



Bank OZK Announces Third Quarter 2018 Earnings

October 18, 2018

LITTLE ROCK, Ark.--(BUSINESS WIRE)-- Bank OZK (the "Bank") (Nasdaq: OZK) today announced that net income for the third quarter of 2018 was \$74.2 million, a 22.7% decrease from the third quarter of 2017. Diluted earnings per common share for the third quarter of 2018 were \$0.58, a 22.7% decrease from the third quarter of 2017.

On July 16, 2018, the Bank changed its name to Bank OZK, changed its ticker symbol to "OZK," and adopted a new logo and signage, all as part of a strategic rebranding. As a result of this name change and strategic rebranding, the Bank incurred pretax expenses of \$10.8 million during the third quarter and \$11.4 million for the first nine months of 2018.

During the third quarter of 2018, the Bank incurred combined charge-offs of \$45.5 million on two Real Estate Specialties Group ("RESG") credits. These two unrelated projects are in South Carolina and North Carolina, have been in the Bank's portfolio since 2007 and 2008, and were previously classified as substandard. The combined balance of these credits, after the charge-offs, is \$20.6 million.

For the nine months ended September 30, 2018, net income totaled \$302.1 million, a 9.6% increase from the first nine months of 2017. Diluted earnings per common share for the first nine months of 2018 were \$2.35, a 6.3% increase from the first nine months of 2017.

The Bank's annualized returns on average assets, average common stockholders' equity and average tangible common stockholders' equity for the third quarter of 2018 were 1.33%, 8.07% and 9.99%, respectively, compared to 1.89%, 11.56% and 14.76%, respectively, for the third quarter of 2017. The Bank's annualized returns on average assets, average common stockholders' equity and average tangible common stockholders' equity for the first nine months of 2018 were 1.85%, 11.32% and 14.11%, respectively, compared to 1.91%, 12.10% and 15.81%, respectively, for the first nine months of 2017. 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 schedules accompanying this release.

George Gleason, Chairman and Chief Executive Officer, stated, "While our third quarter results did not meet our usual high standards for performance, we are very pleased with the continued enhancement of our team, technology and business capabilities. RESG continues to be a national leader in commercial real estate finance. Our indirect RV and Marine lending business continues to grow as another exceptional national lending platform. Many of the businesses in our community bank group are successfully growing, with the expectation that some of these units may ultimately achieve national scale. Our focus is solidly on our future, and we believe we are prepared to accomplish more than ever before."

KEY BALANCE SHEET METRICS

Total loans, including purchased loans, were \$16.73 billion at September 30, 2018, a 6.0% increase from \$15.78 billion at September 30, 2017. Non-purchased loans, which exclude loans acquired in previous acquisitions, were \$14.44 billion at September 30, 2018, a 19.9% increase from \$12.05 billion at September 30, 2017. Purchased loans, which consist of loans acquired in previous acquisitions, were \$2.29 billion at September 30, 2018, a 38.8% decrease from \$3.73 billion at September 30, 2017. The unfunded balance of closed loans totaled \$11.89 billion at September 30, 2018, a 5.0% decrease from \$12.52 billion at September 30, 2017.

Deposits were \$17.82 billion at September 30, 2018, a 5.9% increase from \$16.82 billion at September 30, 2017, but a 0.4% decrease from \$17.90 billion at June 30, 2018. Total assets were \$22.09 billion at September 30, 2018, a 6.3% increase from \$20.77 billion at September 30, 2017, but a 0.6% decrease from \$22.22 billion at June 30, 2018.

Common stockholders' equity was \$3.65 billion at September 30, 2018, a 9.6% increase from \$3.33 billion at September 30, 2017. Tangible common stockholders' equity was \$2.95 billion at September 30, 2018, a 12.6% increase from \$2.62 billion at September 30, 2017. Book value per common share was \$28.41 at September 30, 2018, a 9.2% increase from \$26.02 at September 30, 2017. Tangible book value per common share was \$22.97 at September 30, 2018, a 12.3% increase from \$20.46 at September 30, 2017. The calculations of the Bank's tangible common stockholders' equity and tangible book value per common share and the reconciliations to GAAP are included in the schedules accompanying this release.

The Bank's ratio of total common stockholders' equity to total assets was 16.54% at September 30, 2018 compared to 16.06% at September 30, 2017. Its ratio of total tangible common stockholders' equity to total tangible assets was 13.81% at September 30, 2018 compared to 13.08% at September 30, 2017. The calculation of the Bank's ratio of total tangible common stockholders' equity to total tangible assets and the reconciliation to GAAP are included in the schedules accompanying this release.

NET INTEREST INCOME

Net interest income for the third quarter of 2018 was \$220.6 million, a 5.2% increase from \$209.7 million for the third quarter of 2017, but a 1.8% decrease from \$224.7 million for the second quarter of 2018. Net interest margin, on a fully taxable equivalent ("FTE") basis, was 4.47% for the third quarter of 2018, a decrease of 37 basis points from 4.84% for the third quarter of 2017. Average earning assets were \$19.69 billion for the third quarter of 2018, a 12.9% increase from \$17.44 billion for the third quarter of 2017.

