# Bank OZK

## MANAGEMENT COMMENTS FOR THE THIRD QUARTER & FIRST NINE MONTHS OF 2020

OCTOBER 22, 2020

## Forward Looking Statements

*This presentation and other communications by Bank OZK (the "Bank") include certain "forward-looking statements" regarding the Bank's plans, expectations, thoughts, beliefs, estimates, goals and outlook for the future that are intended to be covered by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's expectations as well as certain assumptions and estimates made by, and information available to, management at the time. Those statements are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to: potential delays or other problems implementing the Bank's growth, expansion and acquisition strategies, including delays in identifying satisfactory sites, hiring or retaining qualified personnel, obtaining regulatory or other approvals, obtaining permits and designing, constructing and opening new offices or relocating, 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 LIBOR or other changes involving LIBOR; competitive factors and pricing pressures, including their effect on the Bank's net interest margin or core spread; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions and the costs and expenses to comply with new and/or existing legislation and regulatory actions, including those in response to the coronavirus (COVID-19) pandemic such as the Coronavirus Aid, Relief and Economic Security Act and any similar or related rules and regulations; changes in U.S. government monetary and fiscal policy, including any changes that result from the upcoming elections in November; DFIC 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 global COVID-19 pandemic, including the magnitude and duration of the pandemic and actions taken to contain or treat COVID-19, on the Bank, the Bank's customers, the global economy and financial markets; international or political instability; impairment of our goodwill or other intangible assets; adoption of new accounting standards, including the effects from the adoption of the current expected credit loss ("CECL") methodology on January 1, 2020, or changes in existing standards; and adverse results (including costs, fines, reputational harm and/or other negative effects) from current or future litigation, regulatory examinations or other legal and/or regulatory actions or rulings as well as other factors identified in this communication or as detailed from time to time in our public filings, including those factors described in the disclosures under the headings "Forward-Looking Information" and "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K for the year ended December 31, 2019 and our quarterly reports on Form 10-Q. Should one or more of the foregoing risks materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those projected in, or implied by, such forward-looking statements. The Bank disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise.*

**Summary**

We are pleased to report our results and achievements for the third quarter of 2020, which reflect solid fundamental performance. Some of the highlights of the quarter just ended are as follows:

- ***Excellent Asset Quality.*** Our ongoing focus on asset quality showed very well in the current environment as demonstrated by our annualized net charge-off ratio for the quarter of 0.09% for both non-purchased loans (loans we originated) and total loans. Our September 30, 2020 ratios of non-performing non-purchased loans to total non-purchased loans and non-performing assets to total assets[1] were just 0.15% and 0.17%, respectively.
- ***Increasing Net Interest Income.*** Our net interest income for the quarter was $224.7 million, an increase of $8.1 million sequentially, or 3.7% not annualized, from the second quarter of 2020. This was our second consecutive quarter of increased net interest income, and resulted from good growth in average earning assets combined with improvement in 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").
- ***Strong Deposit Growth.*** Our commitment to our customers and communities, combined with our reputation for strength, stability and service, allowed us to achieve $564 million of deposit growth during the quarter, bringing our deposit growth for the first nine months of 2020 to $2.81 billion, which we accomplished while reducing our COIBD and improving the quality of our deposit base.
- ***Increasing Liquidity.*** Our deposit growth allowed us to continue to increase our already strong on-balance sheet liquidity with cash and cash equivalents increasing by $288 million during the quarter to $1.93 billion and our investment securities portfolio increasing by $168 million during the quarter to $3.47 billion.
- ***Robust Capital.*** Our strong capital position continues to be among the best in the industry. At September 30, 2020, our Leverage Ratio was 13.4%, which is over 2.6 times the regulatory Leverage Ratio required to be considered "well-capitalized." This positions us well to navigate the current economic environment and to capitalize on future opportunities.
- ***Excellent Efficiency Ratio.*** Our efficiency ratio for the quarter was 41.8%, continuing our long track record of being among the best in the industry.

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

**Profitability and Earnings Metrics**

Net income for the third quarter of 2020 was $109.3 million, a 5.2% increase from $103.9 million for the third quarter of 2019. Diluted earnings per common share for the third quarter of 2020 were $0.84, a 3.7% increase from $0.81 for the third quarter of 2019. For the nine months ended September 30, 2020, net income was $171.4 million, a 47.3% decrease from $325.1 million for the first nine months of 2019. Diluted earnings per common share for the first nine months of 2020 were $1.32, a 47.6% decrease from $2.52 for the first nine months of 2019. Net income and diluted earnings per share for the nine months ended September 30, 2020 reflected the substantial reserve build during the first two quarters of 2020 related to the actual and expected economic impacts of the COVID-19 pandemic.

Our annualized return on average assets was 1.63% for the third quarter of 2020 compared to 1.81% in the third quarter of 2019. Our annualized returns on average common stockholders' equity and average tangible common stockholders' equity[2] for the third quarter of 2020 were 10.48% and 12.52%, respectively, compared to 10.22% and 12.33%, respectively, for the third quarter of 2019. Our annualized returns on average assets, average common stockholders' equity and average tangible common stockholders' equity for the first nine months of 2020 were 0.90%, 5.55% and 6.65%, respectively, compared to 1.92%, 11.07% and 13.44%, respectively, for the first nine months of 2019 with the year-over-year comparisons once again reflecting the impacts of the COVID-19 pandemic.

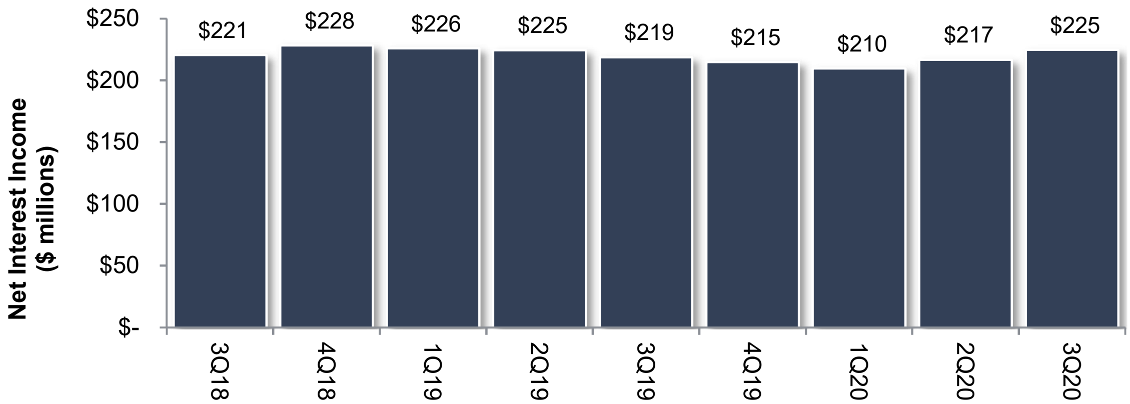
**Net Interest Income**

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

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

As shown in Figure 1 below, for the second consecutive quarter, our net interest income increased compared to the immediately preceding quarter. Net interest income for the third quarter of 2020 was $224.7 million, an increase of 2.7% from $218.8 million in the third quarter of 2019 and it was the first year-over-year increase in six quarters. Net interest income for the first nine months of 2020 was $651.0 million, a decrease of 2.7% from $669.2 million in the first nine months of 2019.

**Figure 1: Quarterly Net Interest Income - Last Nine Quarters**




We are cautiously optimistic regarding the potential to continue to improve our core spread and to stabilize or improve our net interest margin in coming quarters. Specifically, we expect we can continue to adjust some of our deposit rates downward. Figure 2 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 month of September 2020.

**Figure 2: Time Deposit Maturity Schedule**

| *($ millions)* | | Time Deposits | Wtd. Avg. Rate at 9/30/2020 |
|---|---|---|---|
| 4Q20 | $ | 2,237 | 1.58% |
| 1Q21 | | 1,621 | 1.22% |
| 2Q21 | | 2,999 | 1.16% |
| 3Q21 | | 1,774 | 0.92% |
| 4Q21 & Beyond | | 1,163 | 0.93% |
| **Total** | **$** | **9,794** | **1.19%** |
| | | | |
| **New and Renewed Time Deposits in September 2020** | **$** | **387** | **0.74%** |

During the third quarter of 2020, we retained approximately 81% of our consumer time deposits that matured, and we did so at rates approximately 125 bps, on average, below the previously paid average rate. As a result, during the quarter just ended, our weighted average rate for all outstanding time deposits at September 30, 2020 declined by 28 bps from June 30, 2020, even as our balance of time deposits increased by $215 million.

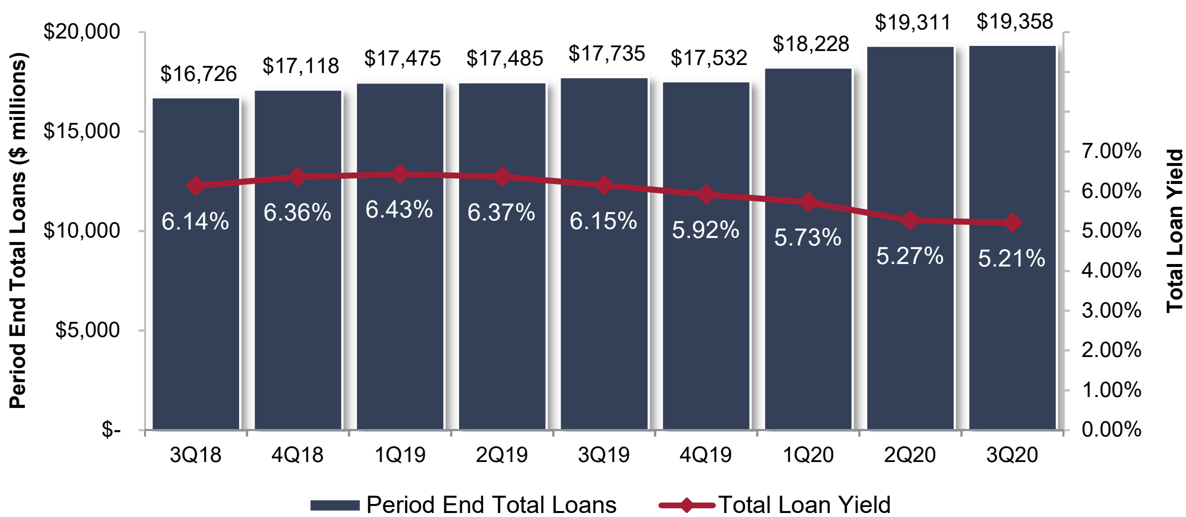
**Average Earning Assets – Volume and Mix**

Our average earning assets for the quarter just ended totaled $24.4 billion, a 19.4% increase from $20.5 billion for the third quarter of 2019. Average earning assets were $23.1 billion for the first nine months of 2020, a 13.4% increase from $20.4 billion for the first nine months of 2019.

*Total Loans*

During the quarter just ended, our outstanding balance of total loans increased a modest $47 million from June 30, 2020, or 0.2% not annualized, as illustrated in Figure 3. For the first nine months of 2020, our outstanding balance of total loans increased $1.83 billion, or 10.4% not annualized.

**Figure 3: Total Loan Balances and Yields – Last Nine Quarters**

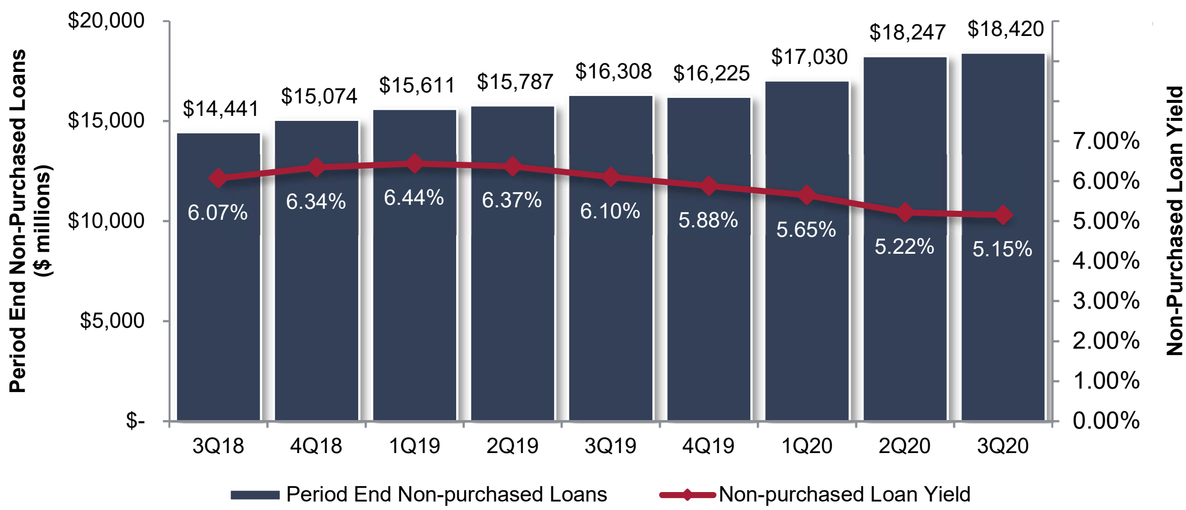



Our loan growth may vary widely quarter-to-quarter. As previously stated, we expect RESG to be the largest contributor to total loan growth in 2020, and we expect our various Community Banking teams to be secondary contributors. Our Indirect RV & Marine portfolio is expected to continue to shrink in 2020, before returning to moderate growth in 2021. In addition, our purchased loan portfolio is expected to continue to pay down.

*Non-purchased Loans*

Non-purchased loans, which are all loans excluding the remaining loans from our 15 acquisitions, accounted for 94.8% of our average total loans and 75.0% of our average earning assets in the quarter just ended. During the quarter, our outstanding balance of non-purchased loans increased $173 million, or 0.9% not annualized, as illustrated in Figure 4. For the first nine months of 2020, our outstanding balance of non-purchased loans increased $2.20 billion, or 13.5% not annualized.

**Figure 4: Non-Purchased Loan Balances and Yields - Last Nine Quarters**




RESG accounted for 62% of the funded balance of non-purchased loans as of September 30, 2020. RESG's funded balance of non-purchased loans increased $0.58 billion in the third quarter and increased $1.94 billion during the first nine months of 2020. Figures 5 and 6, respectively, reflect the changes in the funded balance of RESG loans for the third quarter and first nine months of 2020.

