BANK of the OZARKS

March 2, 2009

Mr. Neil M. Barofsky
Special Inspector General – TARP
1500 Pennsylvania Avenue, NW, Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsy,

In response to your letter dated February 6, 2009, we understand the Office of the Special Inspector General for Troubled Asset Relief Program ("SIGTARP") to be responsible for coordinating and conducting audits and investigations of any program established by the Secretary of the Treasury ("Treasury") under the Emergency Economic Stabilization Act of 2008 ("EESA") including use of Troubled Asset Relief Program ("TARP") funds and compliance with EESA's executive compensation requirements. With respect to receipt and use of TARP funds by Bank of the Ozarks, Inc. ("Company") and Bank of the Ozarks ("Bank"), we are pleased to provide the following information.

USE OF FUNDS

The Company participated in the Capital Purchase Program ("CPP") portion of TARP on December 12, 2008, by issuing to the Treasury, in exchange for aggregate consideration of $75.0 million, (i) 75,000 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, par value $0.01 and liquidation preference $1,000 per share (the "Preferred Stock"), and (ii) a warrant (the "Warrant") to purchase up to 379,811 shares of the Company's common stock, par value $0.01 per share, at an exercise price of $29.62 per share. In the press release in connection with the issuance (see attachment A), the Company stated, "This is a cost effective source of capital which may allow us to expand lending, increase investments, and take advantage of other strategic opportunities."

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Our senior management and board of directors had extensive discussion prior to deciding to participate in the CPP as the Company and Bank were well capitalized at the time by all applicable regulatory standards and no additional capital was needed to continue normal business operations. As of September 30, 2008, the Company had a tier 1 leverage ratio of 9.35%, tier 1 risk-based capital ratio of 11.34%, and total risk based capital of 12.35%. At December 31, 2008, the Company continued to be well-capitalized with tier 1 leverage ratio of 11.64%, tier 1 risk-based capital ratio of 14.21%, and total risk based capital of 15.36%.

At the October 21, 2008 joint meeting of the boards of directors of the Company and Bank, it was noted that this additional TARP capital could be used to support further growth in loans, leases and investment securities and to support acquisitions, including acquisitions from the FDIC of failed institutions (see attachment B). Management was granted authority by the board of directors to make final decisions regarding participation in CPP and to do all things necessary or convenient to effect such decisions.

As management believed participation in the CPP was likely, the Company began purchases of various investment securities starting in October and continued throughout the fourth quarter of 2008. These purchases of investment securities, excluding purchases which were expected to be relatively temporary investments, totaled $202.6 million in the fourth quarter of 2008 and included $187.3 million of tax-exempt mortgage-backed securities issued by housing authorities of states and political subdivisions ("Municipal Housing Authority Bonds"). These Municipal Housing Authority Bonds are primarily backed by single family or multi-family residential mortgages, the repayment of which is guaranteed by U.S. Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, U.S. Department of Veteran Affairs, Federal Housing Agency or U.S. Department of Agricultural Rural Development. These bonds represent a direct investment in the United States housing market and, along with purchases by other investors, have contributed to increased liquidity for mortgage-backed securities and thus lower mortgage interest rates.

On November 17, 2008, the Company publicly announced it had applied for participation in the CPP (see attachment C) stating in part, "…participation in the program may allow us to expand lending, increase investments and take advantage of other opportunities which could be beneficial to our customers and shareholders and contribute to general economic growth."

The Company announced on December 2, 2008, that it had received preliminary approval from the Treasury to participate in CPP with a tentative mid-December 2008 transaction closing (see attachment D). At the time we stated, "Our Company is well capitalized by all applicable regulatory measures, and we have enjoyed strong earnings as evidenced by the record net income and record earnings per share we have achieved in each of the last two quarters. Because of our strong capital and earnings, we have the ability to continue normal operations and achieve expected growth without participation in the Capital Purchase Program. However, we believe participation in the program provides a cost-effective source of capital which may allow us to expand lending, increase investments and take advantage of other opportunities which could be beneficial to our customers and shareholders and contribute to general economic growth."