Net interest income for the first nine months of 2018 was \$663.1 million, a 10.0% increase from \$602.6 million for the first nine months of 2017. Net interest margin, on a FTE basis, was 4.60% for the first nine months of 2018, a decrease of 30 basis points from 4.90% for the first nine months of 2017. Average earning assets were \$19.35 billion for the first nine months of 2018, a 15.8% increase from \$16.72 billion for the first nine months of 2017.

NON-INTEREST INCOME

Non-interest income for the third quarter of 2018 decreased 26.3% to \$24.1 million compared to \$32.7 million for the third quarter of 2017. Non-interest income for the first nine months of 2018 decreased 14.3% to \$80.2 million compared to \$93.6 million for the first nine months of 2017.

The Bank's service charges on deposit accounts declined from \$32.8 million for the first nine months of 2017 to \$29.0 million for the first nine months of 2018 primarily due to the Durbin Amendment's impact on the Bank's interchange revenue effective as of July 1, 2017. The Bank's mortgage lending income declined from \$1.6 million for the third quarter and \$5.1 million in the first nine months of 2017 to essentially none for the third quarter and \$0.5 million in the first nine months of 2018. This was a result of the Bank's decision in December 2017 to exit the secondary market mortgage lending business and the wind down of that business in the first half of 2018. The Bank had essentially no net gains on investment securities during the third quarter and the first nine months of 2018 compared to net gains totaling \$2.4 million for the third quarter and \$2.8 million for the first nine months of 2017. Net gains (losses) on sales of other assets were a net loss of \$0.5

million for the third quarter and a net gain of \$1.8 million for the first nine months of 2018 compared to net gains of \$1.4 million for the third quarter and \$3.7 million for the first nine months of 2017.

NON-INTEREST EXPENSE

Non-interest expense for the third quarter of 2018 increased 22.0% to \$102.9 million compared to \$84.4 million for the third quarter of 2017. Non-interest expense for the first nine months of 2018 increased 16.0% to \$285.9 million compared to \$246.5 million for the first nine months of 2017. Non-interest expense included \$10.8 million for the third quarter and \$11.4 million for the first nine months of 2018 (none in 2017) related to the name change that was effective on July 16, 2018 and the related strategic rebranding.

The Bank's efficiency ratio (non-interest expense divided by the sum of net interest income FTE and non-interest income) for the third quarter of 2018 was 41.9% compared to 34.4% for the third quarter of 2017. The Bank's efficiency ratio for the first nine months of 2018 was 38.3% compared to 34.9% for the first nine months of 2017.

ASSET QUALITY, CHARGE-OFFS, PROVISIONS AND ALLOWANCE

Excluding purchased loans, the Bank's ratio of nonperforming loans as a percent of total loans was 0.23% at September 30, 2018 compared to 0.11% at September 30, 2017, and its ratio of nonperforming assets as a percent of total assets was 0.23% at September 30, 2018 compared to 0.20% at September 30, 2017.

Excluding purchased loans, the Bank's ratio of loans past due 30 days or more, including past due non-accrual loans, to total loans was 0.17% at September 30, 2018 compared to 0.12% at September 30, 2017.

The Bank's annualized net charge-off ratio for non-purchased loans was 1.32% for the third quarter of 2018 compared to 0.08% for the third quarter of 2017, and it was 0.49% for the first nine months of 2018 compared to 0.06% for the first nine months of 2017. The Bank's annualized net charge-off ratio for all loans was 1.14% for the third quarter of 2018 compared to 0.09% for the third quarter of 2017, and it was 0.43% for the first nine months of 2018 compared to 0.08% for the first nine months of 2017.

The Bank's provision for loan losses totaled \$41.9 million for the third quarter and \$57.1 million for the first nine months of 2018 compared to \$7.8 million for the third quarter and \$18.8 million for the first nine months of 2017. The increase in the Bank's provision expense for the third quarter and the first nine months of 2018 was primarily due to the charge-offs on the two RESG credits and the associated recalibration of the allowance for loan losses.

The Bank's allowance for loan losses for its non-purchased loans was \$96.6 million, or 0.67% of total non-purchased loans, at September 30, 2018 compared to \$85.2 million, or 0.71% of total non-purchased loans, at September 30, 2017. The Bank had \$1.6 million of allowance for loan losses for its purchased loans at both September 30, 2018 and 2017.

MANAGEMENT'S COMMENTS, CONFERENCE CALL, TRANSCRIPT AND FILINGS

In connection with this release, the Bank released management's comments on the results for the quarter just ended. Management will conduct a conference call to take questions on these quarterly results and management's comments at 10:00 a.m. CT (11:00 a.m. ET) on Friday, October 19, 2018. Interested parties may listen to this call by dialing 1-844-818-5110 (U.S. and Canada) or 210-229-8841 (internationally) and asking for the Bank OZK conference call. A recorded playback of the call will be available for one week following the call at 1-855-859-2056 (U.S. and Canada) or 404-537-3406 (internationally). The passcode for this playback is 7672039. The call will be available live or in a recorded version on the Bank's Investor Relations website at ir.ozk.com under "Company News/Webcasts." The Bank will also provide a transcript of the conference call on its Investor Relations website.

The Bank files annual, quarterly and current reports, proxy materials and other information required by the Securities Exchange Act of 1934 with the Federal Deposit Insurance Corporation ("FDIC"), copies of which are available electronically at the FDIC's website at <https://efr.fdic.gov/fcxweb/efr/index.html> and are also available on the Bank's Investor Relations website at <http://ir.ozk.com>.

