



Bank OZK Announces Fourth Quarter and Full Year 2018 Earnings

January 17, 2019

LITTLE ROCK, Ark., Jan. 17, 2019 (GLOBE NEWSWIRE) -- Bank OZK (the "Bank") (Nasdaq: OZK) today announced that net income for the fourth quarter of 2018 was \$115.0 million, a 21.3% decrease from net income of \$146.2 million for the fourth quarter of 2017. Diluted earnings per common share for the fourth quarter of 2018 were \$0.89, a 21.9% decrease from \$1.14 for the fourth quarter of 2017.

For the full year of 2018, net income totaled \$417.1 million, a 1.1% decrease from net income of \$421.9 million for the full year of 2017. Diluted earnings per common share for the full year of 2018 were \$3.24, a 3.3% decrease from \$3.35 for the full year of 2017.

During the fourth quarter of 2017, the Bank recognized a one-time income tax benefit of \$49.8 million as a result of the revaluation, in the fourth quarter of 2017, of the Bank's net deferred tax liability position to reflect the reduction in its federal corporate income tax rate from 35% to 21% due to the Tax Cuts and Jobs Act enacted on December 22, 2017. Additionally, the Bank incurred pre-tax expenses of approximately \$0.3 million for the fourth quarter and \$11.7 million for the full year of 2018 (none in 2017) related to its name change and related strategic rebranding.

The Bank's annualized returns on average assets, average common stockholders' equity and average tangible common stockholders' equity for the fourth quarter of 2018 were 2.04%, 12.36% and 15.24%, respectively, compared to 2.81%, 17.23% and 21.84%, respectively, for the fourth quarter of 2017. The Bank's returns on average assets, average common stockholders' equity and average tangible common stockholders' equity for the full year of 2018 were 1.90%, 11.59% and 14.41%, respectively, compared to 2.15%, 13.49% and 17.49%, respectively, for the full year 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.

"We had excellent fourth quarter results, achieving our most profitable quarter of the year with net income of \$115.0 million and an annualized return on average assets of 2.04%," stated George Gleason, Chairman and Chief Executive Officer. "For the full year of 2018, our net income was \$417.1 million and our return on average assets was 1.90%. Our strong net income in 2018 resulted in meaningful increases in our already strong risk based capital ratios and allowed us to increase our cash dividends each quarter. In 2018 we completed our strategic rebranding and continued our efforts to enhance our team of industry and technology professionals, which is key to our competitive advantage. We believe we are well positioned for success in 2019."

KEY BALANCE SHEET METRICS

Total loans, including purchased loans, were \$17.12 billion at December 31, 2018, a 6.7% increase from \$16.04 billion at December 31, 2017. Non-purchased loans, which exclude loans acquired in previous acquisitions, were \$15.07 billion at December 31, 2018, an 18.4% increase from \$12.73 billion at December 31, 2017. Purchased loans, which consist of loans acquired in previous acquisitions, were \$2.04 billion at December 31, 2018, a 38.2% decrease from \$3.31 billion at December 31, 2017. The unfunded balance of closed loans totaled \$11.36 billion at December 31, 2018, a 13.9% decrease from \$13.19 billion at December 31, 2017.

Deposits were \$17.94 billion at December 31, 2018, a 4.3% increase from \$17.19 billion at December 31, 2017. Total assets were \$22.39 billion at December 31, 2018, a 5.2% increase from \$21.28 billion at December 31, 2017.

Common stockholders' equity was \$3.77 billion at December 31, 2018, an 8.9% increase from \$3.46 billion at December 31, 2017. Tangible common stockholders' equity was \$3.07 billion at December 31, 2018, an 11.7% increase from \$2.75 billion at December 31, 2017. Book value per common share was \$29.32 at December 31, 2018, an 8.7% increase from \$26.98 at December 31, 2017. Tangible book value per common share was \$23.90 at December 31, 2018, an 11.4% increase from \$21.45 at December 31, 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 16.84% at December 31, 2018 compared to 16.27% at December 31, 2017. Its ratio of total tangible common stockholders' equity to total tangible assets was 14.17% at December 31, 2018 compared to 13.38% at December 31, 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 fourth quarter of 2018 was \$228.4 million, a 6.3% increase from \$214.8 million for the fourth quarter of 2017. Net interest margin, on a fully taxable equivalent ("FTE") basis, was 4.55% for the fourth quarter of 2018, a decrease of 17 basis points from 4.72% for the fourth quarter of 2017. Average earning assets were \$20.00 billion for the fourth quarter of 2018, a 9.4% increase from \$18.28 billion for the fourth quarter of 2017.