As previously detailed above, on December 12, 2008, we announced our issuance of the Preferred Stock and Warrant and used the $75 million in proceeds received from issuance to reduce short-term borrowings we had incurred to fund our purchases of the Municipal Housing Authority Bond investments in anticipation of receipt of the CPP proceeds. The Company also continued to originate a significant volume of new and renewed loans in the fourth quarter of 2008 in anticipation of the lending capacity resulting from participation in the CPP. The Company originated $102.2 million of new and renewed loans in the fourth quarter for portfolio and originated an additional $24.3 million of residential mortgage loans for sale in the secondary market in the fourth quarter of 2008. The Company has not treated TARP funds as segregated from other funding sources.

For the full year 2008, the Company grew its loan and lease portfolio by 8.0%, or $150.1 million, and the annual plan for 2009, as prepared by management and approved by the board of directors, projects further growth in its loan and lease portfolio of approximately 10.1%, or $196.6 million. The Company has stated publicly that it is eager and able to make loans to creditworthy borrowers and will continue to pursue every good quality, reasonably priced loan presented to it. Historically, growth in lending has been a hallmark of the Company with loans and leases growing at a compounded annual growth rate of 18% over the last ten years. Of course, loan demand is driven by economic conditions, and deteriorating economic conditions are causing many customers to cancel or delay many projects. This may affect our ability to achieve our loan and lease growth goals for 2009.

As recently as February 1, 2009, as evidenced by the attached article from the *Arkansas Democrat Gazette Online Edition* (see attachment E), we have publicly stated through the media, in our fourth quarter earnings conference call, and in other meetings our desire to continue to leverage the TARP capital to make loans and leases, make prudent investments through our bond portfolio, and possibly support the Federal Deposit Insurance Corporation's efforts by considering the purchase of failed banks. We have already evaluated a number of failed bank opportunities and unsuccessfully bid on one.

EXECUTIVE COMPENSATION

The Company initially amended its compensation, bonus, incentive and other benefit plans, arrangements and agreements to the extent necessary to comply with the executive compensation and corporate governance requirements of Section 111(b) of EESA and applicable guidance or regulations issued by the Treasury on or prior to December 12, 2008. We understand the applicable executive compensation requirements apply to the compensation of the Company's most highly compensated executive officers (collectively, the "senior executive officers"). In connection with the closing of the Treasury's purchase of the Preferred Stock and Warrant, each of the senior executive officers executed a waiver of any claim against the United States or the Company for any changes to his compensation or benefits that are required in order to comply with the regulation. Furthermore the Company has responded as follows to the newly enacted American Recovery and Reinvestment Act of 2009 ("ARRA") also referred to as the economic stimulus package which instituted additional limitations on executive compensation.

The Personnel and Compensation Committee ("Compensation Committee") of the Company met on February 23, 2009, and reviewed compensation policies for compliance with ARRA noting that:

- no bonus, retention award or incentive compensation is planned for the five most highly compensated employees, except for a restricted stock plan meeting the provisions of ARRA;

- designated senior risk officer Mark Ross reported no incentive compensation has been paid or is planned that would encourage senior executive officers to take "unnecessary and excessive risks" or to manipulate earnings that may impact the value of the institution during the period the Treasury holds an equity or debt position;

- any bonus or incentive that has been paid based on materially inaccurate earnings statements or similar criteria is subject to a "claw-back provision" for the top five senior executive officers and the next twenty most highly compensated employees;

- "golden parachute payments" are prohibited to the top five senior executive officers and five of the next most highly compensated employees and none have been paid;

- the Company's compensation committee consists entirely of independent directors and meets at least semi-annually;

- the institution will not make tax deductions of more than $500,000 for compensation paid to each of the top five senior executives;

- the Chief Executive Officer and the Chief Financial Officer will provide written certification of compliance with the executive compensation restrictions described in TARP and modified by ARRA. These certifications will be filed within the time period prescribed by law with the Securities and Exchange Commission;

- the Company has policies regarding employee reimbursements and travel expenses incurred in the normal course of business and plans to implement a policy for luxury expenditures that complies with ARRA as further guidance becomes available;

- a separate shareholder vote will be conducted at each annual shareholder meeting to approve the compensation of executives, although the vote will not be binding on the board of directors, and the Company is including this item in its upcoming annual proxy statement;

- the Compensation Committee acknowledges that the Treasury Secretary has been directed to review compensation paid to the top five senior executive officers and the next twenty most highly compensated employees of an entity receiving TARP assistance before the date of enactment of the ARRA to determine whether the payments were inconsistent with the provisions of the new law effecting executive compensation, TARP or otherwise contrary to the public interest, and the Compensation Committee believes all payments made by the Company were consistent with the intent of TARP; and

- other than the restricted stock plan previously mentioned, there are currently no plans to offset any executive compensation limitations by other changes to longer-term or deferred forms of executive compensation.