NON-GAAP FINANCIAL MEASURES

This release contains certain non-GAAP financial measures. The Bank uses these non-GAAP financial measures, specifically return on average tangible common stockholders' equity, tangible book value per common share, total tangible common stockholders' equity and the ratio of total tangible common stockholders' equity to total tangible assets, as important measures of the strength of its capital and its ability to generate earnings on its tangible capital invested by its shareholders. These measures typically adjust GAAP financial measures to exclude intangible assets. Management believes presentation of these non-GAAP financial measures provides useful supplemental information which contributes to a proper understanding of the financial results and capital levels of the Bank. These non-GAAP disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other banks. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the tables at the end of this release under the caption "Reconciliation of Non-GAAP Financial Measures."

FORWARD-LOOKING STATEMENTS

This release and other communications by 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 sites, hiring or retaining qualified personnel, obtaining regulatory or other approvals, obtaining permits and designing, constructing and opening new offices; the ability to enter into and/or close additional acquisitions; problems with, or additional expenses relating to, integrating acquisitions; the inability to realize expected cost savings and/or synergies from acquisitions; problems with managing acquisitions; the effect of the announcements of any future acquisition on customer relationships and operating results; 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; 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; failure to receive approval of the Bank's pending application for change in accounting methods with the Internal Revenue Service; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions, including changes expected to result from the Tax Cuts and Jobs Act and the Economic Growth, Regulatory Relief and Consumer Protection Act and the costs and expenses to comply with new and/or existing legislation and regulatory actions; changes in U.S. government monetary and fiscal policy; future 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; 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 press release or as detailed from time to time in the Bank's public filings, including those factors included in the disclosures under the headings "Forward-Looking Information" and "Item 1A. Risk Factors" in the Bank's most recent Annual Report on Form 10-K for the year ended December 31, 2017 and its 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.

GENERAL INFORMATION

Bank OZK (Nasdaq: OZK) is a regional bank providing innovative financial solutions delivered by expert bankers with a relentless pursuit of excellence. Bank OZK has been recognized as the #1 bank in the nation in its asset size for eight consecutive years. Headquartered in Little Rock, Arkansas, Bank OZK conducts operations through 251 offices in Arkansas, Georgia, Florida, North Carolina, Texas, Alabama, South Carolina, California, New York and Mississippi. Bank OZK can be found at www.ozk.com and on [Facebook](https://www.facebook.com/ozk), [Twitter](https://twitter.com/ozk) and [LinkedIn](https://www.linkedin.com/company/ozk) or contacted at (501) 978-2265 or P.O. Box 8811, Little Rock, Arkansas 72231-8811.

Bank OZK Consolidated Balance Sheets Unaudited

	September 30, 2018	December 31, 2017
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	\$ 387,766	\$ 440,388
Investment securities - available for sale	2,669,877	2,593,873
Federal Home Loan Bank of Dallas and other banker's bank stocks	36,279	28,923
Non-purchased loans	14,440,623	12,733,937
Purchased loans	2,285,168	3,309,092
Allowance for loan losses	(98,200)	(94,120)
Net loans	16,627,591	15,948,909
Premises and equipment, net	538,523	519,811
Foreclosed assets	18,470	25,357
Accrued interest receivable	76,091	64,608
Bank owned life insurance ("BOLI")	716,648	658,147
Intangible assets, net	699,606	709,040
Other, net	315,688	286,591
Total assets	\$ 22,086,539	\$ 21,275,647
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand non-interest bearing	\$ 2,776,549	\$ 2,726,623
Savings and interest bearing transaction	9,919,192	10,051,122
Time	5,127,174	4,414,600
Total deposits	17,822,915	17,192,345
Repurchase agreements with customers	51,891	69,331
Other borrowings	1,729	22,320
Subordinated notes	223,185	222,899
Subordinated debentures	119,217	118,800
Accrued interest payable and other liabilities	210,968	186,164
Total liabilities	18,429,905	17,811,859
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$0.01 par value; 100,000,000 shares authorized; no shares issued or outstanding at September 30, 2018 or December 31, 2017	—	—
Common stock; \$0.01 par value; 300,000,000 shares authorized; 128,609,237 and 128,287,550 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	1,286	1,283
Additional paid-in capital	2,234,383	2,221,844
Retained earnings	1,477,178	1,250,313
Accumulated other comprehensive loss	(59,251)	(12,712)
Total stockholders' equity before noncontrolling interest	3,653,596	3,460,728
Noncontrolling interest	3,038	3,060
Total stockholders' equity	3,656,634	3,463,788
Total liabilities and stockholders' equity	\$ 22,086,539	\$ 21,275,647