Net interest income for the full year of 2018 was \$891.4 million, a 9.1% increase from \$817.4 million for the full year of 2017. Net interest margin, on a FTE basis, was 4.59% for the full year of 2018, a decrease of 26 basis points from 4.85% for the full year of 2017. Average earning assets were \$19.52 billion for the full year of 2018, a 14.1% increase from \$17.11 billion for the full year of 2017.

NON-INTEREST INCOME

Non-interest income for the fourth quarter of 2018 decreased 8.8% to \$27.6 million compared to \$30.2 million for the fourth quarter of 2017. Non-interest income for the full year of 2018 decreased 13.0% to \$107.8 million compared to \$123.9 million for the full year of 2017.

The Bank's service charges on deposit accounts decreased from \$42.9 million in 2017 to \$39.5 million in 2018 primarily due to the Durbin Amendment's impact on the Bank's interchange revenue effective July 1, 2017. The Bank's mortgage lending income decreased from \$6.4 million in 2017 to \$0.5 million in 2018 as a result of the Bank's decision in December 2017 to exit secondary market mortgage lending and the wind down of that business in early 2018.

NON-INTEREST EXPENSE

Non-interest expense for the fourth quarter of 2018 increased 10.1% to \$94.9 million compared to \$86.2 million for the fourth quarter of 2017. Non-interest expense for the full year of 2018 increased 14.5% to \$380.8 million compared to \$332.7 million for the full year of 2017. Non-interest expense included approximately \$0.3 million for the fourth quarter and \$11.7 million for the full year of 2018 (none in 2017) related to the name change 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 fourth quarter of 2018 was 36.9% compared to 34.8% for the fourth quarter of 2017. The Bank's efficiency ratio for the full year of 2018 was 37.9% compared to 34.9% for the full year 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 December 31, 2018 compared to 0.10% at December 31, 2017, and its ratio of nonperforming assets as a percent of total assets was 0.23% at December 31, 2018 compared to 0.18% at December 31, 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 0.28% at December 31, 2018 compared to 0.15% at December 31, 2017.

The Bank's annualized net charge-off ratio for non-purchased loans was 0.06% for the fourth quarter of 2018 compared to 0.08% for the fourth quarter of 2017, and it was 0.38% for the full year of 2018 compared to 0.06% for the full year of 2017. The Bank's annualized net charge-off ratio for all loans was 0.07% for the fourth quarter of 2018 compared to 0.05% for the fourth quarter of 2017, and it was 0.34% for the full year of 2018 compared to 0.07% for the full year of 2017.

The Bank's provision for loan losses totaled \$7.3 million for the fourth quarter and \$64.4 million for the full year of 2018 compared to \$9.3 million for the fourth quarter and \$28.1 million for the full year of 2017.

The increases in the Bank's net charge-off ratios and provision expense for the full year of 2018 compared to 2017 were primarily due to the charge-offs totaling \$45.5 million during the third quarter of 2018 on two Real Estate Specialties Group credits.

The Bank's allowance for loan losses for its non-purchased loans was \$100.7 million, or 0.67% of total non-purchased loans, at December 31, 2018 compared to \$92.5 million, or 0.73% of total non-purchased loans, at December 31, 2017. The Bank had \$1.6 million of allowance for loan losses for its purchased loans at both December 31, 2018 and 2017.

MANAGEMENT'S COMMENTS, CONFERENCE CALL, TRANSCRIPT AND FILINGS

In connection with this release, the Bank released management's comments on its quarterly and year end results. Management will conduct a conference call to take questions on the quarterly and year end results and management's comments at 10:00 a.m. CT (11:00 a.m. ET) on Friday, January 18, 2019. 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 4759034. 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/cxweb/efr/index.html> and are also available on the Bank's Investor Relations website at 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; 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; 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 253 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](#), [Twitter](#) and [LinkedIn](#) or contacted at (501) 978-2265 or P. O. Box 8811, Little Rock, Arkansas 72231-8811.