The Compensation Committee believes its executive compensation practices are reasonable and reflect the high performance nature of the Company including a strong credit culture that has traditionally outperformed in credit metrics.

In conclusion let me reiterate our desired plan and demonstrated ability to use the Treasury's investment in our Company to assist in supporting the economic recovery through continued lending and investing activities.

We the undersigned hereby certify the accuracy of all statements, representations, and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

George G. Gleason
Chairman and CEO
Bank of the Ozarks, Inc.

Mark D. Ross
Vice Chairman, President and COO
Bank of the Ozarks, Inc.

Paul E. Moore
Chief Financial Officer and Chief
Accounting Officer
Bank of the Ozarks, Inc.

Attachment A

BANK of the OZARKS

NEWS RELEASE

Release Time: 5:00 p.m. CST
Contact: Susan Blair, (501) 978-2217
Date: December 12, 2008

Bank of the Ozarks, Inc. Issues Preferred Stock

Bank of the Ozarks, Inc. (NASDAQ: OZRK) announced that it has issued to the U.S. Department of the Treasury $75 million of Fixed Rate Cumulative Perpetual Preferred Stock and a warrant to purchase 379,811 shares of the Company's common stock at an exercise price of $29.62 per share. This transaction, which closed today, is part of the U.S. Treasury's Capital Purchase Program to invest equity in the nation's healthy banks.

The $75 million of proceeds from the issuance of the preferred stock and the warrant will be accounted for as Tier 1 capital. Bank of the Ozarks, Inc.'s total risk based capital ratio was 12.35% as of September 30, 2008, well above the regulatory requirement of 10% for well capitalized banks. All of the Company's regulatory capital ratios will be further enhanced as a result of the issuance of the preferred stock and warrant.

"This is a cost effective source of capital which may allow us to expand lending, increase investments, and take advantage of other strategic opportunities," stated George Gleason, Chairman and Chief Executive Officer. During the first nine months of 2008, the Company earned net income of $25.4 million, resulting in an annualized return on average assets of 1.14% and an annualized return on average stockholders' equity of 16.23%. During the first nine months of 2008, the Company continued to serve its customers and expand its business, increasing loans and leases at a 13.1% annualized rate and deposits at a 15.8% annualized rate.

The Company also announced that it has elected to participate in the FDIC's Temporary Liquidity Guarantee Program, including (i) the Transaction Account Guarantee Program, which provides full FDIC coverage of non-interest bearing deposit and certain other transaction accounts regardless of dollar amount through December 31, 2009 and (ii) the Debt Guarantee Program, which provides an FDIC guarantee on unsecured debt issued on or before June 30, 2009. The FDIC guarantee under the Debt Guarantee Program expires at the earlier of the maturity date of the debt or June 30, 2012. While the Company has no current plans to issue debt under the Debt Guarantee Program, the Company elected to participate in the program to further expand its potential secondary sources of liquidity.

FORWARD LOOKING STATEMENTS

This release contains forward looking statements regarding the Company's plans, expectations, beliefs, goals and outlook for the future, including the possibility the Company may expand lending, increase investments and take advantage of other strategic opportunities and its current absence of plans to issue debt under the Debt Guarantee Program. Actual results may differ materially from those projected in such forward looking statements due to various factors including those identified in Management's Discussion and Analysis under the caption "Forward Looking Information" contained in the Company's 2007 Annual Report to Stockholders and the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

GENERAL INFORMATION

Bank of the Ozarks, Inc. is a bank holding company with $3.1 billion in total assets as of September 30, 2008 and trades on the NASDAQ Global Select Market under the symbol "OZRK". The Company owns a state-chartered subsidiary bank that conducts banking operations through 73 offices including 65 banking offices in 34 communities throughout northern, western and central Arkansas, six Texas banking offices, and loan production offices in Little Rock, Arkansas, and Charlotte, North Carolina. The Company may be contacted at (501) 978-2265 or P. O. Box 8811, Little Rock, Arkansas 72231-8811. The Company's website is: www.bankozarks.com.