Bank OZK
Consolidated Statements of Income
Unaudited

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
(Dollars in thousands, except per share amounts)				
Interest income:				
Non-purchased loans	\$ 219,847	\$ 159,610	\$ 620,659	\$ 429,023
Purchased loans	40,173	68,473	138,012	220,196
Investment securities:				
Taxable	12,472	7,802	35,380	15,799
Tax-exempt	3,991	5,428	12,252	18,087
Deposits with banks and federal funds sold	1,112	253	2,448	388
Total interest income	<u>277,595</u>	<u>241,566</u>	<u>808,751</u>	<u>683,493</u>
Interest expense:				
Deposits	51,785	27,077	130,009	66,933
Repurchase agreements with customers	215	33	759	93
Other borrowings	144	255	824	732
Subordinated notes	3,216	3,190	9,542	9,430
Subordinated debentures	1,621	1,289	4,567	3,707
Total interest expense	<u>56,981</u>	<u>31,844</u>	<u>145,701</u>	<u>80,895</u>
Net interest income	220,614	209,722	663,050	602,598
Provision for loan losses	41,949	7,777	57,126	18,814
Net interest income after provision for loan losses	<u>178,665</u>	<u>201,945</u>	<u>605,924</u>	<u>583,784</u>
Non-interest income:				
Service charges on deposit accounts	9,730	9,729	28,959	32,794
Mortgage lending income	24	1,620	517	5,105
Trust income	1,730	1,755	5,114	4,962
BOLI income	5,321	4,453	18,160	13,511
Other income from purchased loans, net	1,418	2,933	5,413	11,447
Loan service, maintenance and other fees	4,724	5,274	15,108	11,407
Gains (losses) on sales of other assets	(518)	1,363	1,753	3,654
Net gains on investment securities	—	2,429	17	2,833
Other	1,692	3,191	5,174	7,932
Total non-interest income	<u>24,121</u>	<u>32,747</u>	<u>80,215</u>	<u>93,645</u>
Non-interest expense:				
Salaries and employee benefits	41,477	35,331	128,641	113,777
Net occupancy and equipment	14,358	13,595	42,335	39,724
Other operating expenses	47,107	35,473	114,883	92,992
Total non-interest expense	<u>102,942</u>	<u>84,399</u>	<u>285,859</u>	<u>246,493</u>
Income before taxes	99,844	150,293	400,280	430,936
Provision for income taxes	25,665	54,246	98,227	155,153
Net income	74,179	96,047	302,053	275,783
Earnings attributable to noncontrolling interest	1	(40)	22	(56)
Net income available to common stockholders	<u>\$ 74,180</u>	<u>\$ 96,007</u>	<u>\$ 302,075</u>	<u>\$ 275,727</u>
Basic earnings per common share	<u>\$ 0.58</u>	<u>\$ 0.75</u>	<u>\$ 2.35</u>	<u>\$ 2.21</u>
Diluted earnings per common share	<u>\$ 0.58</u>	<u>\$ 0.75</u>	<u>\$ 2.35</u>	<u>\$ 2.21</u>
Dividends declared per common share	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.585</u>	<u>\$ 0.525</u>

Bank OZK
Consolidated Statements of Stockholders' Equity
Unaudited

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Total
	(Dollars in thousands, except per share amounts)					
Balances – December 31, 2016	\$ 1,213	\$1,901,880	\$ 914,434	\$ (25,920)	\$ 3,264	\$2,794,871
Cumulative effect of change in accounting principals	—	1,133	2,720	(3,408)	—	445
Balances – January 1, 2017, as adjusted	1,213	1,903,013	917,154	(29,328)	3,264	2,795,316
Net income	—	—	275,783	—	—	275,783
Earnings attributable to noncontrolling interest	—	—	(56)	—	56	—
Total other comprehensive income	—	—	—	20,294	—	20,294
Common stock dividends paid, \$0.525 per share	—	—	(65,019)	—	—	(65,019)
Dividend paid to noncontrolling interest	—	—	—	—	(250)	(250)
Issuance of 158,800 shares of common stock for exercise of stock options	2	2,779	—	—	—	2,781
Issuance of 238,794 shares of unvested restricted common stock	2	(2)	—	—	—	—
Stock-based compensation expense	—	9,182	—	—	—	9,182
Forfeiture of 105,562 shares of unvested restricted common stock	(1)	1	—	—	—	—
Issuance of 14,476 shares of common stock to non-employee directors	—	—	—	—	—	—
Issuance of 6,600,000 shares of common stock, net of stock issuance costs	66	299,657	—	—	—	299,723
Balances – September 30, 2017	<u>\$ 1,282</u>	<u>\$2,214,630</u>	<u>\$1,127,862</u>	<u>\$ (9,034)</u>	<u>\$ 3,070</u>	<u>\$3,337,810</u>
Balances – December 31, 2017	\$ 1,283	\$2,221,844	\$1,250,313	\$ (12,712)	\$ 3,060	\$3,463,788
Net income	—	—	302,053	—	—	302,053
Earnings attributable to noncontrolling interest	—	—	22	—	(22)	—
Total other comprehensive loss	—	—	—	(46,539)	—	(46,539)
Common stock dividends paid, \$0.585 per share	—	—	(75,210)	—	—	(75,210)
Issuance of 216,990 shares of common stock for exercise of stock options	2	5,677	—	—	—	5,679
Issuance of 220,102 shares of unvested restricted common stock	2	(2)	—	—	—	—
Repurchase and cancellation of 71,750 shares of common stock	(1)	(3,769)	—	—	—	(3,770)
Stock-based compensation expense	—	10,633	—	—	—	10,633
Forfeiture of 43,655 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – September 30, 2018	<u>\$ 1,286</u>	<u>\$2,234,383</u>	<u>\$1,477,178</u>	<u>\$ (59,251)</u>	<u>\$ 3,038</u>	<u>\$3,656,634</u>