**Figure 5: Activity in RESG Funded Balances – 3Q20 ($ billions)**

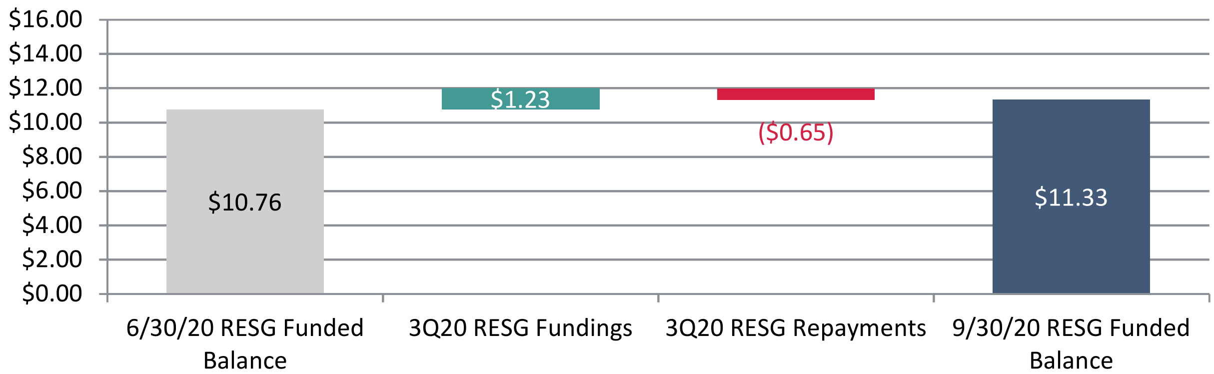



**Figure 6: Activity in RESG Funded Balances – 9M20 ($ billions)**

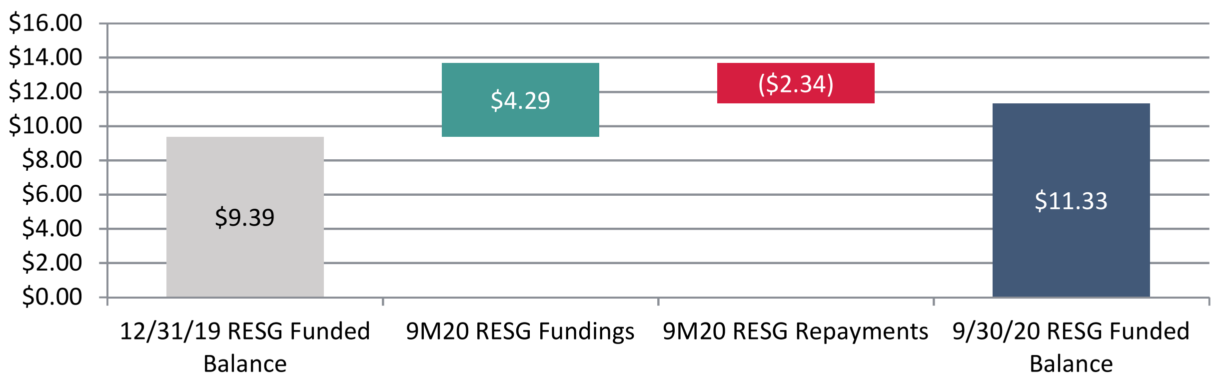



**Figure 7: RESG Quarterly Loan Repayments ($ billions)**

| | 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 | | $2.34 |

**9M20 Not Annualized*

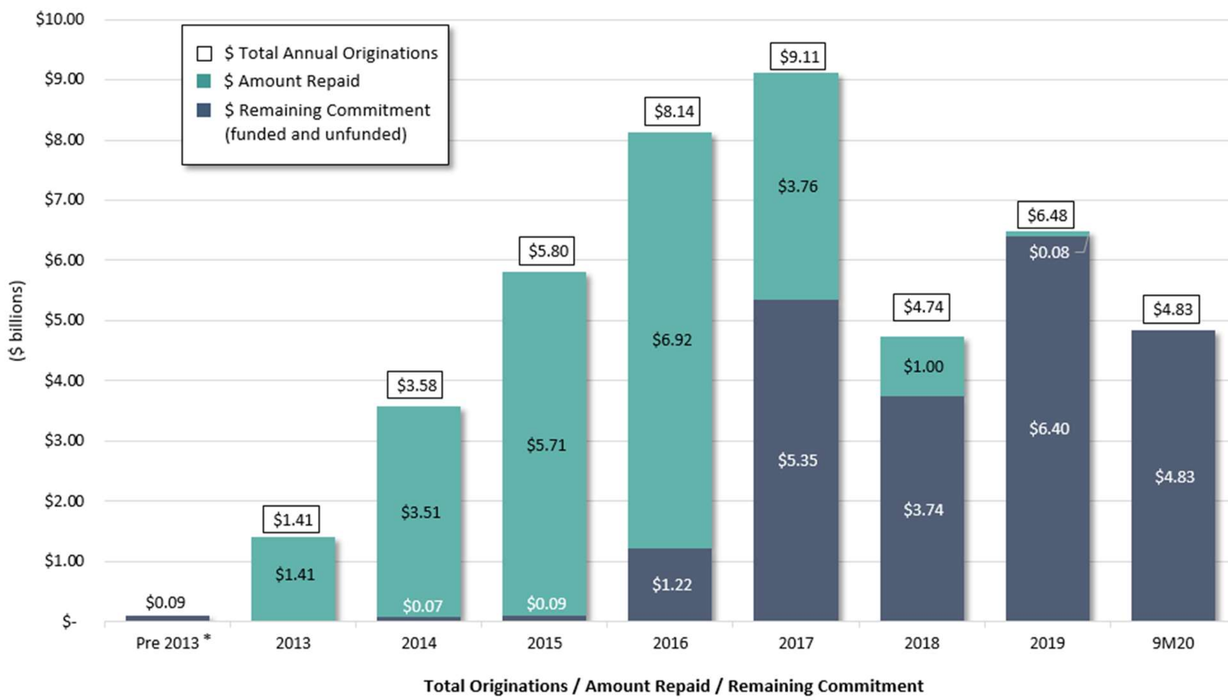
Figure 7 shows RESG's quarterly loan repayments for each of the last 19 quarters. In recent years, our growth in non-purchased loans has been limited by, among other factors, the high level of RESG loan repayments, including a record annual level of repayments in 2019. RESG loan repayments were $0.65 billion in the quarter just ended, which was below the quarterly repayment volume experienced in the previous 13 quarters. RESG loan repayments for the first nine months of 2020 were $2.34 billion. We expect RESG loan repayments to return to more typical levels in the fourth quarter of 2020 and most future quarters, and RESG loan repayments in 2021 will likely be above the level we achieved in 2019. The level of repayments may vary substantially from quarter-to-quarter and may have an outsized impact in one or more quarters.

Construction delays resulting from the COVID-19 pandemic, including delays due to shelter in place orders, were one factor affecting the volume and timing of RESG loan repayments in the first nine months of 2020. At this time, construction and development activity has returned to essentially normal levels on the projects RESG is financing. In most cases, we are relatively indifferent as to whether a project completes on its original schedule or months later, unless there are delivery date requirements in sales or lease contracts which would allow those contracts to be cancelled due to delayed completion. Typically our loans have sufficient cushions in the timelines to allow for moderate, or even longer, construction delays. Likewise, project budgets usually have sufficient contingency reserves to cover the additional interest and other carry costs resulting from moderate delays. On the positive side, project delays allow us to earn additional interest on our loans as the balances will be outstanding somewhat longer.

Recent disruptions in financial markets were another factor affecting the volume and timing of RESG loan repayments in the first nine months of 2020. With the onset of the COVID-19 pandemic, some bridge and permanent lenders (which would typically provide our sponsors much higher leverage and lower rates and pay off our loans soon after completion of construction) pulled back from the market. This has allowed us to maintain many good yielding, high-quality, low-leverage loans in our portfolio for additional months or quarters, letting us earn additional interest income. During the quarter just ended, we continued to witness the return of more bridge and permanent lenders to the market.

Figure 8 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 8: RESG Origination and Repayment Trends by Year of Origination *(Total Commitment)***




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

Figure 9 shows RESG's quarterly loan originations for each of the last 19 quarters. RESG loan originations for the third quarter and first nine months of 2020 were $1.40 billion and $4.83 billion, respectively. Our focus has been, and will continue to be, on maintaining our credit quality and return standards, even if maintaining those standards affects our origination volume and loan growth.

**Figure 9: 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 | | $4.83 |

**9M20 Not Annualized*

Even though some sponsors have elected to pause commencement of new projects until future conditions clarify, we continue to be encouraged by our RESG pipeline of potential originations for the fourth quarter of 2020 and to start 2021. RESG's origination volume may vary significantly from quarter-to-quarter and may be impacted by economic conditions, competition or other factors.

At September 30, 2020, RESG accounted for 89% of our $11.6 billion of unfunded balance of loans already closed. Figures 10 and 11, respectively, reflect the changes in the unfunded balance of our loans already closed, both RESG and others, for the third quarter and first nine months of 2020. The total unfunded balance increased approximately $0.2 billion during the quarter. Future quarterly increases or decreases in this unfunded balance will vary based on a variety of factors.

**Figure 10: Activity in Unfunded Balances – 3Q20 ($ billions)**

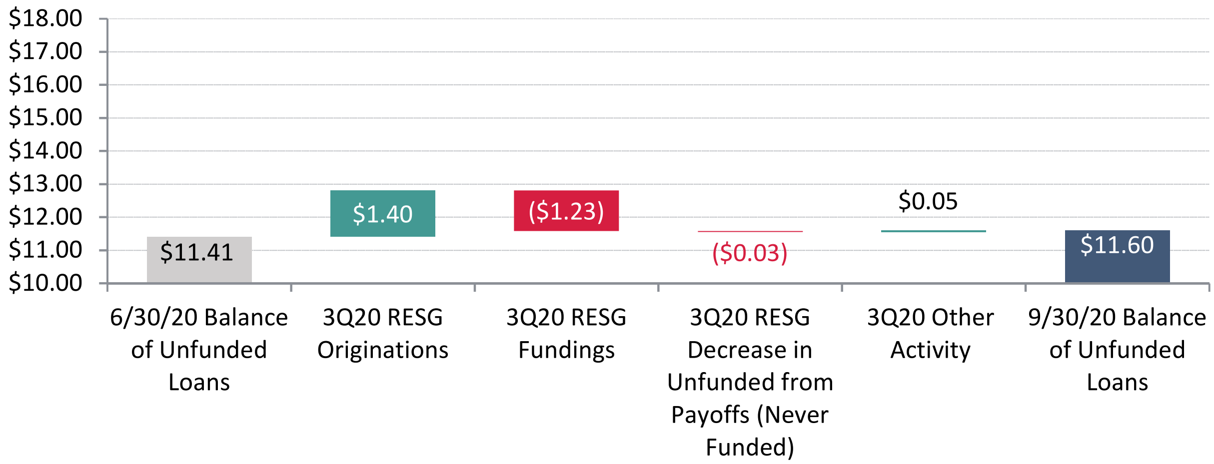
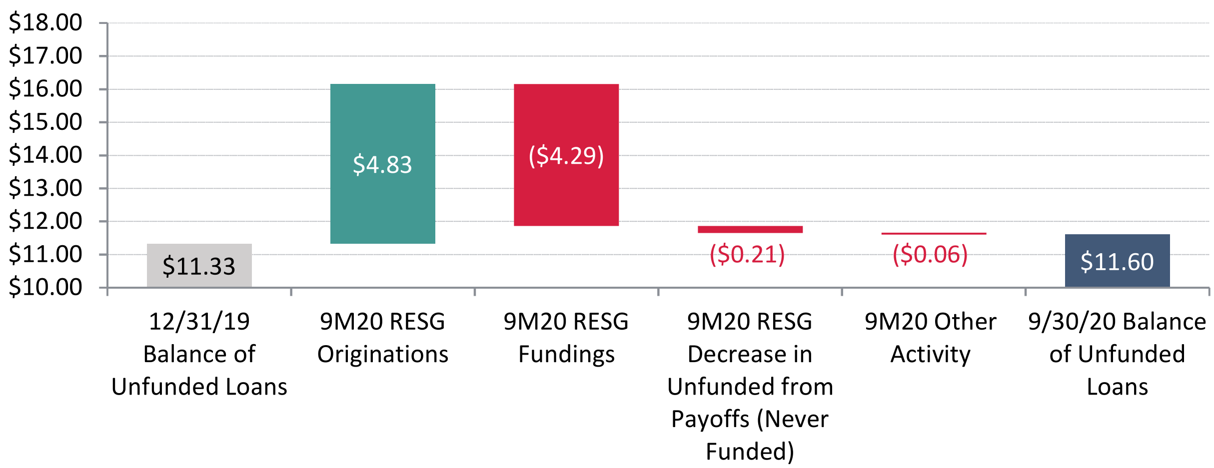


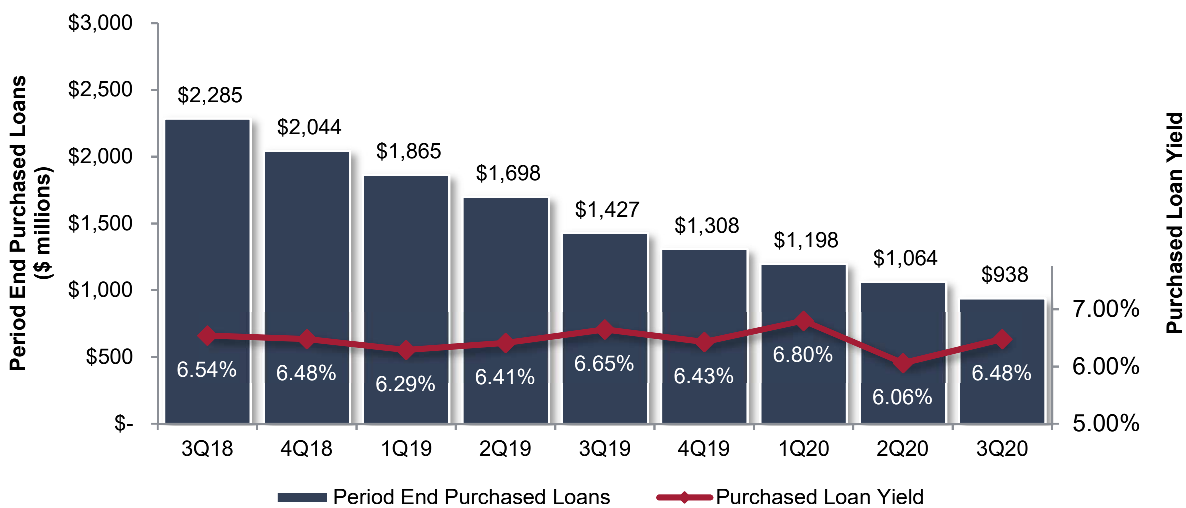

**Figure 11: Activity in Unfunded Balances – 9M20 ($ billions)**



*Purchased Loans*

Purchased loans, which are the remaining loans from our 15 acquisitions, accounted for 5.2% of average total loans and 4.1% of our average earning assets in the quarter just ended. During the quarter, our purchased loan portfolio decreased $0.13 billion, or 11.8% not annualized, to $0.94 billion at September 30, 2020. For the first nine months of 2020, our purchased loan portfolio decreased by $0.37 billion, or 28.2% not annualized. Purchased loan runoff will continue to be a headwind to overall loan growth in the remainder of 2020 and in 2021. Figure 12 shows our recent purchased loan portfolio trends.

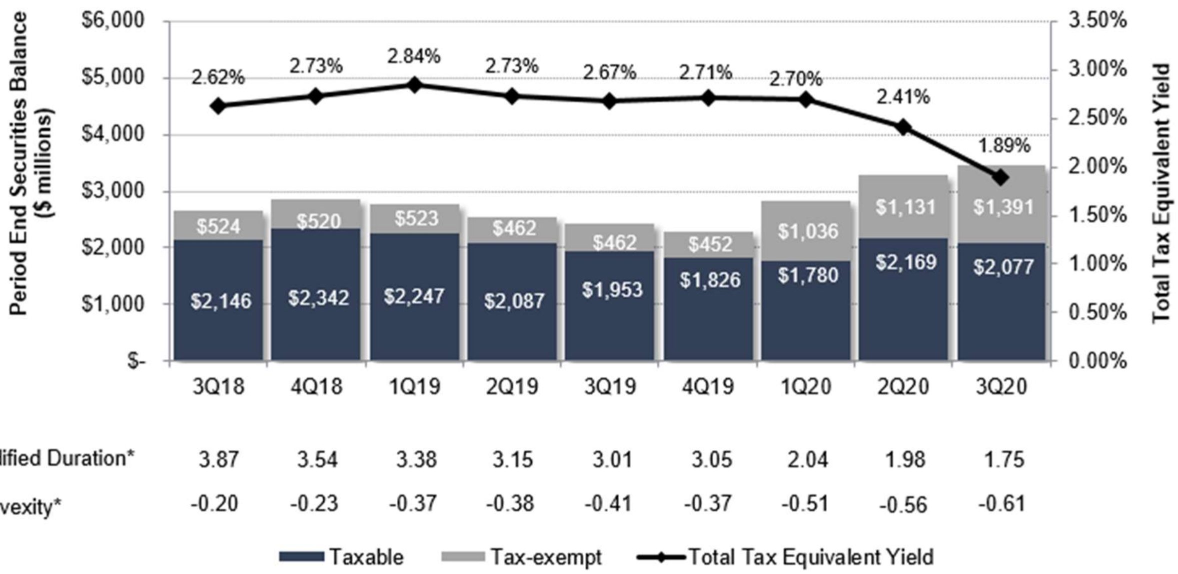
**Figure 12: Purchased Loan Balances and Yields - Last Nine Quarters**



*Investment Securities*

During the third quarter and first nine months of 2020 our investment securities portfolio increased $0.17 billion and $1.19 billion, respectively, as illustrated in Figure 13. During the third quarter, our liquidity position continued to grow, and we continued to purchase high-quality, very short-term securities, which have relatively low yields reflective of their quality and short term nature. As shown in Figure 13 below, this has had a dilutive effect on our investment portfolio yield. 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.