Bank OZK Consolidated Balance Sheets Unaudited

	December 31,	
	2018	2017
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	\$ 290,672	\$ 440,388
Investment securities - available for sale	2,862,340	2,593,873
Federal Home Loan Bank of Dallas and other banker's bank stocks	25,941	28,923
Non-purchased loans	15,073,791	12,733,937
Purchased loans	2,044,032	3,309,092
Allowance for loan losses	(102,264)	(94,120)
Net loans	17,015,559	15,948,909
Premises and equipment, net	567,189	519,811
Foreclosed assets	16,171	25,357
Accrued interest receivable	81,968	64,608
Bank owned life insurance ("BOLI")	721,238	658,147
Intangible assets, net	696,461	709,040
Other, net	110,491	286,591
Total assets	\$ 22,388,030	\$ 21,275,647
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand non-interest bearing	\$ 2,748,273	\$ 2,726,623
Savings and interest bearing transaction	9,682,713	10,051,122
Time	5,507,429	4,414,600
Total deposits	17,938,415	17,192,345
Repurchase agreements with customers	20,564	69,331
Other borrowings	96,692	22,320
Subordinated notes	223,281	222,899
Subordinated debentures	119,358	118,800
Accrued interest payable and other liabilities	216,355	186,164
Total liabilities	18,614,665	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 December 31, 2018 or December 31, 2017	—	—
Common stock; \$0.01 par value; 300,000,000 shares authorized; 128,611,049 and 128,287,550 shares issued and outstanding at December 31, 2018 and 2017, respectively	1,286	1,283
Additional paid-in capital	2,237,948	2,221,844
Retained earnings	1,565,201	1,250,313
Accumulated other comprehensive loss	(34,105)	(12,712)
Total stockholders' equity before noncontrolling interest	3,770,330	3,460,728
Noncontrolling interest	3,035	3,060

Total stockholders' equity	3,773,365	3,463,788
Total liabilities and stockholders' equity	<u>\$ 22,388,030</u>	<u>\$ 21,275,647</u>

Bank OZK
Consolidated Statements of Income
Unaudited

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
	(Dollars in thousands, except per share amounts)			
Interest income:				
Non-purchased loans	\$ 237,443	\$ 178,525	\$ 858,102	\$ 607,548
Purchased loans	35,453	56,303	173,465	276,499
Investment securities:				
Taxable	14,642	9,661	50,021	25,460
Tax-exempt	3,941	4,343	16,193	22,430
Deposits with banks and federal funds sold	590	268	3,039	656
Total interest income	<u>292,069</u>	<u>249,100</u>	<u>1,100,820</u>	<u>932,593</u>
Interest expense:				
Deposits	56,608	29,150	186,617	96,083
Repurchase agreements with customers	26	38	785	132
Other borrowings	2,193	574	3,017	1,305
Subordinated notes	3,216	3,190	12,757	12,620
Subordinated debentures	1,644	1,317	6,211	5,024
Total interest expense	<u>63,687</u>	<u>34,269</u>	<u>209,387</u>	<u>115,164</u>
Net interest income	228,382	214,831	891,433	817,429
Provision for loan losses	7,271	9,279	64,398	28,092
Net interest income after provision for loan losses	<u>221,111</u>	<u>205,552</u>	<u>827,035</u>	<u>789,337</u>
Non-interest income:				
Service charges on deposit accounts	10,585	10,058	39,544	42,853
Mortgage lending income	20	1,294	538	6,399
Trust income	1,821	1,729	6,935	6,691
BOLI income	5,751	5,166	23,911	18,677
Other income from purchased loans	2,370	2,009	7,784	13,456
Loan service, maintenance and other fees	5,245	4,289	20,354	15,696
Gains on sales of other assets	465	1,899	2,219	5,553
Net gains on investment securities	—	1,201	17	4,033
Other	1,303	2,568	6,473	10,500
Total non-interest income	<u>27,560</u>	<u>30,213</u>	<u>107,775</u>	<u>123,858</u>
Non-interest expense:				
Salaries and employee benefits	41,837	38,417	170,478	152,194
Net occupancy and equipment	14,027	13,474	56,362	53,198
Other operating expenses	39,029	34,286	153,912	127,280
Total non-interest expense	<u>94,893</u>	<u>86,177</u>	<u>380,752</u>	<u>332,672</u>
Income before taxes	153,778	149,588	554,058	580,523
Provision for income taxes	38,750	3,434	136,977	158,586
Net income	<u>115,028</u>	<u>146,154</u>	<u>417,081</u>	<u>421,937</u>
Earnings attributable to noncontrolling interest	3	10	25	(46)
Net income available to common stockholders	<u>\$ 115,031</u>	<u>\$ 146,164</u>	<u>\$ 417,106</u>	<u>\$ 421,891</u>
Basic earnings per common share	<u>\$ 0.89</u>	<u>\$ 1.14</u>	<u>\$ 3.24</u>	<u>\$ 3.36</u>
Diluted earnings per common share	<u>\$ 0.89</u>	<u>\$ 1.14</u>	<u>\$ 3.24</u>	<u>\$ 3.35</u>
Dividends declared per common share	<u>\$ 0.21</u>	<u>\$ 0.185</u>	<u>\$ 0.795</u>	<u>\$ 0.71</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, 2017	\$ 1,283	\$ 2,221,844	\$ 1,250,313	\$ (12,712)	\$ 3,060	\$ 3,463,788
Net income	—	—	417,081	—	—	417,081
Earnings attributable to noncontrolling interest	—	—	25	—	(25)	—
Total other comprehensive loss	—	—	—	(21,393)	—	(21,393)
Common stock dividends paid, \$0.795 per share	—	—	(102,218)	—	—	(102,218)
Issuance of 223,840 shares of common stock for exercise of stock options	2	5,740	—	—	—	5,742
Issuance of 220,326 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	—	14,135	—	—	—	14,135
Forfeiture of 48,917 shares of unvested restricted common stock	—	—	—	—	—	—
Balances – December 31, 2018	<u>\$ 1,286</u>	<u>\$ 2,237,948</u>	<u>\$ 1,565,201</u>	<u>\$ (34,105)</u>	<u>\$ 3,035</u>	<u>\$ 3,773,365</u>