Bank OZK
Summary of Non-Interest Expense
Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in thousands)			
Salaries and employee benefits	\$ 41,477	\$ 35,331	\$128,641	\$113,777
Net occupancy and equipment	14,358	13,595	42,335	39,724
Other operating expenses:				
Professional and outside services	9,725	10,018	27,542	22,171
Telecommunication services	3,373	3,321	10,056	10,398
Software and data processing	3,336	2,982	9,786	7,745
Postage and supplies	2,517	1,852	6,930	5,706
Advertising and public relations	6,977	1,907	10,084	4,355
ATM expense	1,202	1,430	3,683	4,081
Travel and meals	2,517	2,223	7,168	6,138
FDIC insurance	3,300	3,500	8,700	7,000
FDIC and state assessments	648	881	2,368	2,531
Loan collection and repossession expense	932	1,249	2,225	4,354
Writedowns of foreclosed and other assets	544	1,028	1,156	2,494
Writedown of signage due to strategic rebranding	4,915	—	4,915	—
Amortization of intangibles	3,145	3,145	9,435	9,435
Other	3,976	1,937	10,835	6,584
Total non-interest expense	<u>\$ 102,942</u>	<u>\$ 84,399</u>	<u>\$285,859</u>	<u>\$246,493</u>

Bank OZK
Summary of Total Loans Outstanding
Unaudited

September 30, 2018 **December 31, 2017**

(Dollars in thousands)

Real estate:				
Residential 1-4 family	\$ 1,055,238	6.3%	\$ 1,174,427	7.3%
Non-farm/non-residential	4,253,779	25.4	4,478,876	27.9
Construction/land development	6,498,207	38.9	6,648,061	41.5
Agricultural	165,936	1.0	150,003	0.9
Multifamily residential	995,368	5.9	508,514	3.2
Total real estate	12,968,528	77.5	12,959,881	80.8
Commercial and industrial	935,087	5.6	738,225	4.6
Consumer	2,127,380	12.7	1,472,593	9.2
Other	694,796	4.2	872,330	5.4
Total loans	<u>\$16,725,791</u>	<u>100.0%</u>	<u>\$16,043,029</u>	<u>100.0%</u>

Bank OZK
Selected Consolidated Financial Data
(Dollars in thousands, except per share amounts)
Unaudited

	<u>Three Months Ended</u> <u>September 30,</u>			<u>Nine Months Ended</u> <u>September 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2018</u>	<u>2017</u>	<u>% Change</u>
<u>Income statement data:</u>						
Net interest income	\$ 220,614	\$ 209,722	5.2%	\$ 663,050	\$ 602,598	10.0%
Provision for loan losses	41,949	7,777	439.4	57,126	18,814	203.6
Non-interest income	24,121	32,747	(26.3)	80,215	93,645	(14.3)
Non-interest expense	102,942	84,399	22.0	285,859	246,493	16.0
Net income available to common stockholders	74,180	96,007	(22.7)	302,075	275,727	9.6
<u>Common stock data:</u>						
Net income per share - diluted	\$ 0.58	\$ 0.75	(22.7)%	\$ 2.35	\$ 2.21	6.3%
Net income per share - basic	0.58	0.75	(22.7)	2.35	2.21	6.3
Cash dividends per share	0.20	0.18	11.1	0.585	0.525	11.4
Book value per share	28.41	26.02	9.2	28.41	26.02	9.2
Tangible book value per share ⁽¹⁾	22.97	20.46	12.3	22.97	20.46	12.3
Diluted shares outstanding (thousands)	128,744	128,472		128,771	124,900	
End of period shares outstanding (thousands)	128,609	128,174		128,609	128,174	
<u>Balance sheet data at period end:</u>						
Assets	\$22,086,539	\$20,768,493	6.3%	\$22,086,539	\$20,768,493	6.3%
Total loans	16,725,791	15,778,630	6.0	16,725,791	15,778,630	6.0
Non-purchased loans	14,440,623	12,047,094	19.9	14,440,623	12,047,094	19.9
Purchased loans	2,285,168	3,731,536	(38.8)	2,285,168	3,731,536	(38.8)
Allowance for loan losses	98,200	86,784	13.2	98,200	86,784	13.2
Foreclosed assets	18,470	28,016	(34.1)	18,470	28,016	(34.1)
Investment securities	2,706,156	1,975,102	37.0	2,706,156	1,975,102	37.0
Goodwill and other intangible assets	699,606	712,185	(1.8)	699,606	712,185	(1.8)
Deposits	17,822,915	16,823,359	5.9	17,822,915	16,823,359	5.9
Repurchase agreements with customers	51,891	70,165	(26.0)	51,891	70,165	(26.0)
Other borrowings	1,729	42,404	(95.9)	1,729	42,404	(95.9)
Subordinated notes	223,185	222,802	0.2	223,185	222,802	0.2
Subordinated debentures	119,217	118,660	0.5	119,217	118,660	0.5
Unfunded balance of closed loans	11,891,247	12,519,839	(5.0)	11,891,247	12,519,839	(5.0)
Common stockholders' equity	3,653,596	3,334,740	9.6	3,653,596	3,334,740	9.6
Net unrealized losses on investment securities AFS included in common stockholders' equity	(59,251)	(5,626)		(59,251)	(5,626)	
Loan (including purchased loans) to deposit ratio	93.84%	93.79%		93.84%	93.79%	
<u>Selected ratios:</u>						
Return on average assets ⁽²⁾	1.33%	1.89%		1.85%	1.91%	
Return on average common stockholders' equity ⁽²⁾	8.07	11.56		11.32	12.10	
Return on average tangible common stockholders' equity ^{(1) (2)}	9.99	14.76		14.11	15.81	