Attachment B

Excerpt from 10/21/08 Board Minutes ---

Mr. Moore reviewed the new liquidity guarantee programs and the Capital Purchase Program recently announced by the FDIC and Department of Treasury outlining the following points:

- FDIC insurance on all deposits has increased from $100,000 to $250,000 through 12/31/09 with no related increase for FDIC insurance costs (although FDIC insurance costs will increase in 2009 unrelated to this increase in coverage limit);

- Non-interest bearing accounts are now insured without limit through December 2008 and, at our election, we can continue this additional coverage for a 10 basis point additional FDIC insurance premium thereafter. The additional premium will apply only on the additional amount of deposits insured. Using our 9/30/08 balances, Mr. Moore estimated this premium cost would be approximately $41,000 per year. He reported that management continues to evaluate our participation in this additional coverage, but management has preliminarily concluded we should continue with this additional coverage after December 2008;

- Within certain limits, the FDIC will also guarantee certain unsecured senior borrowings for a 75 basis point annual fee. Since we had no such borrowings outstanding as of the applicable measurement date, it is unclear if we will be eligible to participate in this program. Management is uncertain at this time if we want to participate in this program, even if we are eligible;

- Mr. Moore discussed the Capital Purchase Program whereby the government will purchase preferred stock in selected financial institutions. This preferred stock would initially pay a 5% cumulative dividend. The amount of purchase will be 1% to 3% of risk-weighted assets, amounting to approximately $25 million to $75 million for our institution. Management is evaluating the requirements of this program, some of which are as follows:

    - The financial institution must issue 10-year warrants to purchase its common stock in an amount equal to 15% of the preferred stock investment. The purchase price for the common stock pursuant to the warrants would be the market price at the time of approval of the preferred stock purchase based on a 20-day "look back" average.

- The 5% preferred dividend increases to 9% after a five-year period.

- Deductibility for federal income tax purposes of executive compensation in excess of $500,000 per person for the top five executive officers as listed in the proxy statement will be disallowed. Based on 2008 data, Mr. Moore projects this cost to be approximately $105,000 per year.

- The preferred stock may be redeemed without limitation after three years, but may only be redeemed before three years by raising new Tier 1 capital.

- All future common stock dividend increases or stock repurchase plans will require regulatory approval.

There was extensive discussion by management and directors of such programs with numerous questions being asked and answered. It was noted that both Company and Bank are currently well capitalized by all applicable regulatory standards, and both expect to continue to be well capitalized whether or not we participate in the Capital Purchase Program. Therefore, we do not expect to need the additional capital to continue our normal business operations. On the other hand, it was noted that the additional capital could be used to support further growth in loans, leases and investment securities and to support acquisitions, including acquisitions from the FDIC of failed institutions. It was agreed that the preferred stock has a reasonable cost of capital, and the issuance of the preferred stock and common stock warrants could be made non-dilutive to the earnings of common shareholders by leveraging the additional capital only one or two times. Mr. Gleason stated that management currently thinks it may be beneficial to participate in the Capital Purchase Program, unless it seems likely that participants will be subjected to significant additional regulations or restrictions beyond those imposed on financial institutions in general. He reported that management will continue to consider and evaluate such programs and the expected costs and benefits thereof before making a final recommendations regarding participation. There seemed to be general agreement among the board that we should participate in the additional FDIC deposit insurance program and the Capital Purchase Program, unless we come to believe that participation will result in additional unwanted regulatory requirements or restrictions. Upon motion made by Dr. Qualls, seconded by Mr. Matthews, management was authorized and directed to continue to evaluate the programs and all expected costs and benefits thereof. Management was further authorized to make final decisions regarding participation in each of the programs and do all things necessary or convenient to effect such decisions.