**Figure 13: Investment Portfolio Loan Balances and Yields - Last Nine Quarters**




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

**Net Interest Margin**

Our net interest margin was 3.69% for the quarter just ended, down 57 bps from the third quarter of 2019 and down five bps from the second quarter of 2020. The Fed's substantial and rapid cuts in the Fed funds target rate in the first quarter of 2020 caused our loan yields to drop much more rapidly than we have been able to adjust our deposit rates. We expect it will take us several more quarters to adjust our deposit rates downward to more closely align with the reduction in loan yields. In addition, during the quarter just ended and throughout 2020, we have held increasing amounts of liquidity in the form of cash balances and very short-term securities, and this additional liquidity has had a negative impact on our net interest margin.

*Non-purchased Loan Yield*

Our yield on non-purchased loans was 5.15% for the quarter just ended, a decrease of 95 bps from the third quarter of 2019 and a decrease of seven bps from the second quarter of 2020. Our yield on non-purchased loans was 5.33% for the first nine months of 2020, a decrease of 97 bps from the first nine months of 2019.

As of September 30, 2020, our outstanding balance of loans originated under the Small Business Administration's Paycheck Protection Program ("PPP") was $0.46 billion. Such PPP loans have a contractual interest rate of 1%. We are accreting the fees associated with these loans into income over the life of the loans, resulting in a total effective annualized yield on such loans of approximately 2.8% during the quarter just ended, which was minimally dilutive to our net interest margin. While the timing for the forgiveness or repayment of the PPP loans is uncertain, our current estimate is that the majority of such loans will be forgiven in the first half of 2021.

*Variable Rate Loans*

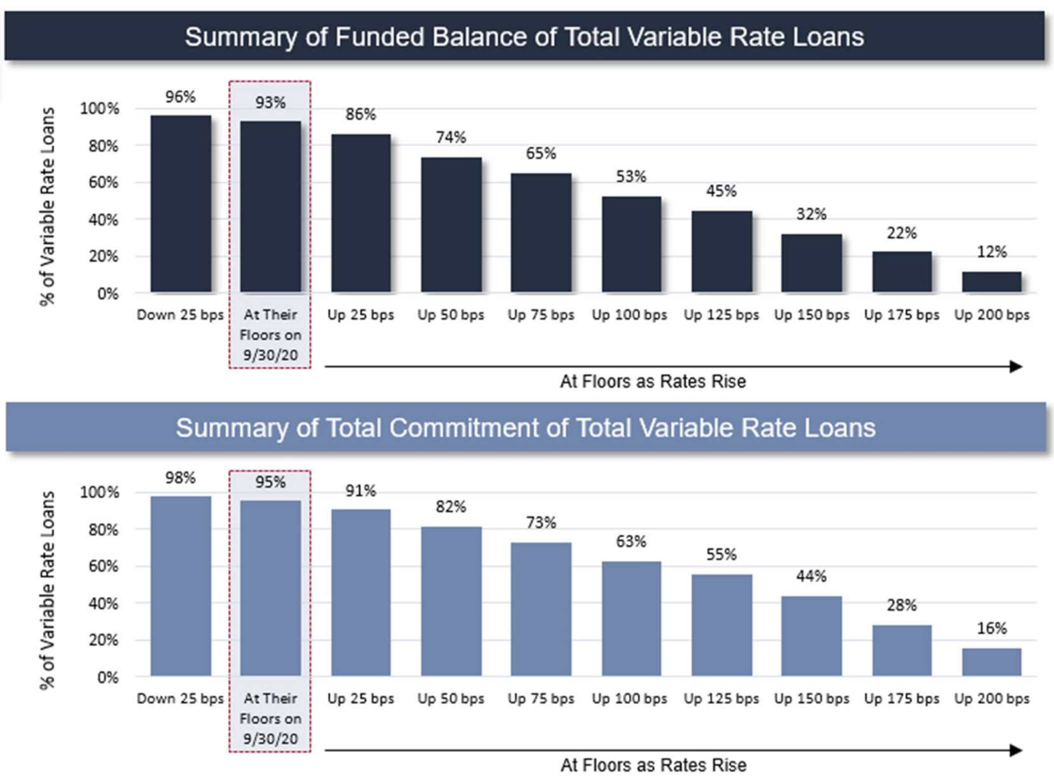
At September 30, 2020, 76% of our funded balance of non-purchased loans and 36% of our funded balance of purchased loans had variable rates. As shown in Figure 14, at September 30, 2020, 80.7% of our total funded balance of variable rate loans were tied to 1-month LIBOR, 1.8% were tied to 3-month LIBOR and 16.0% were tied to WSJ Prime.

**Figure 14: Summary of Funded Balance of Variable Rate Loan Indexes as of September 30, 2020**

| % 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 | 82.2% | 1-Month LIBOR | 17.2% | 1-Month LIBOR | 80.7% |
| 3-Month LIBOR | 1.8% | 3-Month LIBOR | 0.0% | 3-Month LIBOR | 1.8% |
| WSJ PRIME | 15.0% | WSJ PRIME | 54.0% | WSJ PRIME | 16.0% |
| Other | 1.0% | Other | 28.8% | Other | 1.5% |

At September 30, 2020, 98% of our funded variable rate total loans (non-purchased and purchased) had floor rates. As of September 30, 2020, 93% of the funded balance of total loans in our variable rate loan portfolio were at their floors, and 95% 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 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 September 30, 2020**



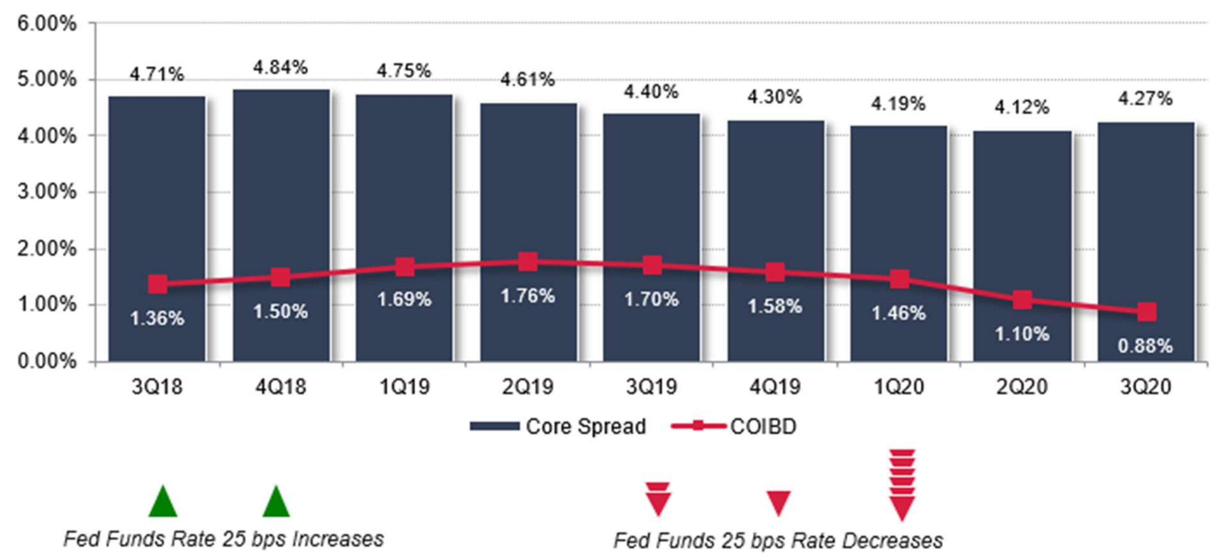
*Investment Portfolio Yield*

As previously shown in Figure 13, in the third quarter of 2020, the yield on our investment portfolio was 1.89%, on a fully taxable equivalent ("FTE") basis, a 78 bps decrease from the third quarter of 2019, and a 52 basis point decrease from the second quarter of 2020. Based on our purchases in the quarter just ended, which resulted in an increase in the outstanding balances of our securities portfolio and a reduction in the average yield, we estimate the tax equivalent yield on our portfolio for the fourth quarter of 2020 will be between approximately 1.70% and 1.80%. Of course, additional purchases, unexpected calls or repayments and a variety of other factors may cause our actual results to differ materially from this expected range.

*Core Spread*

From the third quarter of 2019 through the first quarter of 2020, the Federal Reserve decreased the Fed funds target rate a total of 225 bps, including 150 bps in March 2020 in response to the onset of the pandemic. As a result, our loan yields declined more quickly than we could lower our COIBD so far during 2020, resulting in reductions in both our net interest margin and core spread. During the quarter just ended, we were able to reverse the declining trend in core spread as a result of continued reductions in our COIBD, all as shown in Figure 16. Specifically, during the quarter our core spread increased 15 bps as our COIBD decreased 22 bps more than offsetting the seven basis point decrease in our yield on non-purchased loans. We expect our COIBD will continue to decrease over the next several quarters, which we believe will allow us to continue to improve our core spread.

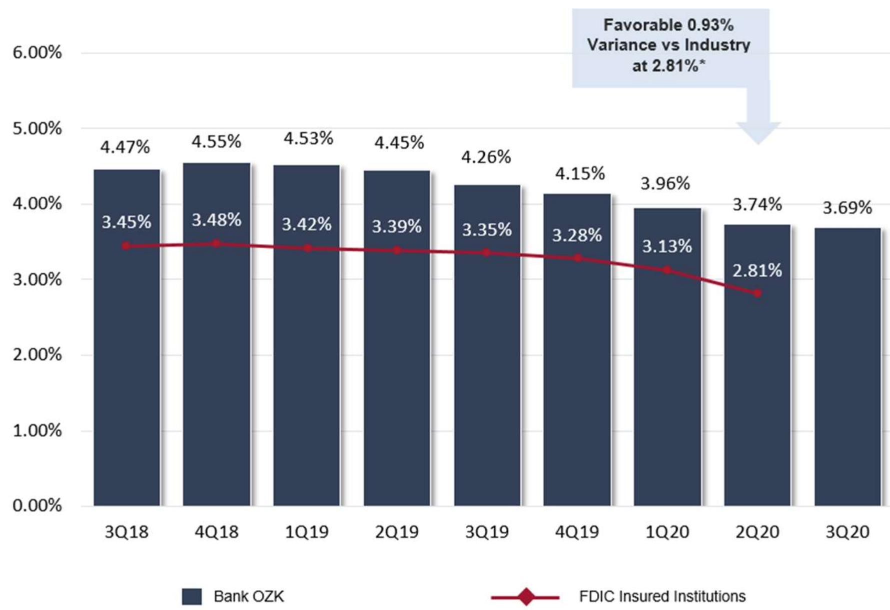
**Figure 16: COIBD and Core Spread – Last Nine Quarters**



*Net Interest Margin*

We continue to outperform the industry on net interest margin, as shown in Figure 17. In fact, in the second quarter of 2020, the latest quarter for which comparative data is available, our net interest margin outperformed the industry by 93 bps, an increase of 10 bps from the immediately preceding quarter. As discussed previously, we are cautiously optimistic regarding the potential to continue to improve our core spread and to stabilize or improve our net interest margin in coming quarters.

**Figure 17: Quarterly Net Interest Margin (%) – Last Nine Quarters**




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

## Non-interest Income

Non-interest income for the third quarter of 2020 was $26.7 million, a 0.9% increase from $26.4 million for the third quarter of 2019. For the first nine months of 2020, non-interest income was $76.0 million, a 1.5% decrease from $77.1 million for the first nine months of 2019. The COVID-19 pandemic has significantly changed customer activity which reduced certain categories of non-interest income over the last two quarters, including income from service charges on deposit accounts. Figures 18 and 19, respectively, summarize non-interest income for the most recent nine quarters and year-over-year trends for the third quarter and first nine months of 2020.

**Figure 18: Quarterly Trends in Non-interest Income *($ thousands)***

| | For the Three Months Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 9/30/2018 | 12/31/2018 | 3/31/2019 | 6/30/2019 | 9/30/2019 | 12/31/2019 | 3/31/2020 | 6/30/2020 | 9/30/2020 |
| Service charges on deposit accounts | $ 9,730 | $ 10,585 | $ 9,722 | $ 10,291 | $ 10,827 | $ 10,933 | $ 10,009 | $ 8,281 | $ 9,427 |
| Trust income | 1,730 | 1,821 | 1,730 | 1,839 | 1,975 | 2,010 | 1,939 | 1,759 | 1,936 |
| BOLI income | | | | | | | | | |
| Increase in cash surrender value | 5,321 | 5,269 | 5,162 | 5,178 | 5,208 | 5,167 | 5,067 | 5,057 | 5,081 |
| Death benefit | - | 482 | - | - | 206 | 2,989 | 608 | - | - |
| Other income from purchased loans | 1,418 | 2,370 | 795 | 1,455 | 674 | 759 | - | - | - |
| Loan service, maintenance and other fees | 4,724 | 5,245 | 4,874 | 4,565 | 4,197 | 4,282 | 3,716 | 3,394 | 3,351 |
| Net gains on investment securities | - | - | - | 713 | - | - | 2,223 | - | 2,244 |
| Gains (losses) on sales of other assets | (518) | 465 | 284 | 402 | 189 | 1,358 | 161 | 621 | 891 |
| Other | 1,716 | 1,323 | 1,505 | 2,160 | 3,170 | 2,908 | 3,957 | 2,479 | 3,746 |
| Total non-interest income | $ 24,121 | $ 27,560 | $ 24,072 | $ 26,603 | $ 26,446 | $ 30,406 | $ 27,680 | $ 21,591 | $ 26,676 |

**Figure 19: Year-to-Date Trends in Non-interest Income - 2019 vs. 2020 *($ thousands)***

| | For the Nine Months Ended | | | For the Three Months Ended | | |
|---|---|---|---|---|---|---|
| | 9/30/2019 | 9/30/2020 | % Change | 9/30/2019 | 9/30/2020 | % Change |
| Service charges on deposit accounts | $ 30,841 | $ 27,717 | -10.1% | $ 10,827 | $ 9,427 | -12.9% |
| Trust income | 5,544 | 5,635 | 1.6% | 1,975 | 1,936 | -2.0% |
| BOLI income | | | | | | |
| Increase in cash surrender value | 15,547 | 15,205 | -2.2% | 5,208 | 5,081 | -2.4% |
| Death benefit | 206 | 608 | NM | 206 | - | NM |
| Other income from purchased loans | 2,925 | - | NM | 674 | - | NM |
| Loan service, maintenance and other fees | 13,636 | 10,461 | -23.3% | 4,197 | 3,351 | -20.2% |
| Net gains on investment securities | 713 | 4,467 | NM | - | 2,244 | NM |
| Gains (losses) on sales of other assets | 875 | 1,674 | 91.3% | 189 | 891 | NM |
| Other | 6,834 | 10,180 | 49.0% | 3,170 | 3,746 | 18.2% |
| Total non-interest income | $ 77,121 | $ 75,947 | -1.5% | $ 26,446 | $ 26,676 | 0.9% |

## Non-interest Expense

Non-interest expense for the third quarter of 2020 was $105.6 million, a 4.7% increase from $100.9 million in the third quarter of 2019. For the first nine months of 2020, non-interest expense was $310.0 million, a 4.5% increase from $296.7 million for the first nine months of 2019.

Among the many impacts of the COVID-19 pandemic, we have experienced increases in some expenses and decreases in others. While some of these shifts are temporary, it seems clear to us that many permanent changes in our business will result from the COVID-19 pandemic. As a result, 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 to adjust to the current and expected future environment, and adjustments will continue to be made. As a result, in recent months, we have eliminated dozens of positions that were no longer needed or productive, and we have added many new positions so we can address the changing needs and expectations of our customers in this rapidly evolving environment.