Average common equity to total average assets	16.47	16.35	16.38	15.77
Net interest margin – FTE ⁽²⁾	4.47	4.84	4.60	4.90
Efficiency ratio	41.87	34.38	38.28	34.90
Net charge-offs to average non-purchased loans ^{(2) (3)}	1.32	0.08	0.49	0.06
Net charge-offs to average total loans ⁽²⁾	1.14	0.09	0.43	0.08
Nonperforming loans to total loans ⁽⁴⁾	0.23	0.11	0.23	0.11
Nonperforming assets to total assets ⁽⁴⁾	0.23	0.20	0.23	0.20
Allowance for loan losses to non-purchased loans ⁽⁵⁾	0.67	0.71	0.67	0.71

Other information:

Non-accrual loans ⁽⁴⁾	\$ 32,960	\$ 13,269	\$ 32,960	\$ 13,269
Accruing loans - 90 days past due ⁽⁴⁾	—	—	—	—
Troubled and restructured loans ⁽⁴⁾	—	—	—	—
Impaired purchased loans	5,064	9,502	5,064	9,502

(1) Calculations of tangible book value per common share and return on average tangible common stockholders' equity and the reconciliations to GAAP are included in the schedules accompanying this release.

(2) Ratios for interim periods annualized based on actual days.

(3) Excludes purchased loans and net charge-offs related to such loans.

(4) Excludes purchased loans, except for their inclusion in total assets.

(5) Excludes purchased loans and any allowance for such loans.

Bank OZK
Supplemental Quarterly Financial Data
(Dollars in thousands, except per share amounts)
Unaudited

	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18
Earnings Summary:								
Net interest income	\$ 194,800	\$ 190,771	\$ 202,105	\$ 209,722	\$ 214,831	\$ 217,776	\$ 224,661	\$ 220,614
Federal tax (FTE) adjustment	3,254	3,594	3,396	3,014	2,450	1,166	1,151	1,132
Net interest income (FTE)	198,054	194,365	205,501	212,736	217,281	218,942	225,812	221,746
Provision for loan losses	(9,855)	(4,933)	(6,103)	(7,777)	(9,279)	(5,567)	(9,610)	(41,949)
Non-interest income	30,571	29,058	31,840	32,747	30,213	28,707	27,386	24,121
Non-interest expense	(78,358)	(78,268)	(83,828)	(84,399)	(86,177)	(93,810)	(89,107)	(102,942)
Pretax income (FTE)	140,412	140,222	147,410	153,307	152,038	148,272	154,481	100,976
FTE adjustment	(3,254)	(3,594)	(3,396)	(3,014)	(2,450)	(1,166)	(1,151)	(1,132)
Provision for income taxes	(49,312)	(47,417)	(53,488)	(54,246)	(3,434)	(33,973)	(38,589)	(25,665)
Noncontrolling interest	(59)	(23)	6	(40)	10	11	10	1
Net income available to common stockholders	\$ 87,787	\$ 89,188	\$ 90,532	\$ 96,007	\$ 146,164	\$ 113,144	\$ 114,751	\$ 74,180
Earnings per common share – diluted	\$ 0.72	\$ 0.73	\$ 0.73	\$ 0.75	\$ 1.14	\$ 0.88	\$ 0.89	\$ 0.58
Non-interest Income:								
Service charges on deposit accounts	\$ 11,759	\$ 11,301	\$ 11,764	\$ 9,729	\$ 10,058	\$ 9,525	\$ 9,704	\$ 9,730
Mortgage lending income	2,097	1,574	1,910	1,620	1,294	492	1	24
Trust income	1,623	1,631	1,577	1,755	1,729	1,793	1,591	1,730
BOLI income	4,564	4,464	4,594	4,453	5,166	7,580	5,259	5,321
Other income from purchased loans	4,993	3,737	4,777	2,933	2,009	1,251	2,744	1,418
Loan service, maintenance and other fees	2,962	2,706	3,427	5,274	4,289	4,743	5,641	4,724
Gains (losses) on sales of other assets	1,537	1,619	672	1,363	1,899	1,426	844	(518)
Net gains on investment securities	4	—	404	2,429	1,201	17	—	—
Other	1,032	2,026	2,715	3,191	2,568	1,880	1,602	1,692
Total non-interest income	\$ 30,571	\$ 29,058	\$ 31,840	\$ 32,747	\$ 30,213	\$ 28,707	\$ 27,386	\$ 24,121
Non-interest Expense:								
Salaries and employee benefits	\$ 36,481	\$ 38,554	\$ 39,892	\$ 35,331	\$ 38,417	\$ 45,499	\$ 41,665	\$ 41,477
Net occupancy expense	13,936	13,192	12,937	13,595	13,474	14,150	13,827	14,358
Other operating expenses	27,941	26,522	30,999	35,473	34,286	34,161	33,615	47,107
Total non-interest expense	\$ 78,358	\$ 78,268	\$ 83,828	\$ 84,399	\$ 86,177	\$ 93,810	\$ 89,107	\$ 102,942
Balance Sheet Data:								