Bank OZK
Summary of Non-Interest Expense
Unaudited

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
	(Dollars in thousands)			
Salaries and employee benefits	\$ 41,837	\$ 38,417	\$ 170,478	\$ 152,194
Net occupancy and equipment	14,027	13,474	56,362	53,198
Other operating expenses:				
Professional and outside services	8,325	10,269	35,867	32,441
Telecommunication services	3,023	3,537	13,080	13,935
Software and data processing	3,943	2,382	13,729	10,126
Postage and supplies	2,214	2,063	9,144	7,769
Advertising and public relations	1,472	1,634	11,557	5,989
ATM expense	544	1,644	4,227	5,725
Travel and meals	2,482	2,338	9,650	8,477
FDIC insurance	3,100	2,700	11,800	9,700
FDIC and state assessments	572	883	2,940	3,414
Loan collection and repossession expense	1,077	949	3,302	5,303
Writedowns of foreclosed assets	1,841	994	2,996	3,488
Writedown of signage due to strategic rebranding	—	—	4,915	—
Amortization of intangibles	3,144	3,145	12,579	12,580
Other	7,292	1,748	18,126	8,333
Total non-interest expense	<u>\$ 94,893</u>	<u>\$ 86,177</u>	<u>\$ 380,752</u>	<u>\$ 332,672</u>

Bank OZK
Summary of Total Loans Outstanding
Unaudited

December 31,	
2018	2017
(Dollars in thousands)	

Real estate:

Residential 1-4 family	\$	1,049,460	\$	1,174,427
Non-farm/non-residential		4,319,388		4,478,876
Construction/land development		6,562,185		6,648,061
Agricultural		165,088		150,003
Multifamily residential		1,116,026		508,514
Total real estate		13,212,147		12,959,881
Commercial and industrial		823,417		738,225
Consumer		2,345,863		1,472,593
Other		736,396		872,330
Total loans	\$	17,117,823	\$	16,043,029

Bank OZK

Selected Consolidated Financial Data

(Dollars in thousands, except per share amounts)