Figures 20 and 21, respectively, summarize non-interest expense for the most recent nine quarters and year-over-year trends for the third quarter and first nine months of 2020.

### Figure 20: Quarterly Trends in Non-interest Expense *($ thousands)*

| | For the Three Months Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 9/30/2018 | 12/31/2018 | 3/31/2019 | 6/30/2019 | 9/30/2019 | 12/31/2019 | 3/31/2020 | 6/30/2020 | 9/30/2020 |
| Salaries & employee benefits | $ 41,477 | $ 41,837 | $ 44,868 | $ 47,558 | $ 48,376 | $ 52,050 | $ 51,473 | $ 48,410 | $ 53,119 |
| Net occupancy and equipment | 14,358 | 14,027 | 14,750 | 14,587 | 14,825 | 14,855 | 15,330 | 15,756 | 16,676 |
| Professional and outside services | 9,725 | 8,325 | 8,564 | 8,105 | 9,204 | 7,156 | 7,043 | 7,939 | 8,647 |
| Advertising and public relations | 6,977 | 1,472 | 1,683 | 1,671 | 2,067 | 1,822 | 1,703 | 1,704 | 1,557 |
| Telecommunication services | 3,373 | 3,023 | 3,344 | 2,810 | 2,094 | 2,335 | 2,177 | 2,334 | 2,352 |
| Software and data processing | 3,336 | 3,943 | 4,709 | 4,757 | 5,095 | 4,974 | 4,974 | 5,145 | 5,431 |
| Travel and meals | 2,517 | 2,482 | 2,669 | 2,939 | 2,777 | 2,845 | 2,102 | 710 | 689 |
| FDIC insurance and state assessments | 3,948 | 3,672 | 3,652 | 3,488 | 2,505 | 3,780 | 3,420 | 4,585 | 3,595 |
| Amortization of intangibles | 3,145 | 3,144 | 3,145 | 3,012 | 2,907 | 2,854 | 2,795 | 2,582 | 1,914 |
| Postage and supplies | 2,517 | 2,214 | 2,103 | 2,058 | 2,040 | 2,483 | 2,053 | 1,892 | 1,808 |
| ATM expense | 1,202 | 544 | 987 | 1,099 | 1,277 | 1,263 | 1,160 | 1,002 | 1,604 |
| Loan collection and repossession expense | 932 | 1,077 | 984 | 918 | 317 | 600 | 694 | 857 | 1,030 |
| Writedowns of foreclosed assets | 544 | 1,841 | 562 | 594 | 354 | 910 | 879 | 720 | 488 |
| Writedown of signage due to strategic rebranding | 4,915 | - | - | - | - | - | - | - | - |
| Other expenses | 3,976 | 7,292 | 4,658 | 5,535 | 7,076 | 6,479 | 7,622 | 7,317 | 6,731 |
| Total non-interest expense | $ 102,942 | $ 94,893 | $ 96,678 | $ 99,131 | $ 100,914 | $ 104,406 | $ 103,425 | $ 100,953 | $ 105,641 |
| Total expenses related to strategic rebranding * | 10,772 | 271 | - | - | - | - | - | - | - |
| Total non-interest expenses excluding expenses related to strategic rebranding | $ 92,170 | $ 94,622 | $ 96,678 | $ 99,131 | $ 100,914 | $ 104,406 | $ 103,425 | $ 100,953 | $ 105,641 |

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

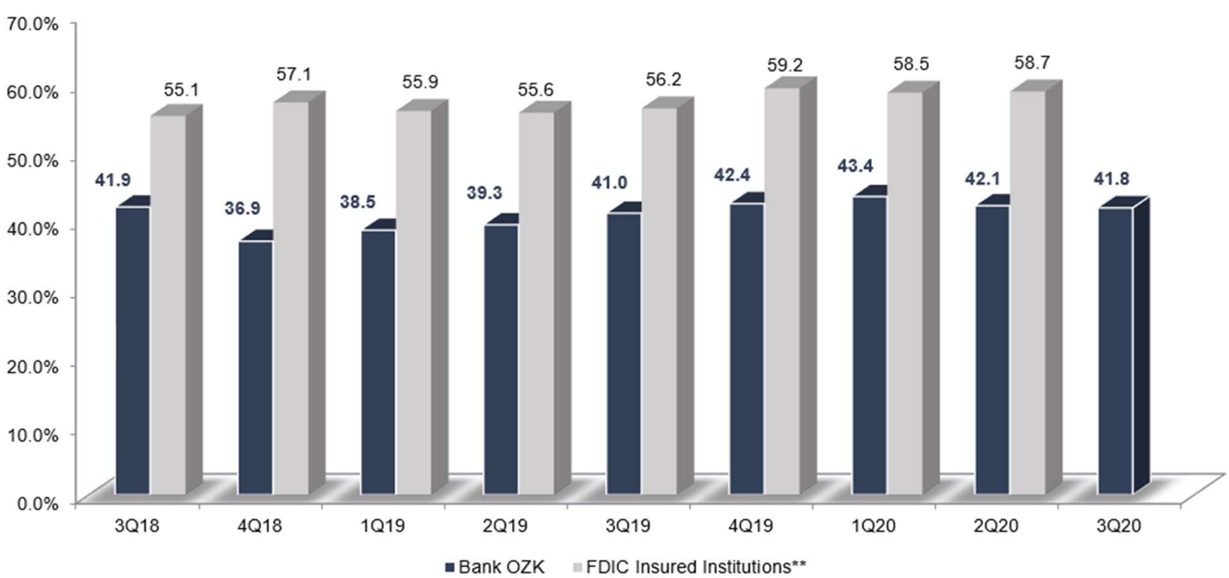
**Figure 21: Year-to-Date Trends in Non-interest Expense - 2019 vs. 2020 *($ thousands)***

| | For the Nine Months Ended | | | For the Three Months Ended | | |
|---|---|---|---|---|---|---|
| | 9/30/2019 | 9/30/2020 | % Change | 9/30/2019 | 9/30/2020 | % Change |
| Salaries & employee benefits | $ 140,801 | $ 153,002 | 8.7% | $ 48,376 | $ 53,119 | 9.8% |
| Net occupancy and equipment | 44,163 | 47,762 | 8.1% | 14,825 | 16,676 | 12.5% |
| Professional and outside services | 25,874 | 23,629 | -8.7% | 9,204 | 8,647 | -6.1% |
| Advertising and public relations | 5,421 | 4,964 | -8.4% | 2,067 | 1,557 | -24.7% |
| Telecommunication services | 8,248 | 6,863 | -16.8% | 2,094 | 2,352 | 12.3% |
| Software and data processing | 14,561 | 15,550 | 6.8% | 5,095 | 5,431 | 6.6% |
| Travel and meals | 8,385 | 3,501 | -58.2% | 2,777 | 689 | -75.2% |
| FDIC insurance and state assessments | 9,645 | 11,600 | 20.3% | 2,505 | 3,595 | 43.5% |
| Amortization of intangibles | 9,064 | 7,291 | -19.6% | 2,907 | 1,914 | -34.2% |
| Postage and supplies | 6,201 | 5,753 | -7.2% | 2,040 | 1,808 | -11.4% |
| ATM expense | 3,363 | 3,766 | 12.0% | 1,277 | 1,604 | 25.6% |
| Loan collection and repossession expense | 2,218 | 2,581 | 16.4% | 317 | 1,030 | NM |
| Writedowns of foreclosed assets | 1,509 | 2,087 | 38.3% | 354 | 488 | 37.9% |
| Writedown of signage due to strategic rebranding | - | - | --- | - | - | --- |
| Other expenses | 17,271 | 21,670 | 25.5% | 7,076 | 6,731 | -4.9% |
| Total non-interest expense | $ 296,724 | $ 310,019 | 4.5% | $ 100,914 | $ 105,641 | 4.7% |
| Total expenses related to strategic rebranding | - | - | --- | - | - | --- |
| Total non-interest expenses excluding expenses related to strategic rebranding | $ 296,724 | $ 310,019 | 4.5% | $ 100,914 | $ 105,641 | 4.7% |

## Efficiency Ratio

As shown in Figure 22, in the quarter just ended, our efficiency ratio was 41.8%, and for the first nine months of 2020, it was 42.4%. Our efficiency ratio remains among the best in the industry, having now been among the top decile of the industry for 18 consecutive years.*

**Figure 22: Quarterly Efficiency Ratio (%) – Last Nine Quarters**




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

**Provision and Allowance for Credit Losses ("ACL")**

Our total provision expense for the quarter just ended was $7.2 million, including $7.1 million related to our allowance for loan losses ("ALL") for outstanding loans and $0.1 million related to our reserve for potential losses on unfunded loan commitments. As of September 30, 2020, our ALL for outstanding loans was $308.8 million, or 1.60% of total outstanding loans, and our reserve for potential losses on unfunded loan commitments was $68.4 million, or 0.59% of unfunded loan commitments, bringing our total ACL, which includes the ALL and the reserve for potential losses on our unfunded loans commitments, to $377.3 million. These reserve ratios changed only slightly from our ratios at June 30, 2020.

The calculations of our provision expense for the third quarter of 2020 and our total ACL at September 30, 2020 were based on a number of key estimates, assumptions and economic forecasts. We utilized the most recent economic forecasts provided by Moody's, including their latest updates released on October 12th and 14th, 2020. In our selection of macroeconomic scenarios, we assigned our largest weightings to the Moody's S3 (Moderate Recession) and Moody's S4 (Protracted Slump) scenarios and a lesser weighting to the Moody's baseline scenario. Our selection and weightings of these scenarios reflected the uncertainty about future U.S. economic conditions, including uncertainty about the course and duration of the COVID-19 pandemic, the timing and magnitude of any additional U.S. fiscal policy stimulus, the results and ultimate consequences of the upcoming U.S. elections, global trade and geopolitical matters, and various other factors. We also included certain adjustments to increase our ACL to capture items that we thought were not fully reflected in the various economic forecasts we utilized and our modeled results.

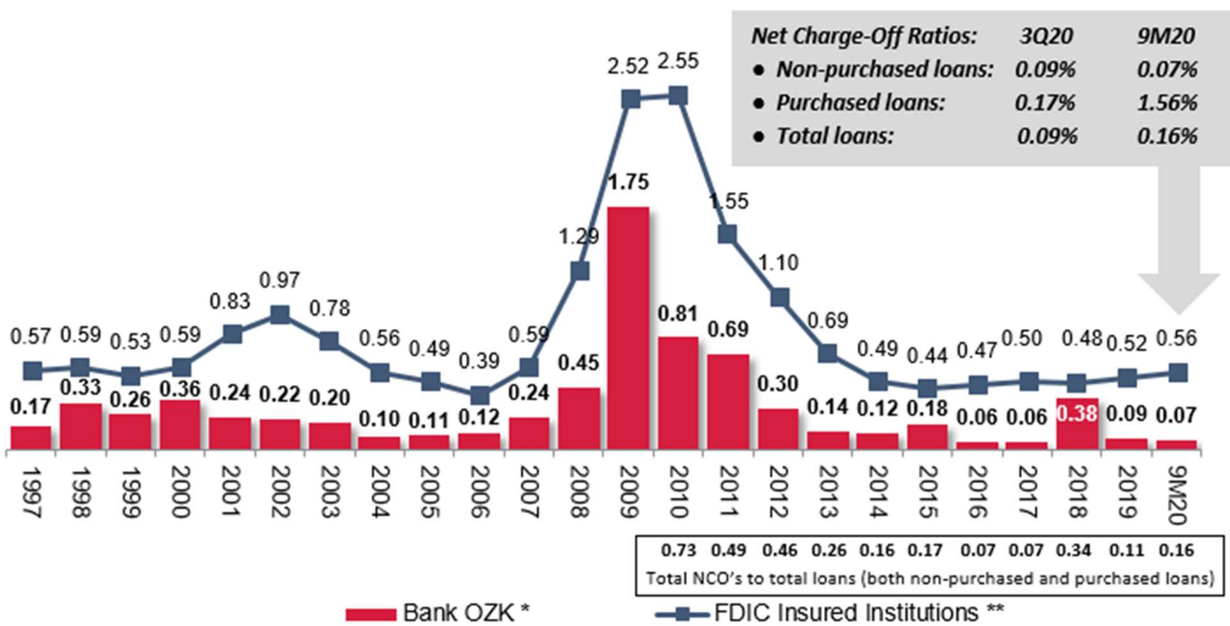
Our portfolio has performed very well in recent quarters, as our net charge-off ratio for total loans has remained excellent and continued to be in the middle of the range experienced over the last seven years. We have built our portfolio in a very conservative manner with the goal that it would perform well in adverse economic conditions, and that consistent discipline has been evident in our 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 for each of the last two quarters have significantly outperformed our modeled estimates as of March 31 and June 30, 2020.

We believe we were appropriate in our ACL build over the first two quarters of 2020, and we feel comfortable with our current ACL. Of course, if economic conditions deteriorate relative to our underlying assumptions as of September 30, 2020, then our provision expense in future quarters may again be elevated as it was earlier this year. If future economic conditions align with our projections, then our provision expense in future quarters should primarily reflect provision expense needed to cover loan growth. If economic conditions improve relative to our projections, then our provision expense in some future quarters could be zero or negative.

**Asset Quality**

Our asset quality has continued to hold up well. In the quarter just ended, our annualized net charge-off ratio for non-purchased loans was 0.09%, for purchased loans was 0.17%, and for total loans was 0.09%, continuing our long-standing trend of having net charge-off ratios well below industry averages, as shown in Figure 23. For the first nine months of 2020, our annualized net charge-off ratio for non-purchased loans was 0.07%, for purchased loans was 1.56%, and for total loans was 0.16%. 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 23: 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 second quarter 2020.
Annualized when appropriate.

As shown in Figure 24, 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 12 bps.

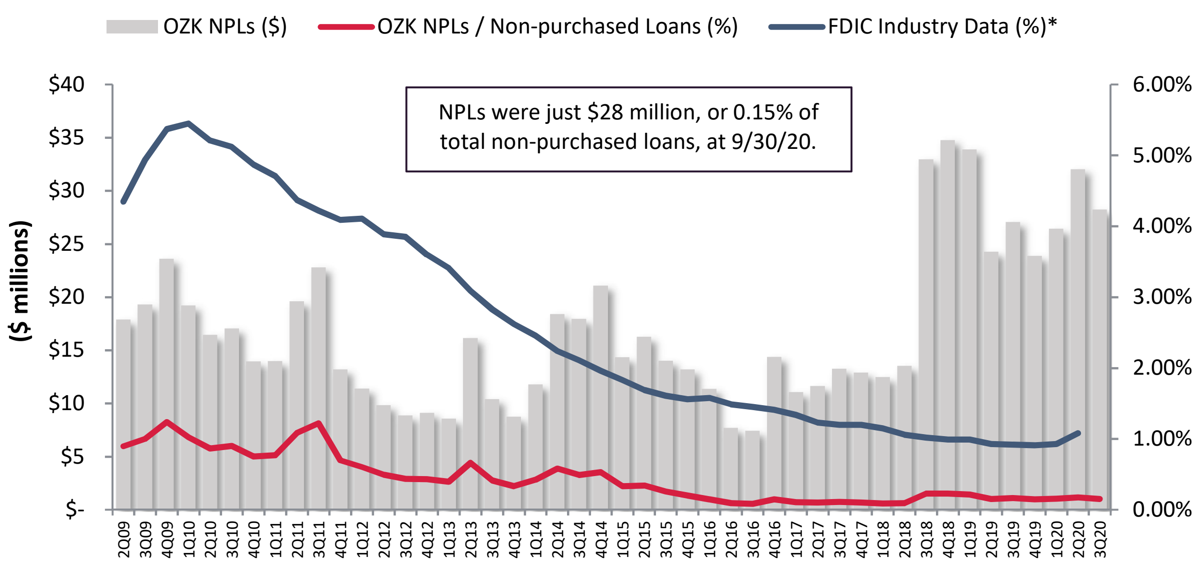
As shown in Figures 25, 26 and 27, the dollar volumes of our nonperforming non-purchased loans, nonperforming assets and past due non-purchased loans have been relatively stable, even as our total non-purchased loans and total assets have grown many times over. Our ratios for nonperforming non-purchased loans, nonperforming assets and past due non-purchased loans have generally improved and have consistently outperformed the industry's ratios. We expect our asset quality to continue our long-standing tradition of outperforming industry averages.