Attachment C

BANK of the OZARKS

NEWS RELEASE

Release Time: 5:00 p.m. CST
Contact: Susan Blair, (501) 978-2217
Date: November 17, 2008

Bank of the Ozarks, Inc. Applies for Capital Purchase Program

LITTLE ROCK, ARKANSAS – Bank of the Ozarks, Inc. (NASDAQ: OZRK) announced that it has applied for participation in the U.S. Department of Treasury's Capital Purchase Program, although it may still determine to not participate in the program.

Bank of the Ozarks, Inc. Chairman and Chief Executive Officer George Gleason stated, "Our Company is well capitalized by all applicable regulatory measures, and we have enjoyed strong earnings as evidenced by the record net income and record earnings per share we have achieved in each of the last two quarters. Because of our strong capital and earnings, we have the ability to continue our normal operations and achieve expected growth without participation in the Capital Purchase Program. However, we believe participation in the program may allow us to expand lending, increase investments and take advantage of other opportunities which could be beneficial to our customers and shareholders and contribute to general economic growth."

The Company's decision to apply for participation in the Capital Purchase Program was made after careful consideration of the available information on the program and analysis of the various costs and benefits of participation. The Company delayed its application for a time to see if additional clarification would be forthcoming regarding restrictions and conditions which may be imposed on program participants. The Company will continue to monitor further developments regarding participation. "If it becomes apparent that additional restrictions or conditions will be imposed or other circumstances develop which change our assessment of the relative costs and benefits of this program to our Company, we may reconsider our participation and withdraw from the program before execution of final contracts," stated Gleason.

The Company is a "well capitalized" institution by regulatory standards with total risk based capital of 12.35% as of September 30, 2008. During the first nine months of 2008, the Company earned net income of $25.4 million, resulting in an annualized return on average assets of 1.14% and an annualized return on average stockholders' equity of 16.23%. During the first nine months of 2008, the Company continued to serve its customers and expand its business increasing loans and leases at a 13.1% annualized rate and deposits at a 15.8% annualized rate.

FORWARD LOOKING STATEMENTS

This release contains forward looking statements regarding the Company's plans, expectations, beliefs, goals and outlook for the future, including the Company's expected ability to continue normal operations and achieve expected growth, expand lending, increase investments and take advantage of other opportunities. Actual results may differ materially from those projected in such forward looking statements due to various factors including those identified in Management's Discussion and Analysis under the caption "Forward Looking Information" contained in the Company's 2007 Annual Report to Stockholders and the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

GENERAL INFORMATION

Bank of the Ozarks, Inc. is a bank holding company with $3.1 billion in total assets as of September 30, 2008 and trades on the NASDAQ Global Select Market under the symbol "OZRK". The Company owns a state-chartered subsidiary bank that conducts banking operations through 73 offices including 65 banking offices in 34 communities throughout northern, western and central Arkansas, six Texas banking offices, and loan production offices in Little Rock, Arkansas, and Charlotte, North Carolina. The Company may be contacted at (501) 978-2265 or P. O. Box 8811, Little Rock, Arkansas 72231-8811. The Company's website is: www.bankozarks.com.

BANK of the OZARKS

NEWS RELEASE

Release Time: 5:00 p.m. CST
Contact: Susan Blair, (501) 978-2217
Date: December 2, 2008

Bank of the Ozarks, Inc. Announces Preliminary Approval For Capital Purchase Program

LITTLE ROCK, ARKANSAS – Bank of the Ozarks, Inc. (NASDAQ: OZRK) announced that it received preliminary approval effective November 19, 2008 from the U.S. Department of Treasury to participate in its Capital Purchase Program. Since receipt of preliminary approval, the Company has continued to evaluate the various costs and benefits of participation. The Company has tentatively decided to participate and expects to close the issuance of its preferred stock and warrants for common stock in mid-December 2008.

Under the terms of the Capital Purchase Program and the Company's preliminary approval, the Company will issue $75 million of preferred stock which will have a 5% per annum dividend rate for five years, and a 9% per annum dividend rate thereafter. The preferred stock may not be redeemed for three years except under certain circumstances. In addition the Treasury Department will receive warrants to purchase approximately 379,811 shares of the Company's common stock at an exercise price of approximately $29.62 per share. These warrants will expire 10 years after issuance.

