical principles employed by the Bank's very successful Real Estate Specialties Group. We expect this unit will begin to contribute to loan originations at a modest level in the third and fourth quarters of 2021 with the expectation that its growth will accelerate to a more meaningful level in 2022.

In the fourth quarter of 2020, we moved our Corporate & Business Specialties Group ("CBSG") from our Community Banking group to report to Brannon Hamblen. This is a small team focused on subscription finance and other secured non-real estate lending opportunities, and also servicing our shared national credit portfolio which we have been winding down over the past couple of years. With this move, the group expects to grow our subscription finance business and expand other secured non-real estate lending opportunities that have structures, terms and other attributes similar to our Real Estate Specialties Group business model. We are seeing positive trends in the origination volume of this unit, and we expect it will become a meaningful contributor to growth in 2022, although its growth for the remainder of 2021 will likely be offset by the expected continued liquidation of our remaining $98 million of shared national credits. We have been steadily reducing our shared national credit portfolio from a peak of $483 million at September 30, 2018, to the current $98 million.

Indirect RV & Marine lending is a 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 allowed this portfolio to shrink in 2020. During 2020, we implemented enhancements to our underwriting and pricing and are now increasing new originations with the expectation that we will maintain or improve on the portfolio's already excellent credit quality while increasing margins and lowering premiums paid to dealers. We are slowly gaining momentum with this enhanced business plan, and we expect to see net growth in this portfolio resuming in either late 2021 or in 2022. We believe that our indirect portfolio will continue to be an important part of our lending business, and our objective is to maintain it within a range of at or near 10% of our total loans up to 15% of our total loans.

As of March 31, 2021, the non-purchased indirect portfolio had an average loan size of approximately $90,000 and a 30+ day delinquency ratio of 11 bps. For the first quarter of 2021, our annualized net charge-off ratio for the non-purchased indirect portfolio was 39 bps. Figure 46 provides additional details regarding this portfolio.

Figure 46: Indirect RV & Marine Outstanding Non-purchased Loan Balances



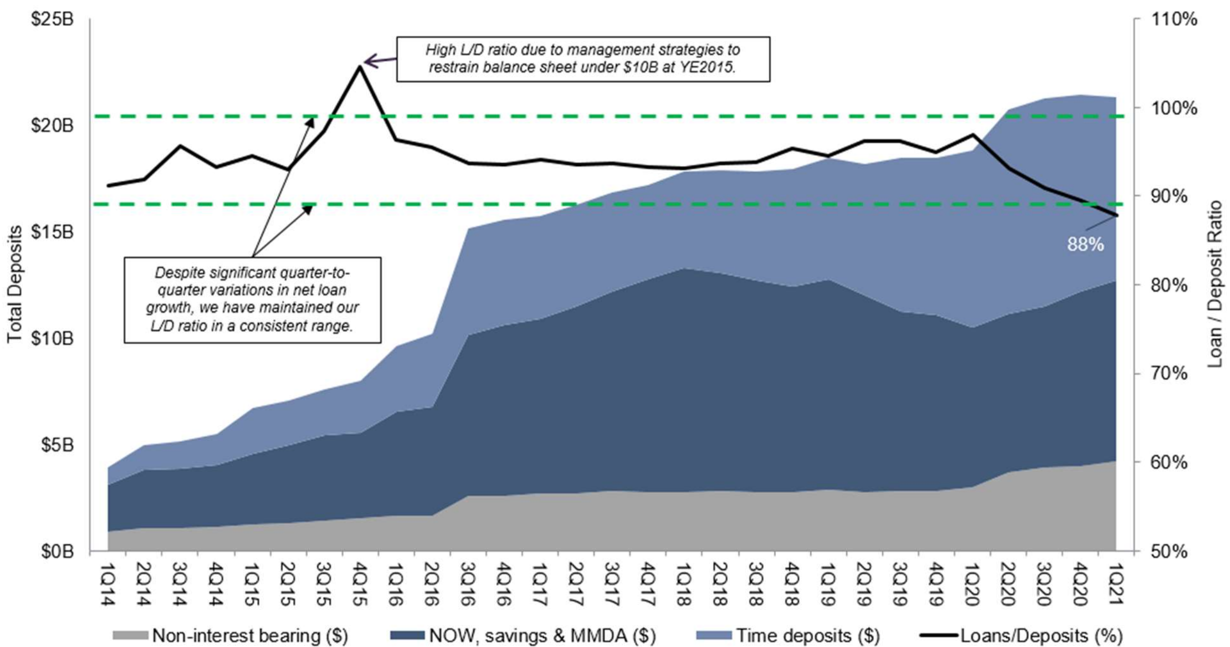
	RV Portfolio	
Loan Size	**Total #**	**$ thousands**
$1 million +	-	$ -
$750k - $999k	-	-
$250k - $749k	498	155,645
$50k - $249k	9,949	1,073,427
< $50k	6,365	162,330
Total	**16,812**	**$ 1,391,402**

	Marine Portfolio	
Loan Size	**Total #**	**$ thousands**
$1 million +	33	$ 53,092
$750k - $999k	25	21,720
$250k - $749k	367	139,781
$50k - $249k	3,757	391,002
< $50k	2,609	79,272
Total	**6,791**	**$ 684,867**

Liquidity

We believe that we have significant capacity for future deposit growth in our existing network of 238 branches. We have successfully increased our overall deposits as needed to fund our earning asset growth. Our loan-to-deposit ratio was 88% at March 31, 2021, slightly below our historical range of 89% to 99%. As Figure 47 shows, we have consistently maintained our loan-to-deposit ratio within or near that range over the last seven years, even as our total assets grew approximately 442% from $5.0 billion at March 31, 2014 to $27.3 billion at March 31, 2021.