Unaudited

	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017	% Change	2018	2017	% Change
Income statement data:						
Net interest income	\$ 228,382	\$ 214,831	6.3%	\$ 891,433	\$ 817,429	9.1%
Provision for loan losses	7,271	9,279	(21.6)	64,398	28,092	129.2
Non-interest income	27,560	30,213	(8.8)	107,775	123,858	(13.0)
Non-interest expense	94,893	86,177	10.1	380,752	332,672	14.5
Net income available to common stockholders	115,031	146,164	(21.3)	417,106	421,891	(1.1)
Common stock data:						
Net income per share - diluted	\$ 0.89	\$ 1.14	(21.9)%	\$ 3.24	\$ 3.35	(3.3)%
Net income per share - basic	0.89	1.14	(21.9)	3.24	3.36	(3.6)
Cash dividends per share	0.21	0.185	13.5	0.795	0.71	12
Book value per share	29.32	26.98	8.7	29.32	26.98	8.7
Tangible book value per share ⁽¹⁾	23.9	21.45	11.4	23.9	21.45	11.4
Diluted shares outstanding (thousands)	128,666	128,510		128,740	125,809	
End of period shares outstanding (thousands)	128,611	128,288		128,611	128,288	
Balance sheet data at period end:						
Assets	\$ 22,388,030	\$ 21,275,647	5.2%	\$ 22,388,030	\$ 21,275,647	5.2%
Total loans	17,117,823	16,043,029	6.7	17,117,823	16,043,029	6.7
Non-purchased loans	15,073,791	12,733,937	18.4	15,073,791	12,733,937	18.4
Purchased loans	2,044,032	3,309,092	(38.2)	2,044,032	3,309,092	(38.2)
Allowance for loan losses	102,264	94,120	8.7	102,264	94,120	8.7
Foreclosed assets	16,171	25,357	(36.2)	16,171	25,357	(36.2)
Investment securities	2,888,281	2,622,796	10.1	2,888,281	2,622,796	10.1
Goodwill and other intangible assets	696,461	709,040	(1.8)	696,461	709,040	(1.8)
Deposits	17,938,415	17,192,345	4.3	17,938,415	17,192,345	4.3
Repurchase agreements with customers	20,564	69,331	(70.3)	20,564	69,331	(70.3)
Other borrowings	96,692	22,320	333.2	96,692	22,320	333.2
Subordinated notes	223,281	222,899	0.2	223,281	222,899	0.2
Subordinated debentures	119,358	118,800	0.5	119,358	118,800	0.5
Unfunded balance of closed loans	11,364,975	13,192,439	(13.9)	11,364,975	13,192,439	(13.9)
Common stockholders' equity	3,770,330	3,460,728	8.9	3,770,330	3,460,728	8.9
Net unrealized losses on investment securities						
AFS included in common stockholders' equity	(34,105)	(12,712)		(34,105)	(12,712)	
Loan (including purchased loans) to deposit ratio	95.43%	93.31%		95.43%	93.31%	
Selected ratios:						
Return on average assets ⁽²⁾	2.04%	2.81%		1.9%	2.15%	
Return on average common stockholders' equity ⁽²⁾	12.36	17.23		11.59	13.49	
Return on average tangible common stockholders' equity ^{(1) (2)}	15.24	21.84		14.41	17.49	
Average common equity to total average assets	16.54	16.32		16.42	15.91	
Net interest margin – FTE ⁽²⁾	4.55	4.72		4.59	4.85	
Efficiency ratio	36.9	34.82		37.93	34.88	
Net charge-offs to average non-purchased loans ^{(2) (3)}	0.06	0.08		0.38	0.06	

Net charge-offs to average total loans ⁽²⁾	0.07	0.05	0.34	0.07
Nonperforming loans to total loans ⁽⁴⁾	0.23	0.1	0.23	0.1
Nonperforming assets to total assets ⁽⁴⁾	0.23	0.18	0.23	0.18
Allowance for loan losses to non-purchased loans ⁽⁵⁾	0.67	0.73	0.67	0.73

Other information:

Non-accrual loans ⁽⁴⁾	\$	34,762	\$	12,899	\$	34,762	\$	12,899
Accruing loans - 90 days past due ⁽⁴⁾		—		—		—		—
Troubled and restructured non-purchased loans - accruing ⁽⁴⁾		627		—		627		—
Impaired purchased loans		7,801		10,019		7,971		10,019