Bank of the Ozarks, Inc. Chairman and Chief Executive Officer George Gleason stated, "Our Company is well capitalized by all applicable regulatory measures, and we have enjoyed strong earnings as evidenced by the record net income and record earnings per share we have achieved in each of the last two quarters. Because of our strong capital and earnings, we have the ability to continue our normal operations and achieve expected growth without participation in the Capital Purchase Program. However, we believe participation in the program provides a cost-effective source of capital which may allow us to expand lending, increase investments and take advantage of other opportunities which could be beneficial to our customers and shareholders and contribute to general economic growth."

At September 30, 2008, all of the Company's capital ratios were above applicable regulatory benchmarks for "well-capitalized" financial institutions. The $75 million capital increase from issuance of the preferred stock would enhance all of the Company's regulatory capital ratios thus providing additional capital to support further growth in loans, leases and investments.

During the first nine months of 2008, the Company earned net income of $25.4 million, resulting in an annualized return on average assets of 1.14% and an annualized return on average stockholders' equity of 16.23%. During the first nine months of 2008, the Company continued to serve its customers and expand its business increasing loans and leases at a 13.1% annualized rate and deposits at a 15.8% annualized rate.

The Company may reconsider its decision to participate in the program until execution and delivery of final contract documents. Mr. Gleason stated, "If it becomes apparent that additional restrictions or conditions will be imposed or other circumstances develop which change our assessment of the relative costs and benefits of this program, we may still withdraw from the program before delivering the executed contracts."

FORWARD LOOKING STATEMENTS

This release contains forward looking statements regarding the Company's plans, expectations, beliefs, goals and outlook for the future, including the Company's plans to issue preferred stock and warrants to purchase its common stock and enhance its capital levels, and the Company's expected ability to continue normal operations, achieve expected growth, expand lending, increase investments and take advantage of other opportunities. Actual results may differ materially from those projected in such forward looking statements due to various factors including those identified in Management's Discussion and Analysis under the caption "Forward

Looking Information" contained in the Company's 2007 Annual Report to Stockholders and the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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Tyler Vance

Subject: FW: Story in Arkansas Democrat
Attachments: bank_t300.jpg

ArkansasOnline®

Bank of Ozarks moves to new building caps 30-year success story

BY DAVID SMITH
Sunday, February 1, 2009

LITTLE ROCK — In early 1979, a young Little Rock lawyer decided to change careers and buy a small Arkansas bank.

George Gleason has developed and nurtured that bank, Bank of Ozark, from $28 million to $3.2 billion in assets. In the meantime, as it began to expand, Gleason gave the bank a new name, Bank of the Ozarks.

That is a 115-fold increase, not terribly unusual growth for some banks over 30 years. What makes Bank of the Ozarks' growth uncommon is that almost all of it was without the benefit of significant acquisitions in the past three decades.

It is now the second largest bank based in Arkansas, behind Arvest Bank.

Gleason will celebrate the30th anniversary of his purchase of Bank of the Ozarks on March 6. He's now the chairman and chief executive officer.

Gleason was a 25-year-old business lawyer at the Rose Law Firm in Little Rock when he bought the bank, which had only 28 employees.

"I had worked on several banking matters at the Rose firm," Gleason said. "And having an accounting and economics degree, I understood the numbers quickly. Every business transaction that I worked on as a young lawyer, I thought, 'I'm enjoying doing the legal work but I want to be the principal in the transaction and not the lawyer.'"

Gleason wanted to buy Arkansas Valley Bank in his hometown of Dardanelle, but was unable to work out the details. Later he was introduced to the owner of the bank in Ozark and was able to buy it. In later years, Gleason also bought Arkansas Valley Bank.

Most of Bank of the Ozarks' growth has been from building new offices throughout northern and central Arkansas. The bank began the now popular strategy in 1994, much earlier than most other banks. At the time, Bank of the Ozarks had five offices but now has 72 - 65 in Arkansas, six in Texas and one in North Carolina. It has 740 employees.

Only four of those new branches in the past 15 years were acquired, Kevin Reynolds of Wunderlich Securities said in a research report.