Figure 47: Maintaining a Consistent Loan / Deposit Ratio While Achieving Substantial Growth



The amount of deposits by customer type as of the dates indicated and their respective percentage of total deposits are reflected in Figure 48. As shown below, over the last four quarters, we have improved the quality of our deposit base as we have significantly grown our consumer and commercial deposits and reduced our public funds, brokered and reciprocal deposits.

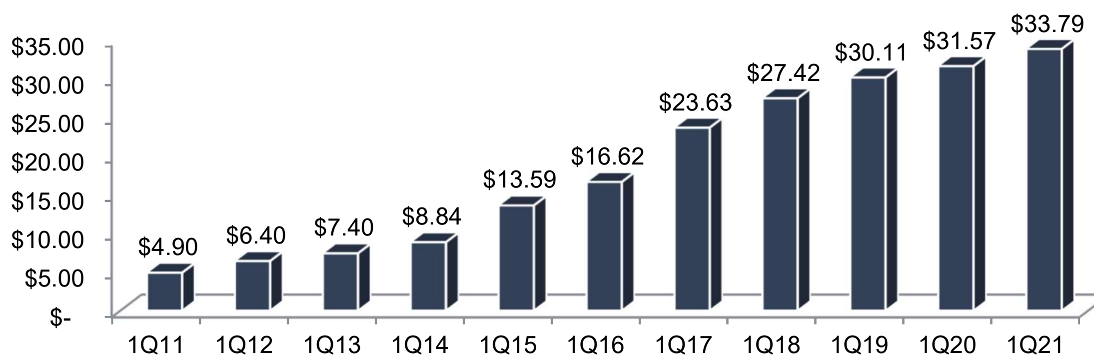
Figure 48: Deposits by Customer Type ($ millions)

	Period Ended					
	3/31/2020		12/31/2020		3/31/2021	
Consumer	$ 8,535	45.4%	$ 11,166	52.1%	$ 11,253	52.8%
Commercial	4,658	24.8%	6,057	28.2%	6,259	29.4%
Public Funds	2,667	14.2%	2,112	9.8%	2,049	9.6%
Brokered	2,233	11.9%	1,600	7.5%	1,210	5.7%
Reciprocal	716	3.8%	516	2.4%	525	2.5%
Total	$ 18,809	100.0%	$ 21,451	100.0%	$ 21,296	100.0%

Capital and Dividends

During the quarter just ended, our book value per common share increased to $33.79 compared to $33.03 as of December 31, 2020 and $31.57 as of March 31, 2020. Over the last 10 years, we have increased book value per common share by a cumulative 590%, resulting in a compound annual growth rate of 21.3%, as shown in Figure 49.

Figure 49: Book Value per Share (Period End)



During the quarter just ended, our tangible book value per common share increased to $28.60 compared to $27.81 as of December 31, 2020 and $26.30 as of March 31, 2020. Over the last 10 years, we have increased tangible book value per common share by a cumulative 498%, resulting in a compound annual growth rate of 19.6%, as shown in Figure 50.

Figure 50: Tangible Book Value per Share (Period End) [3]

Our historically strong earnings and earnings retention rate, among other factors, have contributed to our building robust capital ratios, as shown in Figure 51, which are among the strongest within the industry. We are focused on strategies to utilize our excess capital that are in the best long-term interest of our shareholders. Options for deploying our excess capital include organic loan growth; adding new business lines, such as our new ABL unit; continuing to increase our cash dividend; share repurchases; and financially attractive acquisitions for cash or some combination of cash and stock. Although we may have only limited or even no growth in our total loans this year because of the expected high level of net loan repayments, organic loan growth will continue to be our top growth priority, and we are optimistic about our longer-term growth prospects.

Figure 51: Capital Ratios

	Estimated 3/31/2021 [4]	Regulatory Minimum Required To Be Considered Well Capitalized	Excess Capital
CET 1 Ratio	13.90%	6.50%	7.40%
Tier 1 Ratio	13.90%	8.00%	5.90%
Total RBC Ratio	16.30%	10.00%	6.30%
Tier 1 Leverage	13.90%	5.00%	8.90%

[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.
[4] Ratios as of March 31, 2021 are preliminary estimates and are subject to revision upon filing of our FFIEC 041 Call Report.