⁽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

	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018
Earnings Summary:								
Net interest income	\$ 190,771	\$ 202,105	\$ 209,722	\$ 214,831	\$ 217,776	\$ 224,661	\$ 220,614	\$ 228,382
Federal tax (FTE) adjustment	3,594	3,396	3,014	2,450	1,166	1,151	1,132	1,219
Net interest income (FTE)	194,365	205,501	212,736	217,281	218,942	225,812	221,746	229,601
Provision for loan losses	(4,933)	(6,103)	(7,777)	(9,279)	(5,567)	(9,610)	(41,949)	(7,271)
Non-interest income	29,058	31,840	32,747	30,213	28,707	27,386	24,121	27,560
Non-interest expense	(78,268)	(83,828)	(84,399)	(86,177)	(93,810)	(89,107)	(102,942)	(94,893)
Pretax income (FTE)	140,222	147,410	153,307	152,038	148,272	154,481	100,976	154,997
FTE adjustment	(3,594)	(3,396)	(3,014)	(2,450)	(1,166)	(1,151)	(1,132)	(1,219)
Provision for income taxes	(47,417)	(53,488)	(54,246)	(3,434)	(33,973)	(38,589)	(25,665)	(38,750)
Noncontrolling interest	(23)	6	(40)	10	11	10	1	3
Net income available to common stockholders	\$ 89,188	\$ 90,532	\$ 96,007	\$ 146,164	\$ 113,144	\$ 114,751	\$ 74,180	\$ 115,031
Earnings per common share – diluted	\$ 0.73	\$ 0.73	\$ 0.75	\$ 1.14	\$ 0.88	\$ 0.89	\$ 0.58	\$ 0.89
Non-interest Income:								
Service charges on deposit accounts	\$ 11,301	\$ 11,764	\$ 9,729	\$ 10,058	\$ 9,525	\$ 9,704	\$ 9,730	\$ 10,585
Mortgage lending income	1,574	1,910	1,620	1,294	492	1	24	20
Trust income	1,631	1,577	1,755	1,729	1,793	1,591	1,730	1,821
BOLI income	4,464	4,594	4,453	5,166	7,580	5,259	5,321	5,751
Other income from purchased loans	3,737	4,777	2,933	2,009	1,251	2,744	1,418	2,370
Loan service, maintenance and other fees	2,706	3,427	5,274	4,289	4,743	5,641	4,724	5,245
Gains (losses) on sales of other assets	1,619	672	1,363	1,899	1,426	844	(518)	465
Net gains on investment securities	—	404	2,429	1,201	17	—	—	—
Other	2,026	2,715	3,191	2,568	1,880	1,602	1,692	1,303
Total non-interest income	\$ 29,058	\$ 31,840	\$ 32,747	\$ 30,213	\$ 28,707	\$ 27,386	\$ 24,121	\$ 27,560
Non-interest Expense:								
Salaries and employee benefits	\$ 38,554	\$ 39,892	\$ 35,331	\$ 38,417	\$ 45,499	\$ 41,665	\$ 41,477	\$ 41,837
Net occupancy expense	13,192	12,937	13,595	13,474	14,150	13,827	14,358	14,027
Other operating expenses	26,522	30,999	35,473	34,286	34,161	33,615	47,107	39,029
Total non-interest expense	\$ 78,268	\$ 83,828	\$ 84,399	\$ 86,177	\$ 93,810	\$ 89,107	\$ 102,942	\$ 94,893

Balance Sheet Data:

Total assets	\$ 19,152,212	\$ 20,064,589	\$ 20,768,493	\$ 21,275,647	\$ 22,039,439	\$ 22,220,380	\$ 22,086,539	\$ 22,388,030
Non-purchased loans	10,216,875	11,025,203	12,047,094	12,733,937	13,674,561	14,183,533	14,440,623	15,073,791
Purchased loans	4,580,047	4,159,139	3,731,536	3,309,092	2,934,535	2,580,341	2,285,168	2,044,032
Investment securities	1,470,568	2,101,751	1,975,102	2,622,796	2,612,961	2,617,859	2,706,156	2,888,281
Deposits	15,713,427	16,241,440	16,823,359	17,192,345	17,833,672	17,897,085	17,822,915	17,938,415
Unfunded balance of closed loans	11,258,762	11,883,679	12,519,839	13,192,439	12,551,032	11,999,661	11,891,247	11,364,975
Common stockholders' equity	2,873,317	3,260,123	3,334,740	3,460,728	3,526,605	3,613,903	3,653,596	3,770,330

Allowance for Loan**Losses:**

Balance at beginning of period	\$ 76,541	\$ 78,224	\$ 82,320	\$ 86,784	\$ 94,120	\$ 98,097	\$ 104,638	\$ 98,200
Net charge-offs	(3,250)	(2,007)	(3,313)	(1,943)	(1,590)	(3,069)	(48,387)	(3,207)
Provision for loan losses	4,933	6,103	7,777	9,279	5,567	9,610	41,949	7,271
Balance at end of period	<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>	<u>\$ 102,264</u>