Total assets	\$18,890,142	\$19,152,212	\$20,064,589	\$20,768,493	\$21,275,647	\$22,039,439	\$22,220,380	\$22,086,539
Non-purchased loans	9,605,093	10,216,875	11,025,203	12,047,094	12,733,937	13,674,561	14,183,533	14,440,623
Purchased loans	4,958,022	4,580,047	4,159,139	3,731,536	3,309,092	2,934,535	2,580,341	2,285,168
Investment securities	1,471,612	1,470,568	2,101,751	1,975,102	2,622,796	2,612,961	2,617,859	2,706,156
Deposits	15,574,878	15,713,427	16,241,440	16,823,359	17,192,345	17,833,672	17,897,085	17,822,915
Unfunded balance of closed loans	10,070,043	11,258,762	11,883,679	12,519,839	13,192,439	12,551,032	11,999,661	11,891,247
Common stockholders' equity	2,791,607	2,873,317	3,260,123	3,334,740	3,460,728	3,526,605	3,613,903	3,653,596
Allowance for Loan Losses:								
Balance at beginning of period	\$ 69,760	\$ 76,541	\$ 78,224	\$ 82,320	\$ 86,784	\$ 94,120	\$ 98,097	\$ 104,638
Net charge-offs	(3,074)	(3,250)	(2,007)	(3,313)	(1,943)	(1,590)	(3,069)	(48,387)
Provision for loan losses	9,855	4,933	6,103	7,777	9,279	5,567	9,610	41,949
Balance at end of period	<u>\$ 76,541</u>	<u>\$ 78,224</u>	<u>\$ 82,320</u>	<u>\$ 86,784</u>	<u>\$ 94,120</u>	<u>\$ 98,097</u>	<u>\$ 104,638</u>	<u>\$ 98,200</u>
Selected Ratios:								
Net interest margin – FTE ⁽¹⁾	5.02%	4.88%	4.99%	4.84%	4.72%	4.69%	4.66%	4.47%
Efficiency ratio	34.27	35.03	35.32	34.38	34.82	37.88	35.19	41.87
Net charge-offs to average non-purchased loans ^{(1) (2)}	0.08	0.05	0.03	0.08	0.08	0.04	0.05	1.32
Net charge-offs to average total loans ⁽¹⁾	0.09	0.09	0.05	0.09	0.05	0.04	0.07	1.14
Nonperforming loans to total loans ⁽³⁾	0.15	0.11	0.11	0.11	0.10	0.09	0.10	0.23
Nonperforming assets to total assets ⁽³⁾	0.31	0.25	0.23	0.20	0.18	0.16	0.15	0.23
Allowance for loan losses to total non-purchased loans ⁽⁴⁾	0.78	0.75	0.73	0.71	0.73	0.71	0.73	0.67
Loans past due 30 days or more, including past due non-accrual loans, to total loans ⁽³⁾	0.16	0.16	0.15	0.12	0.15	0.14	0.12	0.17

⁽¹⁾Ratios for interim periods annualized based on actual days.

⁽²⁾Excludes purchased loans and net charge-offs related to such loans.

⁽³⁾Excludes purchased loans, except for their inclusion in total assets.

⁽⁴⁾Excludes purchased loans and any allowance for such loans.

Bank OZK
Average Consolidated Balance Sheets and Net Interest Analysis – FTE
Unaudited

	Three Months Ended September 30,						Nine Months Ended September 30,					
	2018			2017			2018			2017		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
(Dollars in thousands)												

ASSETS												
Earning assets:												
Interest earning deposits and federal funds sold	\$ 240,665	\$ 1,112	1.83%	\$ 102,972	\$ 253	0.98%	\$ 179,429	\$ 2,448	1.82%	\$ 89,930	\$ 388	0.58%
Investment securities:												
Taxable	2,117,498	12,472	2.34	1,397,768	7,802	2.21	2,078,710	35,380	2.28	936,059	15,799	2.26
Tax-exempt – FTE	532,503	5,051	3.76	703,873	8,351	4.71	544,728	15,509	3.81	760,401	27,827	4.89
Non-purchased loans – FTE	14,363,015	219,919	6.07	11,248,314	159,701	5.63	13,760,166	620,851	6.03	10,536,436	429,287	5.45
Purchased loans	2,436,888	40,173	6.54	3,988,881	68,473	6.81	2,789,226	138,012	6.62	4,392,955	220,196	6.70
Total earning assets – FTE	19,690,569	278,727	5.62	17,441,808	244,580	5.56	19,352,259	812,200	5.61	16,715,781	693,497	5.55
Non-interest earning assets	2,457,577			2,714,176			2,421,623			2,613,342		
Total assets	<u>\$22,148,146</u>			<u>\$20,155,984</u>			<u>\$21,773,882</u>			<u>\$19,329,123</u>		