**Figure 24 - 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% |
| 9/30/2020 | 11,332,837 | 10,386,088 | - | 0.00% |
| **Total** | | | **$ 56,768** | |
| | | **Weighted Average** | | **0.12%** |

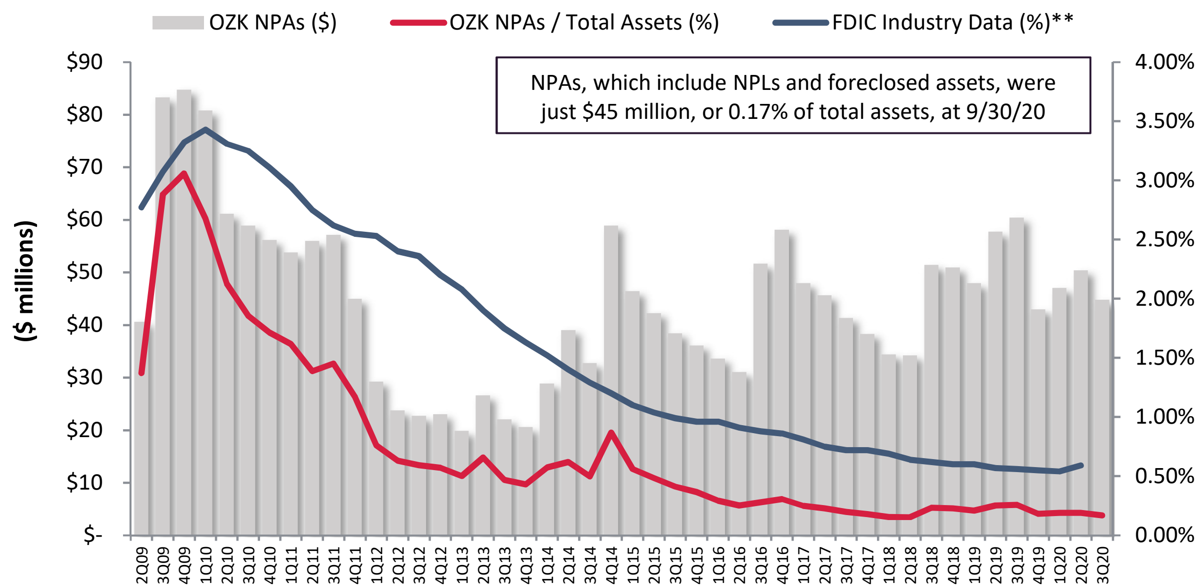
** Net charge-offs shown in this column reflect both net charge-offs and OREO write-downs.*
*** Annualized.*

**Figure 25: Nonperforming Non-purchased Loans ("NPLs")**



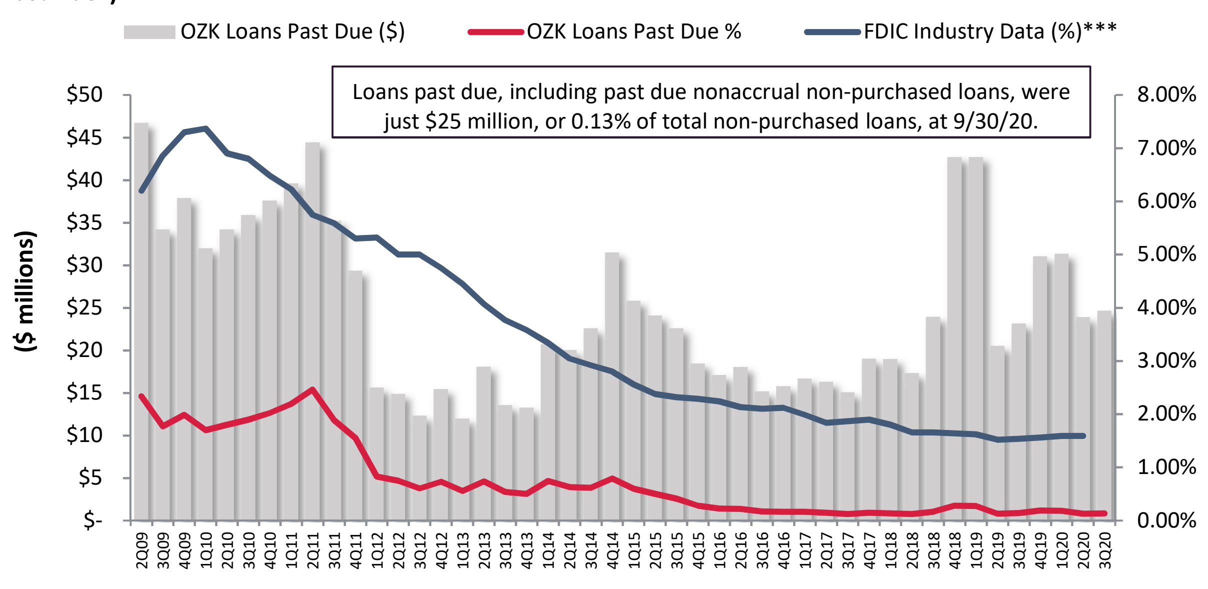

** Note: Data for all FDIC insured institutions from the FDIC Quarterly Banking Profile, last updated second quarter 2020. Percent of Loans Noncurrent is the percentage of loans that are past due 90 days or more or that are in nonaccrual status.*

**Figure 26: Nonperforming Assets ("NPAs")**




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

**Figure 27: 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 second quarter 2020. Percent of Loans Noncurrent + Percent of Loans 30-89 Days Past Due.*

As shown in Figure 28, 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 September 30, 2020 remains at a very low level.

**Figure 28: Substandard Non-purchased Loan Trends ($ millions)**

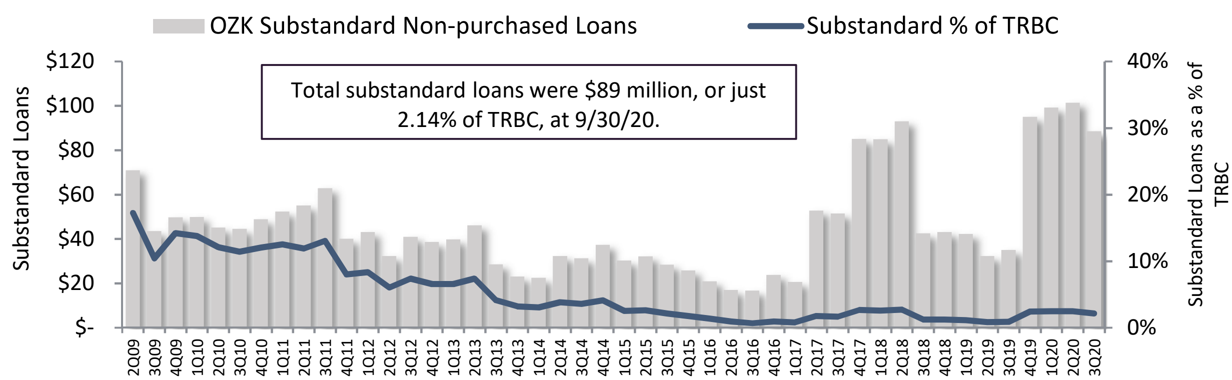
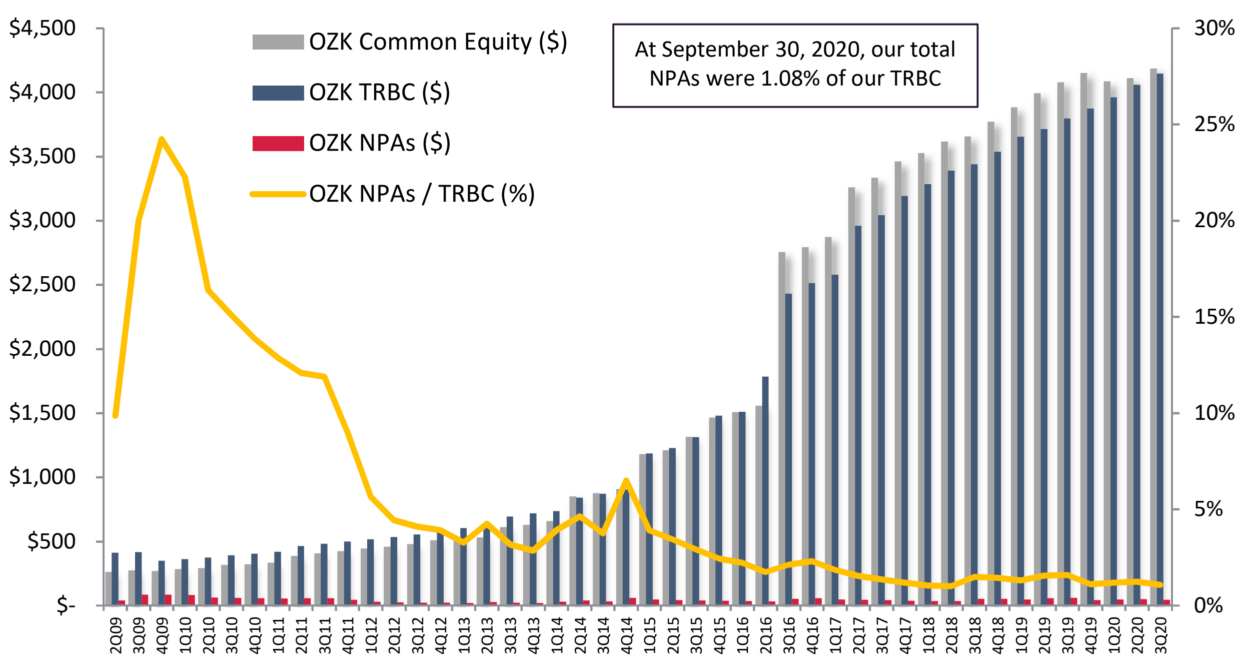



Figure 29 shows the tremendous growth in our common equity and TRBC over the last 11 years, while our volume of total nonperforming assets has generally declined to relatively nominal levels.

**Figure 29: Capital vs. NPAs – ($ millions)**



**Loan Portfolio Diversification & Leverage**

Figures 30 and 31 reflect the mix in our loan growth in the third quarter and first nine months of 2020, respectively.

**Figure 30: Non-purchased Loan Growth – 3Q20 ($ millions)**

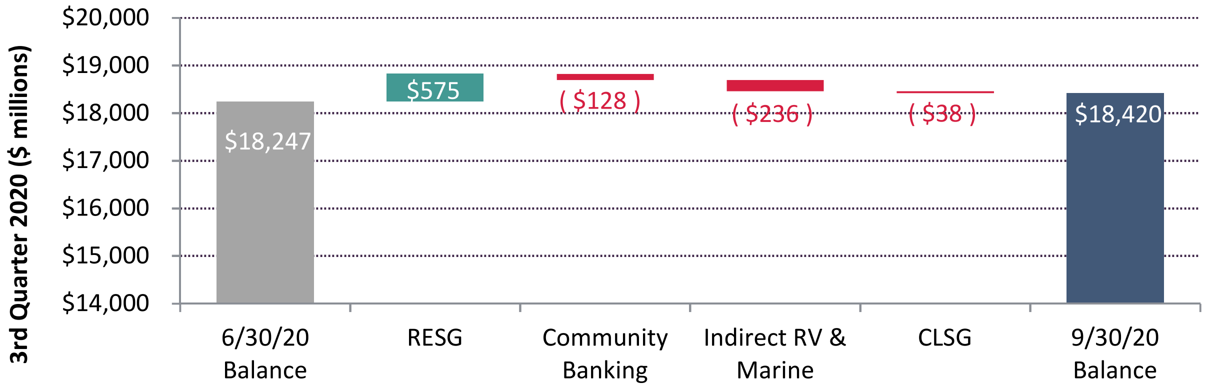
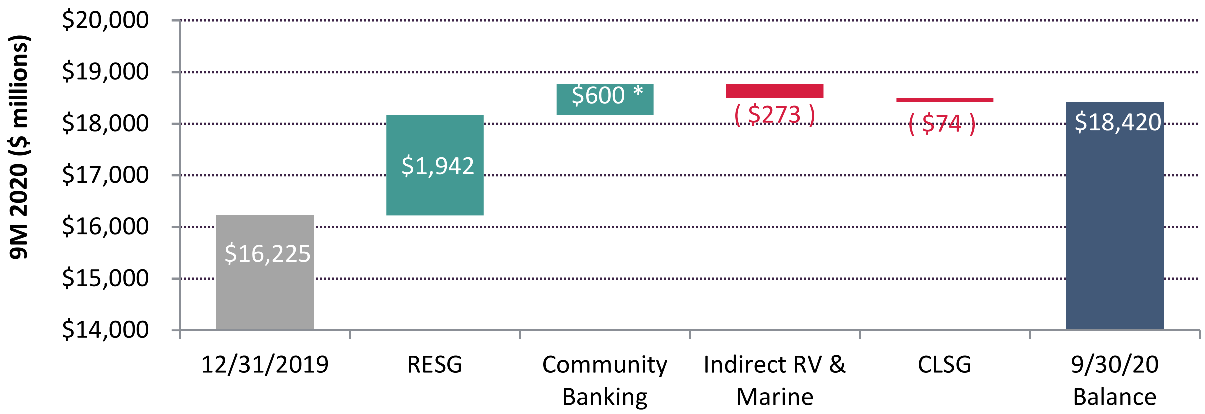


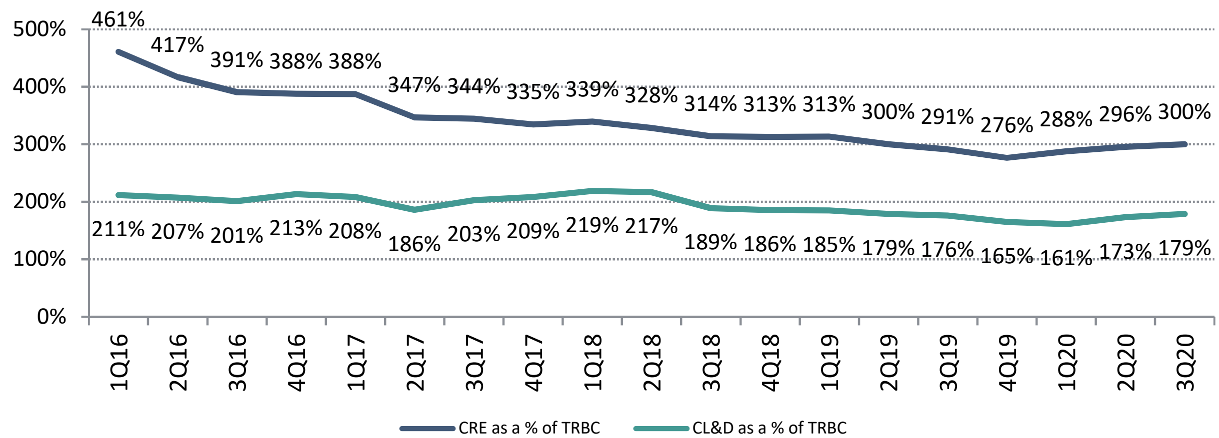

**Figure 31: Non-purchased Loan Growth – 9M20 ($ millions)**




**Includes $462 million in loans originated through the Small Business Administration's PPP during the second and third quarters of 2020.*