We have increased our cash dividend in each of the last 43 quarters and every year since going public in 1997. We expect to continue to increase our cash dividend in future quarters.

Disaster Relief Loan Program

As of March 31, 2021, we had 103 loans totaling $206 million, or approximately 1.1% of our balance of total loans, that remained in a 1st or 2nd deferral.

Figure 52: Deferrals by Lending Unit ($ millions) – as of March 31, 2021

	RESG		Community/ Commercial Bank		Indirect Lending		Purchased Loans		Total	
	#	$ Millions	#	$ Millions	#	$ Millions	#	$ Millions	#	$ Millions
Deferral Expired	7	$ 269	1,126	$ 493	1,039	$ 107	711	$ 93	2,883	$ 962
On Original Deferral	3	$ 192	9	$ 1	17	$ 1	11	$ 0	40	$ 195
On Second Deferral	-	$ -	23	$ 7	26	$ 3	14	$ 1	63	$ 11
Total	10	$ 461	1,158	$ 501	1,082	$ 112	736	$ 94	2,986	$ 1,168

Effective Tax Rate

Our effective tax rate during the quarter just ended was 22.8%. We expect our effective tax rate for the full year of 2021 to be between 23% and 24%, assuming no changes in applicable state or federal income tax rates.

Potential Subordinated Debt Redemption

We currently expect to redeem all of our outstanding Fixed-to-Floating Rate Subordinated Notes due in 2026 (the "Sub Debt") on July 1, 2021, at a redemption price equal to 100% of the principal amount of the Sub Debt plus any accrued and unpaid interest. We have started the process for this redemption and have received all required regulatory approvals. We will have approximately $0.8 million of remaining unamortized deferred issuance costs associated with the Sub Debt at the date of redemption, which, assuming redemption of the Sub Debt on July 1, 2021, will be recognized as other non-interest expense in the third quarter of 2021. Subject to favorable market conditions and other factors, we expect to issue new subordinated notes, which issuance may or may not coincide with the redemption date of our outstanding Sub Debt, and may have different terms and be in a lesser, equal or greater amount. Any new issuance would be subject to receipt of all necessary regulatory approvals and other factors.

Final Thoughts

We are pleased to report record results for the quarter just ended. It was an excellent start to 2021. Our strong capital and liquidity, our disciplined credit culture and our exceptional team have us well positioned for the future.

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	3/31/2021
Net Income Available To Common Stockholders	$ 11,866	$ 148,416
Average Common Stockholders' Equity Before Noncontrolling Interest	$ 4,118,614	$ 4,307,174
Less Average Intangible Assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangibles, net of accumulated amortization	(22,412)	(13,828)
Total Average Intangibles	(683,201)	(674,617)
Average Tangible Common Stockholders' Equity	$ 3,435,413	$ 3,632,557
Return On Average Common Stockholders' Equity	1.16%	13.97%
Return On Average Tangible Common Stockholders' Equity	1.39%	16.57%

* 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,					
	2011	2012	2013	2014	2015	2016
Total common stockholders' equity before noncontrolling interest	$ 334,830	$ 442,646	$ 523,679	$ 653,208	$ 1,179,256	$ 1,508,080
Less intangible assets:						
Goodwill	(5,243)	(5,243)	(5,243)	(5,243)	(125,603)	(125,693)
Core deposit and other intangibles, net of accumulated amortization	(2,855)	(6,455)	(6,015)	(15,750)	(29,907)	(25,172)
Total intangibles	(8,098)	(11,698)	(11,258)	(20,993)	(155,510)	(150,865)
Total tangible common stockholders' equity	$ 326,732	$ 430,948	$ 512,421	$ 632,215	$ 1,023,746	$ 1,357,215
Common shares outstanding (thousands)	68,392	69,142	70,734	73,888	86,758	90,714
Book value per common share	$ 4.90	$ 6.40	$ 7.40	$ 8.84	$ 13.59	$ 16.62
Tangible book value per common share	$ 4.78	$ 6.23	$ 7.24	$ 8.56	$ 11.80	$ 14.96

	As of March 31,				
	2017	2018	2019	2020	2021
Total common stockholders' equity before noncontrolling interest	$ 2,873,317	$ 3,526,605	$ 3,882,643	$ 4,083,150	$ 4,383,205
Less intangible assets:					
Goodwill	(660,789)	(660,789)	(660,789)	(660,789)	(660,789)
Core deposit and other intangibles, net of accumulated amortization	(57,686)	(45,107)	(32,527)	(20,958)	(12,939)
Total intangibles	(718,475)	(705,896)	(693,316)	(681,747)	(673,728)
Total tangible common stockholders' equity	$ 2,154,842	$ 2,820,709	$ 3,189,327	$ 3,401,403	$ 3,709,477
Common shares outstanding (thousands)	121,575	128,612	128,948	129,324	129,719
Book value per common share	$ 23.63	$ 27.42	$ 30.11	$ 31.57	$ 33.79
Tangible book value per common share	$ 17.72	$ 21.93	$ 24.73	$ 26.30	$ 28.60

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.