Selected Ratios:

Net interest margin – FTE ⁽¹⁾	4.88 %	4.99 %	4.84 %	4.72 %	4.69 %	4.66 %	4.47 %	4.55 %
Efficiency ratio	35.03	35.32	34.38	34.82	37.88	35.19	41.87	36.9
Net charge-offs to average non-purchased loans ^{(1) (2)}	0.05	0.03	0.08	0.08	0.04	0.05	1.32	0.06
Net charge-offs to average total loans ⁽¹⁾	0.09	0.05	0.09	0.05	0.04	0.07	1.14	0.07
Nonperforming loans to total loans ⁽³⁾	0.11	0.11	0.11	0.1	0.09	0.1	0.23	0.23
Nonperforming assets to total assets ⁽³⁾	0.25	0.23	0.2	0.18	0.16	0.15	0.23	0.23
Allowance for loan losses to total non-purchased loans ⁽⁴⁾	0.75	0.73	0.71	0.73	0.71	0.73	0.67	0.67
Loans past due 30 days or more, including past due non-accrual loans, to total loans ⁽³⁾	0.16	0.15	0.12	0.15	0.14	0.12	0.17	0.28

⁽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 December 31,						Year Ended December 31,					
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	\$ 102,931	\$ 590	2.27 %	\$ 56,500	\$ 268	1.88 %	\$ 160,148	\$ 3,039	1.9 %	\$ 81,504	\$ 656	0.81 %
Investment securities:												
Taxable	2,335,512	14,642	2.49	1,818,633	9,661	2.11	2,143,455	50,021	2.33	1,158,519	25,460	2.2
Tax-exempt – FTE	516,512	4,988	3.83	577,614	6,680	4.59	537,616	20,497	3.81	714,329	34,508	4.83
Non-purchased loans – FTE	14,874,156	237,615	6.34	12,293,725	178,638	5.76	14,040,952	858,466	6.11	10,979,369	607,925	5.54
Purchased loans	2,170,489	35,453	6.48	3,528,823	56,303	6.33	2,633,271	173,465	6.59	4,175,146	276,499	6.62
Total earning assets – FTE	19,999,600	293,288	5.82	18,275,295	251,550	5.46	19,515,442	1,105,488	5.66	17,108,867	945,048	5.52

Non-interest earning assets	2,319,305			2,345,373			2,395,813			2,545,797		
Total assets	<u>\$22,318,905</u>			<u>\$20,620,668</u>			<u>\$21,911,255</u>			<u>\$19,654,664</u>		
LIABILITIES AND STOCKHOLDERS' EQUITY												
Interest bearing liabilities:												
Deposits:												
Savings and interest bearing transaction	\$ 9,594,919	\$ 33,200	1.37 %	\$ 9,409,297	\$ 18,052	0.76 %	\$ 9,983,075	\$ 118,771	1.19 %	\$ 8,587,404	\$ 53,496	0.62 %
Time deposits of \$100 or more	3,204,627	14,595	1.81	3,043,311	8,218	1.07	3,183,108	47,691	1.5	3,164,843	31,222	0.99
Other time deposits	<u>2,124,920</u>	<u>8,813</u>	1.65	<u>1,452,325</u>	<u>2,880</u>	0.79	<u>1,651,960</u>	<u>20,155</u>	1.22	<u>1,560,035</u>	<u>11,365</u>	0.73
Total interest bearing deposits	14,924,466	56,608	1.5	13,904,933	29,150	0.83	14,818,143	186,617	1.26	13,312,282	96,083	0.72
Repurchase agreements with customers	36,680	26	0.29	74,233	38	0.21	101,682	785	0.77	75,915	132	0.17
Other borrowings	400,874	2,193	2.17	124,340	574	1.83	166,937	3,017	1.81	62,988	1,305	2.07
Subordinated notes	223,230	3,216	5.71	222,846	3,190	5.68	223,089	12,757	5.72	222,705	12,620	5.67
Subordinated debentures	<u>119,284</u>	<u>1,644</u>	5.47	<u>118,723</u>	<u>1,317</u>	4.4	<u>119,076</u>	<u>6,211</u>	5.22	<u>118,515</u>	<u>5,024</u>	4.24
Total interest bearing liabilities	15,704,534	63,687	1.61	14,445,075	34,269	0.94	15,428,927	209,387	1.36	13,792,405	115,164	0.83
Non-interest bearing liabilities:												
Non-interest bearing deposits	2,712,858			2,729,090			2,695,623			2,652,895		
Other non-interest bearing liabilities	<u>206,434</u>			<u>77,588</u>			<u>185,035</u>			<u>78,684</u>		
Total liabilities	18,623,826			17,251,753			18,309,585			16,523,984		
Common stockholders' equity	3,692,044			3,365,848			3,598,628			3,127,576		
Noncontrolling interest	<u>3,035</u>			<u>3,067</u>			<u>3,042</u>			<u>3,104</u>		
Total liabilities and stockholders' equity	<u>\$22,318,905</u>			<u>\$20,620,668</u>			<u>\$21,911,255</u>			<u>\$19,654,664</u>		
Net interest income – FTE		<u>\$229,601</u>		<u>\$217,281</u>			<u>\$ 896,101</u>			<u>\$829,884</u>		
Net interest margin – FTE			<u>4.55 %</u>			<u>4.72 %</u>			<u>4.59 %</u>			<u>4.85 %</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