The expansion is expected to slow in the near future, Reynolds said, although Bank of the Ozarks still plans to expand in key Arkansas markets and to a large extent in Texas. That increase will come from building new branches and growing in its markets, said Reynolds, who has covered Bank of the Ozarks for several years.

Bank of the Ozarks consistently has a return on equity and efficiency ratio among the best for publicly traded banks, said Matt Olney, an analyst with Stephens Inc.

Return on equity is calculated by dividing annual earnings by the equity of a company. Bank of the Ozarks' return on equity is normally in the 15 percent to 19 percent range, whereas many public banks have a return on equity of 10 percent to 12 percent, Olney said.Bank of the Ozarks' efficiency ratio is 41.8 percent, which means the bank spends $41.80 to earn $100. Most banks have an efficiency ratio of about 60 percent, Olney said.

"Certain people you know are just very frugal," Olney said. "At the end of the day, if their wallet is $20 lighter, they can tell you penny for penny what they spent that money on. That's Bank of the Ozarks. They know exactly what they're spending their money on."

CHALLENGING ECONOMY

In December, Bank of the Ozarks sold $75 million in preferred stock to the U.S. Treasury Department under the government's Troubled Asset Recovery Program. The government has said it would select healthy banks to participate in the program, although most people know it as the "bailout."

Bank of the Ozarks plans to use the money to make loans and build relationships with people unhappy with their current banks, to make investments in its bond portfolio, and possibly to buy failed banks from the Federal Deposit Insurance Corp., Gleason said.

It already has considered buying two failed banks in other states and bid unsuccessfully on one, Gleason said.

"This is the most challenging economy we've been in, in more than 30 years," he said. "But at the same time, astute investors will have the opportunity in this economy to make investments that will be the best investments they'll have the opportunity to make probably for the next 30 years. Our ability to capitalize on those opportunities is what has led us to make record earnings for the last three quarters."

Gleason said the bank also wants to help customers through the difficult economy.

"We try to work with every customer who has a problem and figure out a workable solution to their problem, where we still getrepaid," he said.

He told a story of how some turkey and chicken growers in northern Arkansas have been overwhelmed by the economy. Bank of the Ozarks has loaned money to several over the years.

For years, poultry processing companies have sold four to five flocks of birds to the growers to raise, with the intent of buying them back as they mature.

Last year, however, one distressed processor had to cut back the number of flocks for its growers to only three a year. Bank of the Ozarks had loans with 10 of those growers.

That meant a reduction in revenue of more than a third for the growers. After an analysis, Bank of the Ozarks realized three of the 10 growers wouldn't be able financially to survive the cutback, Gleason said.

"So we worked out a restructure of the debt for those three customers, wrote off a part of the debt and restructured the remaining debt where they could service it," Gleason said. "All you can ask somebody to do is just to do what they can."

Bank of the Ozarks wrote off more than $700,000 total for the three customers, Gleason said.

"Frankly, we were going to lose that money anyway if the customers had gone into default," Gleason said. "But we were able to restructure the loan, keep those customers in their homes and on their farms and producing for the economy."

NEW HOME

For more than five years, Bank of the Ozarks has had to find temporary offices for its corporate employees after its headquarters at Chenal Parkway and Markham Street reached capacity. Employees were farmed out to the GMAC Building and Three Financial Center, offices in west Little Rock.

In December, Bank of the Ozarks moved into a new, 112,000 square-foot, four-story headquarters. The 70-foot-wide building is on Chenal Parkway near the intersection with Rahling Road. It was designed by Reese Rowland of Polk Stanley Rowland Curzon Porter Architects of Little Rock. The narrow width, coupled with an abundance of glass, gives employees more natural light and a view of the landscape.

There are still details that need to be done to finish the building. The main feature is the four-story glass stairway at the end of the building. The stairway will appear to rise out of a pool of water when a stream flowing in front of the building is finished.

Gleason provided the architects with details on how he wanted the workspace laid out, so the bank could continue to be among the most efficient institutions in the country. The appearance of the building was secondary, he said.

The bank will lease out its former headquarters as office space.

Business, Pages 67, 76 on 02/01/2009

Susan Blair
Executive Vice President
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501-978-2224 fax