LIABILITIES AND STOCKHOLDERS' EQUITY

Interest bearing liabilities:												
Deposits:												
Savings and interest bearing transaction	\$10,231,569	\$ 33,753	1.31%	\$ 8,972,419	\$ 16,074	0.71%	\$10,113,882	\$ 85,571	1.13%	\$ 8,310,430	\$ 35,445	0.57%
Time deposits of \$100 or more	3,306,014	13,288	1.59	3,164,875	8,135	1.02	3,175,855	33,096	1.39	3,205,799	23,003	0.96
Other time deposits	<u>1,580,886</u>	<u>4,744</u>	1.19	<u>1,518,430</u>	<u>2,868</u>	0.75	<u>1,492,575</u>	<u>11,342</u>	1.02	<u>1,596,332</u>	<u>8,485</u>	0.71
Total interest bearing deposits	15,118,469	51,785	1.36	13,655,724	27,077	0.79	14,782,312	130,009	1.18	13,112,561	66,933	0.68
Repurchase agreements with customers	97,249	215	0.88	73,026	33	0.18	123,587	759	0.82	76,481	93	0.16
Other borrowings	63,909	144	0.90	42,433	255	2.39	88,101	824	1.25	42,312	732	2.31
Subordinated notes	223,135	3,216	5.72	222,749	3,190	5.68	223,042	9,542	5.72	222,658	9,430	5.66
Subordinated debentures	<u>119,145</u>	<u>1,621</u>	5.40	<u>118,582</u>	<u>1,289</u>	4.31	<u>119,006</u>	<u>4,567</u>	5.13	<u>118,445</u>	<u>3,707</u>	4.18
Total interest bearing liabilities	15,621,907	56,981	1.45	14,112,514	31,844	0.90	15,336,048	145,701	1.27	13,572,457	80,895	0.80
Non-interest bearing liabilities:												
Non-interest bearing deposits	2,685,802			2,662,265			2,689,818			2,627,214		
Other non-interest bearing liabilities	<u>189,003</u>			<u>82,764</u>			<u>177,824</u>			<u>79,056</u>		
Total liabilities	18,496,712			16,857,543			18,203,690			16,278,727		
Common stockholders' equity	3,648,398			3,295,394			3,567,148			3,047,279		
Noncontrolling interest	<u>3,036</u>			<u>3,047</u>			<u>3,044</u>			<u>3,117</u>		
Total liabilities and stockholders' equity	<u>\$22,148,146</u>			<u>\$20,155,984</u>			<u>\$21,773,882</u>			<u>\$19,329,123</u>		
Net interest income – FTE		<u>\$221,746</u>		<u>\$212,736</u>			<u>\$666,499</u>			<u>\$612,602</u>		
Net interest margin – FTE			<u>4.47%</u>			<u>4.84%</u>			<u>4.60%</u>			<u>4.90%</u>

**Bank OZK
Reconciliation of Non-GAAP Financial Measures**

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(Dollars in thousands)			
Net income available to common stockholders	<u>\$ 74,180</u>	<u>\$ 96,007</u>	<u>\$ 302,075</u>	<u>\$ 275,727</u>
Average common stockholders' equity before noncontrolling interest	\$3,648,398	\$3,295,394	\$3,567,148	\$3,047,279
Less average intangible assets:				
Goodwill	(660,789)	(660,789)	(660,789)	(659,871)
Core deposit and other intangibles, net of accumulated amortization	(40,743)	(53,128)	(43,886)	(56,311)
Total average intangibles	<u>(701,532)</u>	<u>(713,917)</u>	<u>(704,675)</u>	<u>(716,182)</u>
Average tangible common stockholders' equity	<u>\$2,946,866</u>	<u>\$2,581,477</u>	<u>\$2,862,473</u>	<u>\$2,331,097</u>
Return on average common stockholders' equity ⁽¹⁾	<u>8.07%</u>	<u>11.56%</u>	<u>11.32%</u>	<u>12.10%</u>
Return on average tangible common stockholders' equity ⁽¹⁾	<u>9.99%</u>	<u>14.76%</u>	<u>14.11%</u>	<u>15.81%</u>

⁽¹⁾Ratios for interim periods annualized based on actual days.

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

	September 30,	
	2018	2017
	(In thousands, except per share amounts)	
Total common stockholders' equity before noncontrolling interest	\$ 3,653,596	\$ 3,334,740
Less intangible assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(38,817)	(51,396)
Total intangibles	(699,606)	(712,185)
Total tangible common stockholders' equity	\$ 2,953,990	\$ 2,622,555
Shares of common stock outstanding	128,609	128,174
Book value per common share	\$ 28.41	\$ 26.02
Tangible book value per common share	\$ 22.97	\$ 20.46

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

	September 30,	
	2018	2017
	(Dollars in thousands)	
Total common stockholders' equity before noncontrolling interest	\$ 3,653,596	\$ 3,334,740
Less intangible assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(38,817)	(51,396)
Total intangibles	(699,606)	(712,185)
Total tangible common stockholders' equity	\$ 2,953,990	\$ 2,622,555
Total assets	\$22,086,539	\$20,768,493
Less intangible assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(38,817)	(51,396)
Total intangibles	(699,606)	(712,185)
Total tangible assets	\$21,386,933	\$20,056,308
Ratio of total common stockholders' equity to total assets	16.54%	16.06%
Ratio of total tangible common stockholders' equity to total tangible assets	13.81%	13.08%

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