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
	(Dollars in thousands)			
Net income available to common stockholders	<u>\$ 115,031</u>	<u>\$ 146,164</u>	<u>\$ 417,106</u>	<u>\$ 421,891</u>
Average common stockholders' equity before noncontrolling interest	<u>\$ 3,692,044</u>	<u>\$ 3,365,848</u>	<u>\$ 3,598,628</u>	<u>\$ 3,127,576</u>
Less average intangible assets:				
Goodwill	(660,789)	(660,789)	(660,789)	(660,632)
Core deposit and other intangibles, net of accumulated amortization	<u>(37,654)</u>	<u>(49,927)</u>	<u>(42,315)</u>	<u>(54,702)</u>
Total average intangibles	<u>(698,443)</u>	<u>(710,716)</u>	<u>(703,104)</u>	<u>(715,334)</u>
Average tangible common stockholders' equity	<u>\$ 2,993,601</u>	<u>\$ 2,655,132</u>	<u>\$ 2,895,524</u>	<u>\$ 2,412,242</u>
Return on average common stockholders' equity ⁽¹⁾	<u>12.36 %</u>	<u>17.23 %</u>	<u>11.59 %</u>	<u>13.49 %</u>
Return on average tangible common stockholders' equity ⁽¹⁾	<u>15.24 %</u>	<u>21.84 %</u>	<u>14.41 %</u>	<u>17.49 %</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

	December 31,	
	2018	2017
	(In thousands, except per share amounts)	
Total common stockholders' equity before noncontrolling interest	\$ 3,770,330	\$ 3,460,728
Less intangible assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(35,672)	(48,251)
Total intangibles	(696,461)	(709,040)
Total tangible common stockholders' equity	<u>\$ 3,073,869</u>	<u>\$ 2,751,688</u>
Shares of common stock outstanding	<u>128,611</u>	<u>128,288</u>
Book value per common share	<u>\$ 29.32</u>	<u>\$ 26.98</u>
Tangible book value per common share	<u>\$ 23.9</u>	<u>\$ 21.45</u>

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

	December 31,	
	2018	2017
	(Dollars in thousands)	
Total common stockholders' equity before noncontrolling interest	\$ 3,770,330	\$ 3,460,728
Less intangible assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(35,672)	(48,251)
Total intangibles	(696,461)	(709,040)
Total tangible common stockholders' equity	<u>\$ 3,073,869</u>	<u>\$ 2,751,688</u>
Total assets	<u>\$ 22,388,030</u>	<u>\$ 21,275,647</u>
Less intangible assets:		
Goodwill	(660,789)	(660,789)
Core deposit and other intangible assets, net of accumulated amortization	(35,672)	(48,251)
Total intangibles	(696,461)	(709,040)
Total tangible assets	<u>\$ 21,691,569</u>	<u>\$ 20,566,607</u>
Ratio of total common stockholders' equity to total assets	<u>16.84 %</u>	<u>16.27 %</u>
Ratio of total tangible common stockholders' equity to total tangible assets	<u>14.17 %</u>	<u>13.38 %</u>

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Source: Bank OZK