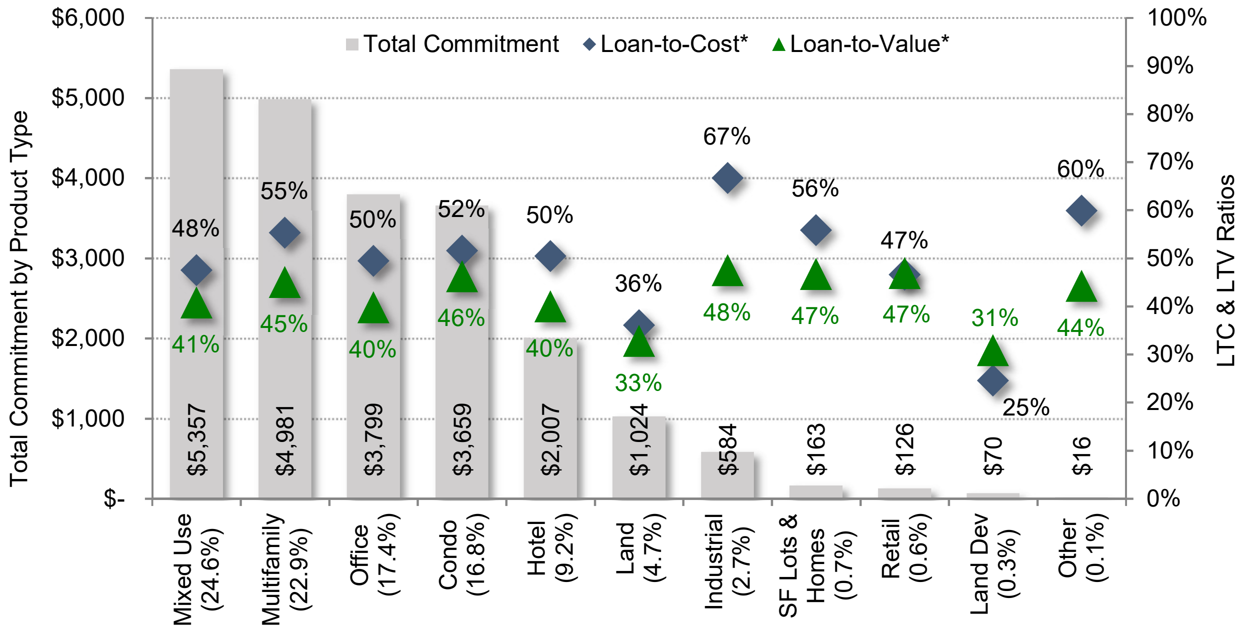
Total commercial real estate ("CRE") and construction, land development and other land ("CL&D") lending are areas in which we have substantial expertise and enjoy competitive advantages. The generally declining trend in our CRE and CL&D concentrations for most of 2016-2019, as shown in Figure 32, is 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 to return to more normal levels in the coming quarters, which, along with growth in our TRBC, may lower our CRE and CL&D concentration ratios over the longer term as it did for most of 2016-2019.

**Figure 32: Declining Regulatory CRE and CL&D Concentration Ratios**



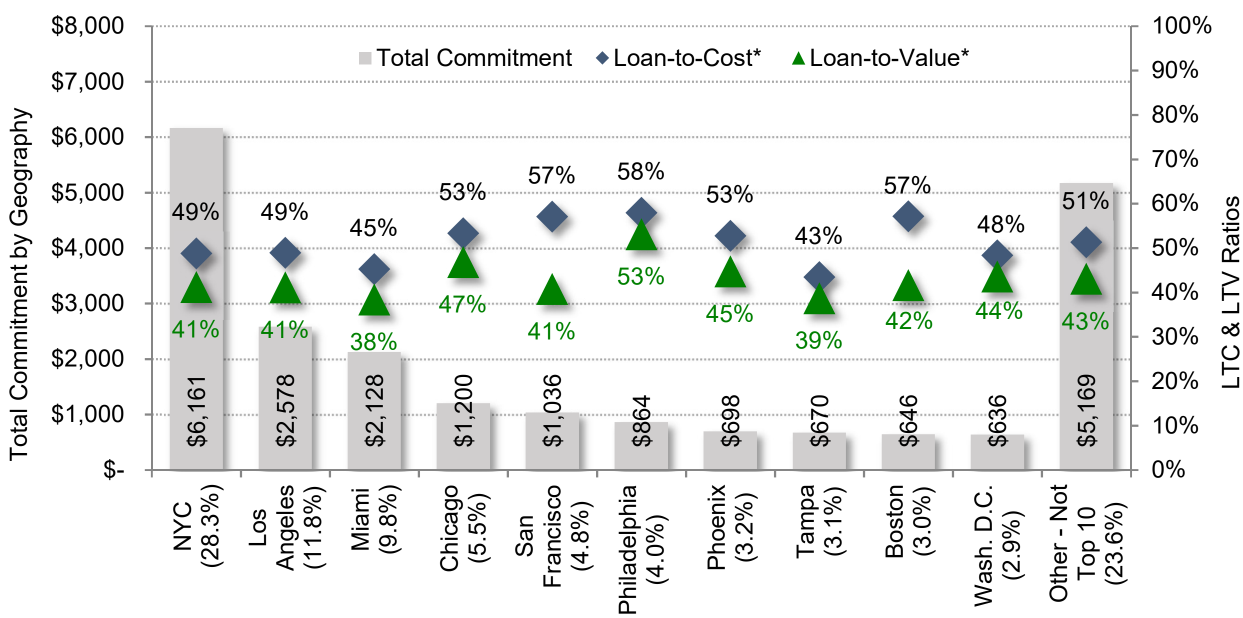
Within the RESG portfolio, we benefit from substantial diversification by both product type and geography, as well as low loan-to-cost ("LTC") and loan-to-value ("LTV") ratios, all as shown in Figures 33 and 34.

**Figure 33: RESG Portfolio Diversity by Product Type (As of September 30, 2020) ($ millions)**
*(LTC and LTV ratios assume all loans are fully funded)*




** Weighted average*

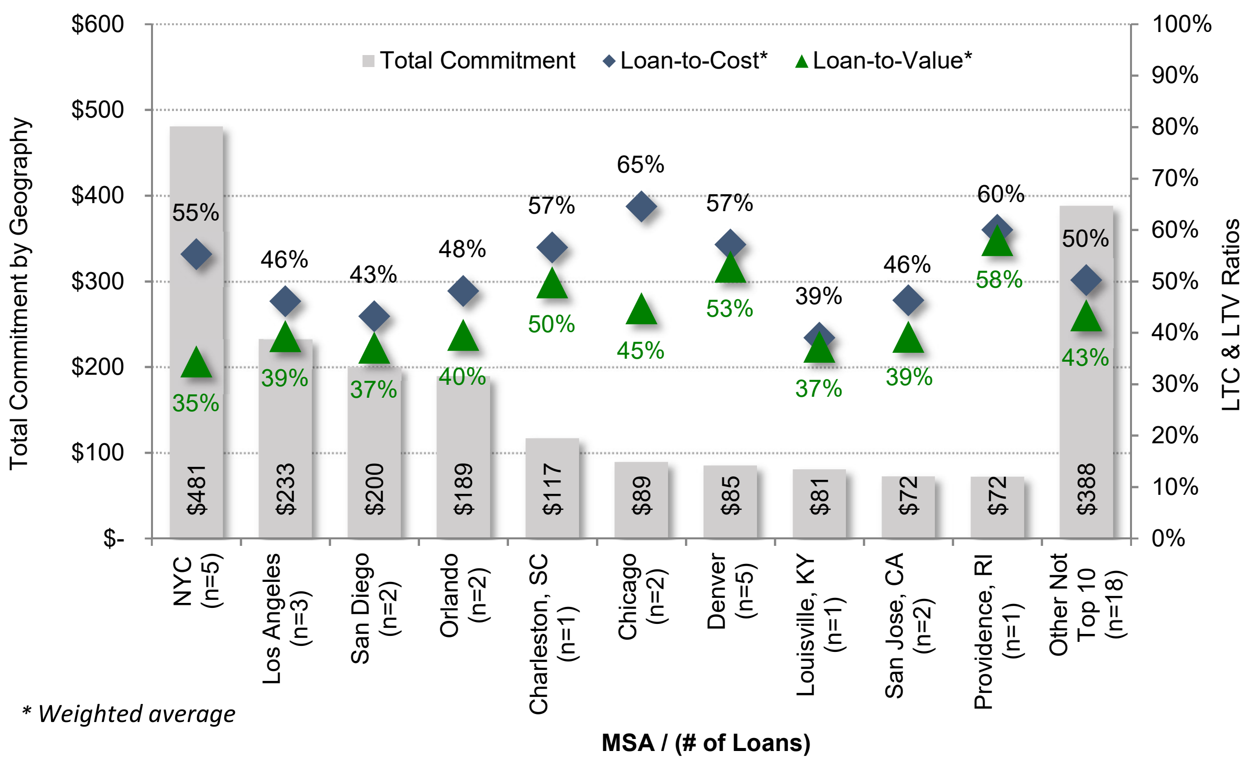
**Figure 34: RESG Portfolio Diversity by Geography (As of September 30, 2020) ($ millions)**
*(LTC and LTV ratios assume all loans are fully funded)*




** 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 33 above, hotels were the fifth largest component of RESG's portfolio at September 30, 2020, comprising about 9.2% of RESG's total commitments. In addition, at September 30, 2020, 16 of RESG's 34 loans on mixed use projects include 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 50.5% and 40.0%, respectively, as of September 30, 2020. We expect most sponsors will continue to support these assets, if needed, until the COVID-19 pandemic passes and normal property performance returns. Figures 35 and 36, respectively, show the geographic distribution of RESG's hotel portfolio (excluding hotels in mixed use projects) and other information as of September 30, 2020. During the quarter just ended, 5 of the 42 hotels in the portfolio received new appraisals, with the weighted average LTV ratio increasing by 0.7% for these properties.

**Figure 35: RESG Hotel Portfolio Diversity by Geography (As of September 30, 2020) ($ millions)**

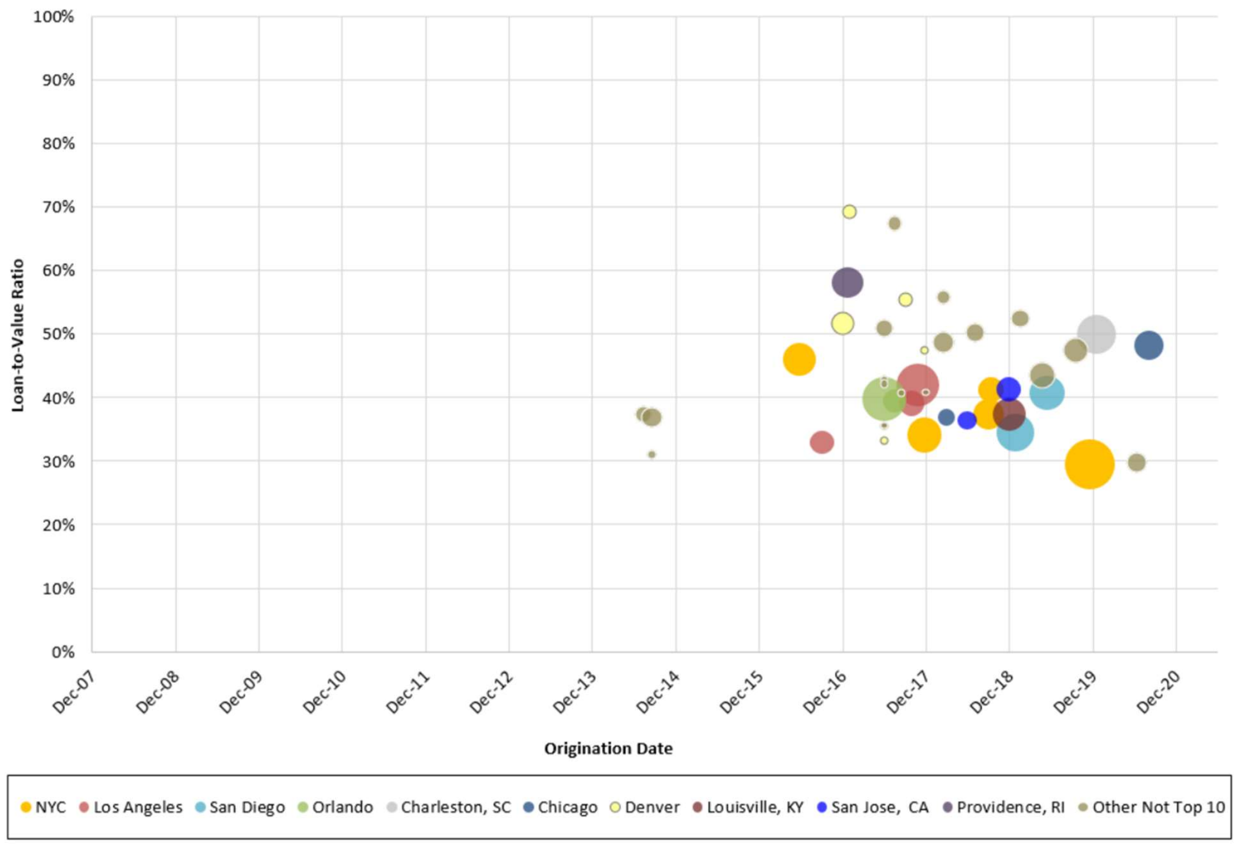



** Weighted average*

**Figure 36: RESG Hotel Portfolio by LTV & Origination Date (As of September 30, 2020)**

*Bubble Size Reflects Total Funded and Unfunded Commitment Amount*

*LTV Ratios Assume All Loans Are Fully Funded*



The COVID-19 pandemic has also had an impact on the office sector. As shown in Figure 33 above, offices were the third largest component of RESG's portfolio at September 30, 2020, comprising about 17.4% of RESG's total commitments. In addition, at September 30, 2020, 15 of RESG's 34 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 49.5% and 39.8%, respectively, as of September 30, 2020. We expect most sponsors will continue to support these assets, if needed, until the COVID-19 pandemic passes and normal property performance returns. Figures 37 and 38, respectively, show the geographic distribution of RESG's office portfolio (excluding offices in mixed use projects) and other information as of September 30, 2020. During the quarter just ended, 2 of the 36 offices portfolio received new appraisals, with the weighted average LTV ratio increasing by 1.5% for these properties.

**Figure 37: RESG Office Portfolio Diversity by Geography (As of September 30, 2020) ($ millions)**

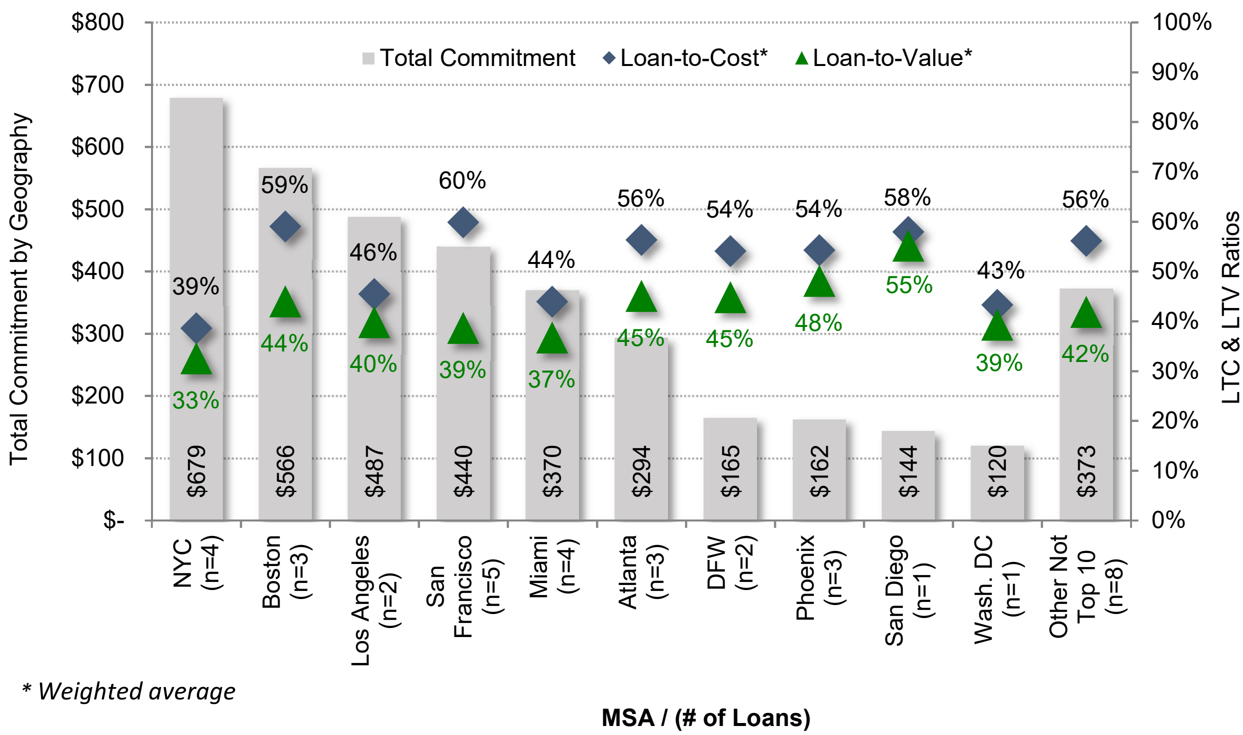
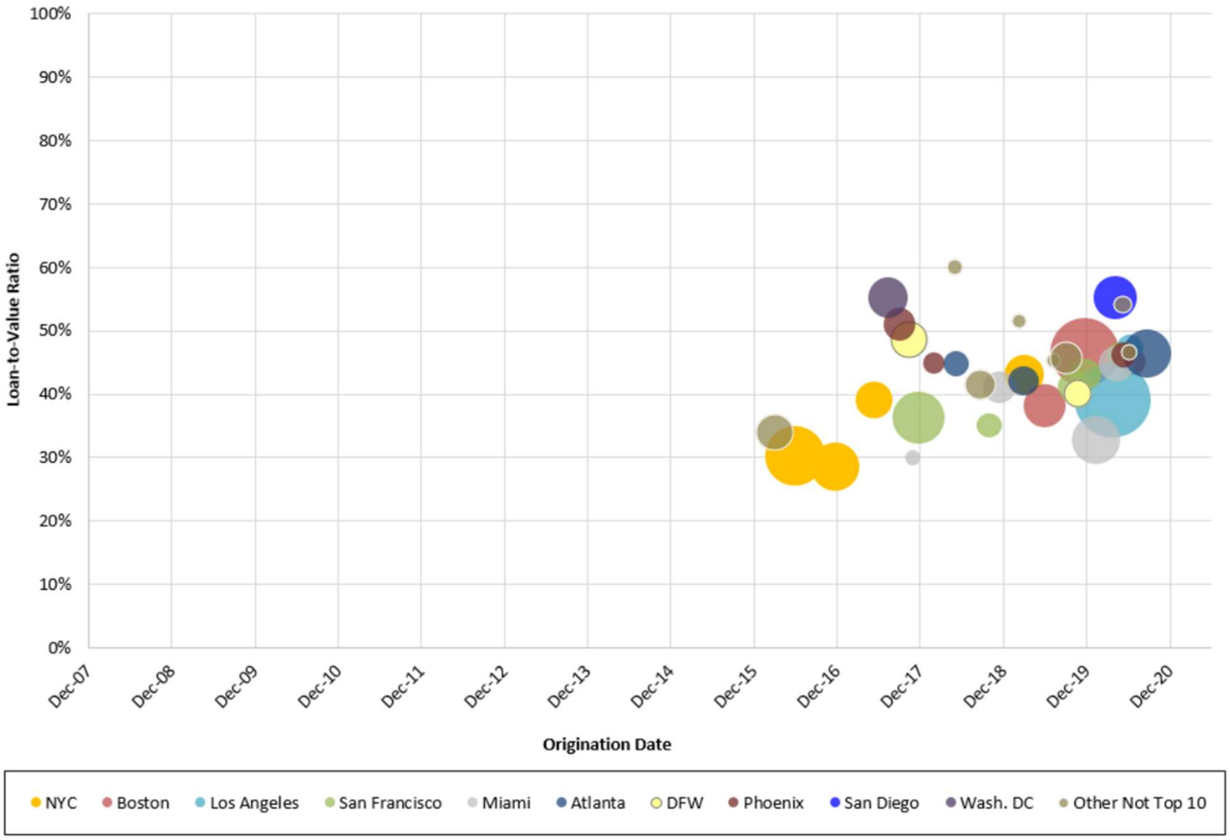


**Figure 38: RESG Office Portfolio by LTV & Origination Date (As of September 30, 2020)**

*Bubble Size Reflects Total Funded and Unfunded Commitment Amount*

*LTV Ratios Assume All Loans Are Fully Funded*

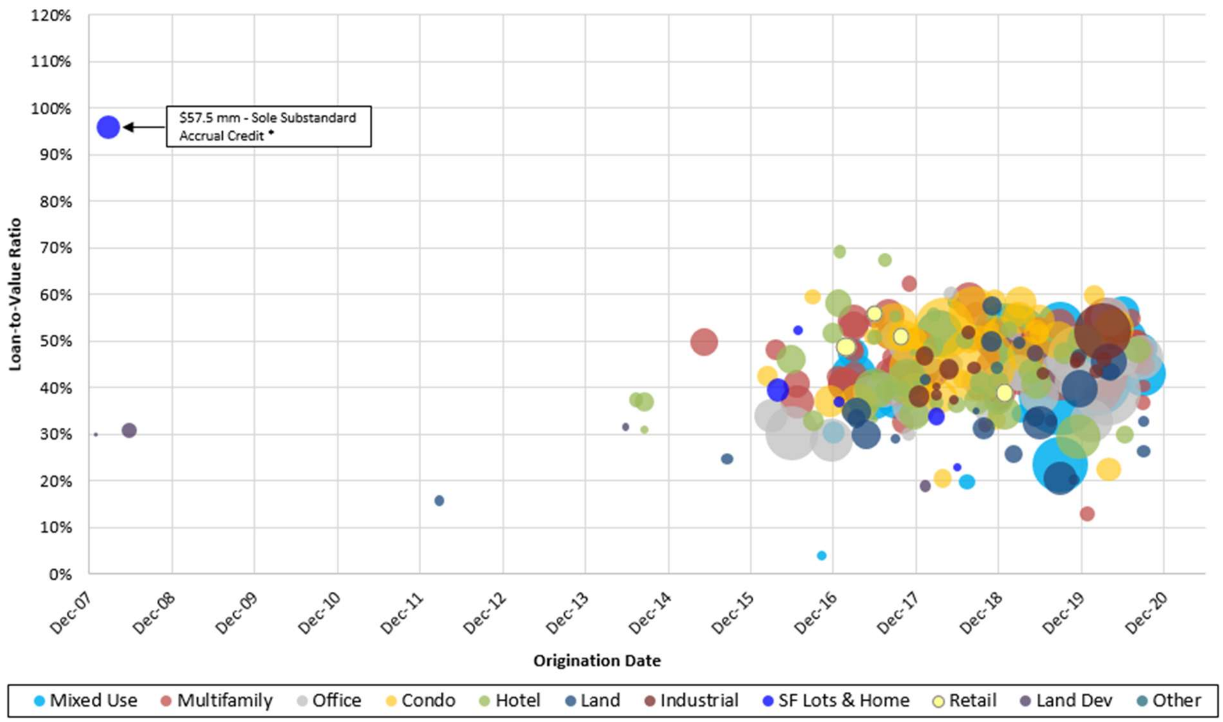


Assuming full funding of every RESG loan, as of September 30, 2020, the weighted average LTC for the RESG portfolio was a conservative 50.0%, and the weighted average LTV was even lower at just 42.0%. The LTV metrics on individual loans within the RESG portfolio are illustrated in Figure 39. Other than the one substandard-accruing credit specifically referenced, all other credits in the RESG portfolio have LTV ratios less than 70%.

**Figure 39: RESG Portfolio by LTV & Origination Date (As of September 30, 2020)**

*Bubble Size Reflects Total Funded and Unfunded Commitment Amount*

*LTV Ratios Assume All Loans Are Fully Funded*



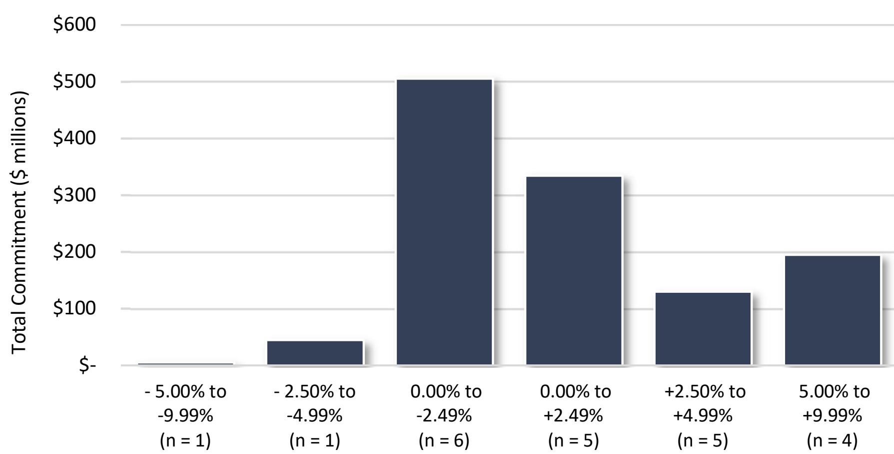

**During the third quarter of 2020, the borrower closed nine townhome sales and 13 lot sales with gross proceeds of $15.0 million and $6.8 million, respectively. At September 30, 2020, the borrower had 11 lots under contract for $5.4 million. Since September 30, 2020, the borrower has closed five lots total with gross proceeds of $2.6 million and has placed four additional lots under contract for $2.4 million. At September 30, 2020, the Bank had a total ACL of $14.0 million, or approximately 24.4% of the total commitment, related to this credit.*

During the third quarter of 2020, as summarized in Figure 40, updated appraisals were obtained by RESG on 22 loans with a total commitment of $1.22 billion, which were mostly loans for which a renewal or an extension was being considered. Figure 41 shows the distribution of such loans based on the resulting changes in LTV as compared to the LTV as reflected at June 30, 2020 based on the previous appraised value. In summary, LTVs were relatively unchanged (plus or minus 5%) for 17 loans, LTVs increased more than 5% for four loans, and LTVs decreased more than 5% for one loan. It is important to note that (i) in some cases, the September 30, 2020 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 June 30, 2020 were based on earlier valuations, in some cases one to three years old, that may have been low relative to market conditions existing immediately prior to the onset of COVID-19.

**Figure 40: Property Type Breakdown of Appraisals Obtained in 3Q20 ($ in millions)**

| | | | Weighted Average | | |
|---|---|---|---|---|---|
| **Property Type** | **# of Loans** | **Total Commitment** | **LTV @ 6/30/20** | **LTV @ 9/30/20** | **Δ in Wtd. Avg. LTV** |
| Mixed Use | 3 | $ 348 | 40.2% | 39.4% | -0.8% |
| Office | 2 | 260 | 31.6% | 33.1% | 1.5% |
| Hotel | 5 | 211 | 37.9% | 38.6% | 0.7% |
| Multifamily | 3 | 100 | 47.7% | 49.0% | 1.3% |
| Condo | 3 | 152 | 37.2% | 42.3% | 5.1% |
| Retail | 3 | 89 | 43.6% | 46.4% | 2.8% |
| Land | 3 | 56 | 31.5% | 33.4% | 1.9% |
| **Total** | **22** | **$ 1,215** | **37.4%** | **38.8%** | **1.4%** |

**Figure 41: Distribution of RESG LTV Changes Following Appraisals Obtained in 3Q20 ($ in millions)**

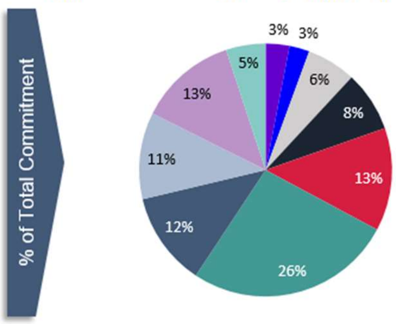


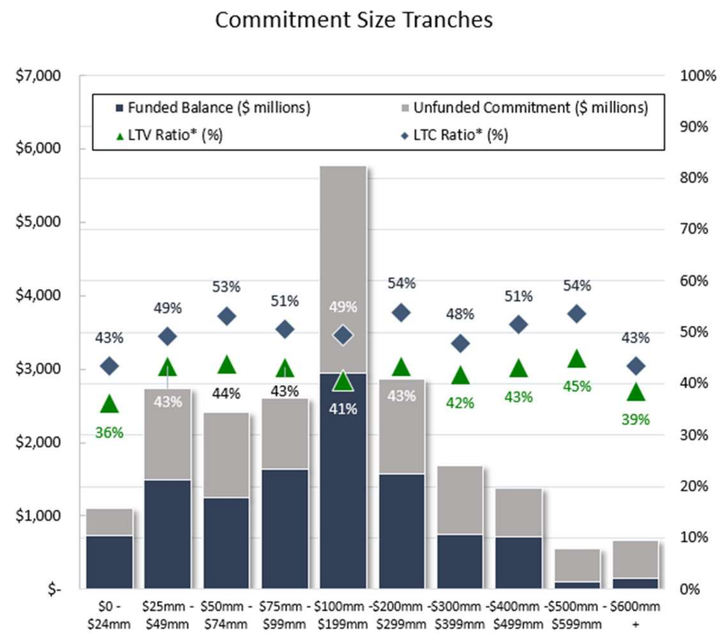
The RESG portfolio includes loans of many different sizes, and historically approximately 85%, on average, of our total commitment is actually funded before the loan is repaid. The stratification of the RESG portfolio by commitment size is reflected in Figure 42.

**Figure 42: RESG Portfolio Stratification by Loan Size - Total Commitment (As of September 30, 2020) ($ millions)**

*($ millions)*

| Tranche | No. of Loans | Funded Balance | Total Commitment |
|---|---|---|---|
| $600mm + | 1 | $ 150 | $ 664 |
| $500mm - $599mm | 1 | 107 | 558 |
| $400mm - $499mm | 3 | 718 | 1,373 |
| $300mm - $399mm | 5 | 740 | 1,681 |
| $200mm - $299mm | 12 | 1,578 | 2,873 |
| $100mm - $199mm | 44 | 2,939 | 5,771 |
| $75mm - $99mm | 30 | 1,631 | 2,611 |
| $50mm - $74mm | 40 | 1,242 | 2,415 |
| $25mm - $49mm | 73 | 1,494 | 2,740 |
| $0 - $24mm | 72 | 734 | 1,100 |
| **Total** | **281** | **$ 11,333** | **$ 21,786** |



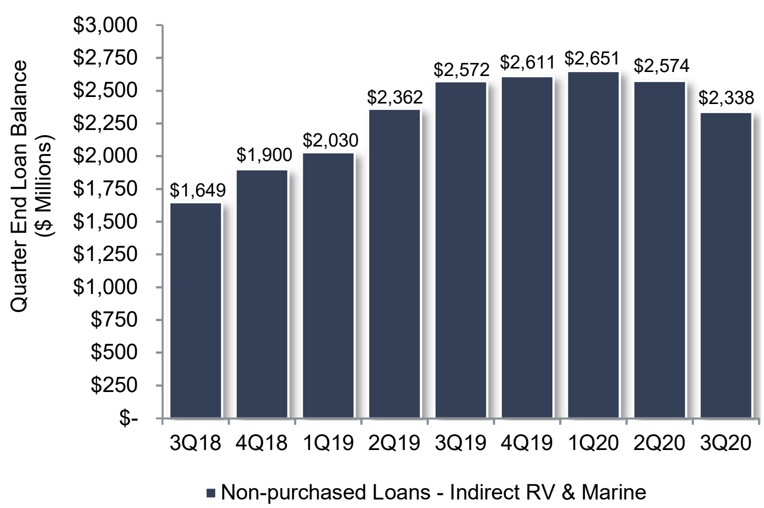

** Assumes all loans are fully funded; calculation based on total commitment by tranche as a % of total cost and total appraised value of loans within each tranche. LTV data based on most recent appraisals and utilizing "as stabilized" values for income producing properties.*

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, subscription finance, affordable housing, middle market CRE and home builder finance loan teams. We have been building a foundation for and refining many of these specialty-lending channels for years. Although growth for many of these lending channels will be limited in the near term by the current economic environment, we believe that we are in a good position to achieve more growth through these channels over the long term. Our portfolio diversification is enhanced by the variety of products and geographic diversity within our Community Banking businesses.

Indirect RV & Marine lending is another nationwide business that has allowed us to originate consumer loans while maintaining our conservative credit-quality standards. It was the largest contributor to our loan growth in 2018 and 2019, but we have allowed this portfolio to shrink in 2020, and despite very healthy consumer demand fundamentals, we expect it to shrink in the fourth quarter of 2020. In recent quarters, we have restrained our origination volume due to competitors' aggressive credit and pricing standards. We have recently 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 originations may once again exceed pay downs from this portfolio, probably during the second quarter of 2021. 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 10% to 15% of our total loans.

As of September 30, 2020, the non-purchased indirect portfolio had an average loan size of approximately $91,000 and a 30+ day delinquency ratio of four bps. For the third quarter of 2020 our annualized net charge-off ratio for the non-purchased indirect portfolio was 22 bps, bringing that ratio to 30 bps for the first nine months of 2020. Figure 43 provides additional details regarding this portfolio.

**Figure 43: Growth in RV & Marine Outstanding Non-purchased Loan Balances**



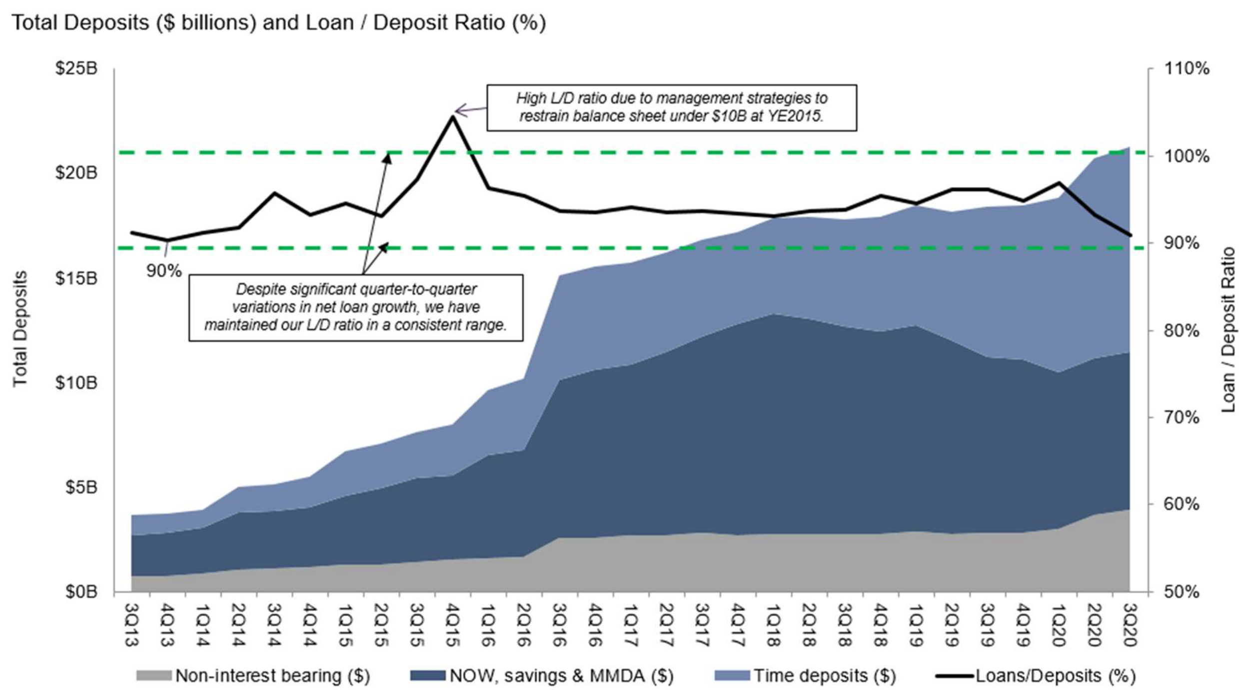

| | RV Portfolio | |
|---|---|---|
| **Loan Size** | **Total #** | **$ thousands** |
| $1 million + | - | $ - |
| $750k - $999k | - | - |
| $250k - $749k | 476 | 154,677 |
| $50k - $249k | 10,779 | 1,216,295 |
| < $50k | 6,771 | 189,725 |
| **Total** | **18,026** | **$ 1,560,696** |

| | Marine Portfolio | |
|---|---|---|
| **Loan Size** | **Total #** | **$ thousands** |
| $1 million + | 32 | $ 54,890 |
| $750k - $999k | 33 | 29,706 |
| $250k - $749k | 424 | 170,905 |
| $50k - $249k | 3,998 | 429,922 |
| < $50k | 2,866 | 91,808 |
| **Total** | **7,353** | **$ 777,230** |

**Liquidity**

We believe that we have significant capacity for future deposit growth in our existing network of over 240 branches. This was demonstrated by the strong organic deposit growth we achieved over the last three quarters. We have successfully increased our overall deposits as needed to fund our earning asset growth. Our loan-to-deposit ratio was 91% at September 30, 2020, within our historical range of 90% to 99%. As Figure 44 shows, we have consistently maintained our loan-to-deposit ratio within that range over the last seven years, even as our total assets grew approximately 470% from $4.7 billion at September 30, 2013 to $26.9 billion at September 30, 2020.

**Figure 44: 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 45. As shown below, recently 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.

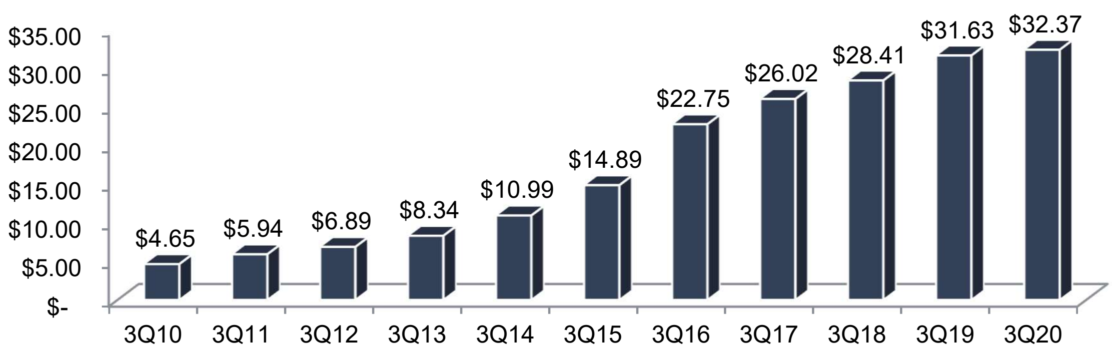
**Figure 45: Deposits by Customer Type ($ millions)**

| | Period Ended | | | | | |
|---|---|---|---|---|---|---|
| | 9/30/2019 | | 12/31/2019 | | 9/30/2020 | |
| Consumer | $ 7,223 | 39.2% | $ 7,526 | 40.7% | $ 10,909 | 51.3% |
| Commercial | 4,419 | 24.0% | 4,334 | 23.5% | 5,963 | 28.0% |
| Public Funds | 3,772 | 20.5% | 3,782 | 20.5% | 2,331 | 10.9% |
| Brokered | 2,243 | 12.2% | 2,115 | 11.4% | 1,580 | 7.4% |
| Reciprocal | 783 | 4.1% | 716 | 3.9% | 504 | 2.4% |
| Total | $ 18,440 | 100.0% | $ 18,474 | 100.0% | $ 21,287 | 100.00% |

**Capital and Dividends**

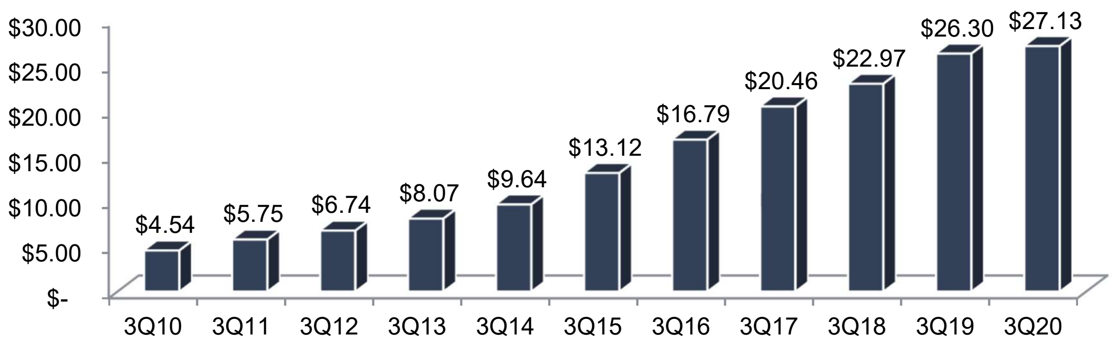
During the quarter just ended, our book value per common share increased to $32.37 compared to $31.78 as of June 30, 2020 and $32.19 as of December 31, 2019. Over the last 10 years, we have increased book value per common share by a cumulative 596%, resulting in a compound annual growth rate of 21.4%, as shown in Figure 46.

**Figure 46: Book Value per Share (Period End)**



During the quarter just ended, our tangible book value per common share increased to $27.13 compared to $26.53 as of June 30, 2020 and $26.88 as of December 31, 2019. 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 47.

**Figure 47: 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 48, which are among the strongest within the largest 100 U.S. banks.

**Figure 48: Robust Capital Ratios**

| | Estimated 9/30/2020 [4] | Regulatory Minimum Required To Be Considered Well Capitalized | Excess Capital |
|---|---|---|---|
| CET 1 Ratio | 12.80% | 6.50% | 6.30% |
| Tier 1 Ratio | 12.80% | 8.00% | 4.80% |
| Total RBC Ratio | 15.30% | 10.00% | 5.30% |
| Tier 1 Leverage | 13.40% | 5.00% | 8.40% |

We have increased our cash dividend in each of the last 41 quarters and every year since going public in 1997. We expect to maintain or continue to increase our current dividend.

[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 September 30, 2020 are preliminary estimates and are subject to revision upon filing of our FFIEC 041 Call Report.

**Branch Sales**

Subject to regulatory approval, we currently expect to close the two pending transactions to sell our two branches in Alabama during the fourth quarter of 2020 and our pending transaction to sell our two branches in South Carolina in the first quarter of 2021. The sales of our Alabama branches should result in total gains estimated at approximately $3.0 to $4.0 million, and the sale of our South Carolina branches should result in a gain estimated at approximately $4.0 to $5.0 million.

**Disaster Relief Loan Program**

During the first and second quarters of 2020, and continuing in the quarter just ended, we implemented our disaster relief loan program, which, as of September 30, 2020, had provided short-term payment deferrals on 3,461 loans totaling $1.34 billion, or approximately 6.9% of our balance of total loans, as shown in Figure 49. As of September 30, 2020, the pandemic deferrals had expired for 2,878 loans with a total outstanding balance of $794 million. We had 583 loans totaling $550 million, or approximately 2.8% of our balance of total loans, that remained in a 1st or 2nd deferral at September 30, 2020.

**Figure 49: Deferrals by Lending Unit ($ millions)**

| | RESG | | Community Bank | | Indirect Lending | | Purchased Loans | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| | # | $ Millions | # | $ Millions | # | $ Millions | # | $ Millions | # | $ Millions |
| Deferral Expired | 1 | $ 97 | 1,220 | $ 484 | 931 | $ 104 | 726 | $ 109 | 2,878 | $ 794 |
| On Original Deferral | 9 | 309 | 89 | 65 | 84 | 7 | 54 | 26 | 236 | 406 |
| On Second Deferral | - | - | 119 | 121 | 142 | 15 | 86 | 9 | 347 | 144 |
| Total | 10 | $ 405 | 1,428 | $ 669 | 1,157 | $ 126 | 866 | $ 144 | 3,461 | $ 1,344 |

**Effective Tax Rate**

Our effective tax rate during the quarter just ended was 21.1% and for the first nine months of 2020 was 22.1%. We expect that our effective tax rate for the fourth quarter of 2020 and full year 2021 to be between 21.5% and 22.5%, assuming there are no changes in applicable state or federal income tax rates.

**Final Thoughts**

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

## 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 * | | Nine Months Ended * | |
|---|---|---|---|---|
| | 9/30/2019 | 9/30/2020 | 9/30/2019 | 9/30/2020 |
| Net Income Available To Common Stockholders | $ 103,891 | $ 109,253 | $ 325,100 | $ 171,385 |
| Average Common Stockholders' Equity Before Noncontrolling Interest | $ 4,032,066 | $ 4,148,409 | $ 3,925,321 | $ 4,125,578 |
| Less Average Intangible Assets: | | | | |
| Goodwill | (660,789) | (660,789) | (660,789) | (660,789) |
| Core deposit and other intangibles, net of accumulated amortization | (28,275) | (17,461) | (31,290) | (19,803) |
| Total Average Intangibles | (689,064) | (678,250) | (692,079) | (680,592) |
| Average Tangible Common Stockholders' Equity | $ 3,343,002 | $ 3,470,159 | $ 3,233,242 | $ 3,444,986 |
| Return On Average Common Stockholders' Equity | 10.22% | 10.48% | 11.07% | 5.55% |
| Return On Average Tangible Common Stockholders' Equity | 12.33% | 12.52% | 13.44% | 6.65% |

* 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 September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Total common stockholders' equity before noncontrolling interest | $ 316,072 | $ 406,945 | $ 477,851 | $ 612,338 | $ 875,578 | $ 1,314,517 |
| Less intangible assets: | | | | | | |
| Goodwill | (5,243) | (5,243) | (5,243) | (5,243) | (78,669) | (128,132) |
| Core deposit and other intangibles, net of accumulated amortization | (2,293) | (7,473) | (5,437) | (14,796) | (28,439) | (28,624) |
| Total intangibles | (7,536) | (12,716) | (10,680) | (20,039) | (107,108) | (156,756) |
| Total tangible common stockholders' equity | $ 308,536 | $ 394,229 | $ 467,171 | $ 592,299 | $ 768,470 | $ 1,157,761 |
| Common shares outstanding (thousands) | 67,960 | 68,554 | 69,330 | 73,404 | 79,705 | 88,265 |
| Book value per common share | $ 4.65 | $ 5.94 | $ 6.89 | $ 8.34 | $ 10.99 | $ 14.89 |
| Tangible book value per common share | $ 4.54 | $ 5.75 | $ 6.74 | $ 8.07 | $ 9.64 | $ 13.12 |

| | As of September 30, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Total common stockholders' equity before noncontrolling interest | $ 2,756,346 | $ 3,334,740 | $ 3,653,596 | $ 4,078,324 | $ 4,186,285 |
| Less intangible assets: | | | | | |
| Goodwill | (657,806) | (660,789) | (660,789) | (660,789) | (660,789) |
| Core deposit and other intangibles, net of accumulated amortization | (64,347) | (51,396) | (38,817) | (26,608) | (16,462) |
| Total intangibles | (722,153) | (712,185) | (699,606) | (687,397) | (677,251) |
| Total tangible common stockholders' equity | $ 2,034,193 | $ 2,622,555 | $ 2,953,990 | $ 3,390,927 | $ 3,509,034 |
| Common shares outstanding (thousands) | 121,134 | 128,174 | 128,609 | 128,946 | 129,342 |
| Book value per common share | $ 22.75 | $ 26.02 | $ 28.41 | $ 31.63 | $ 32.37 |
| Tangible book value per common share | $ 16.79 | $ 20.46 | $ 22.97 | $ 26.30 | $ 27.13 |

*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.*