Amalgamated Bank Reports Second Quarter 2018 Financial Results

September 24, 2018

NEW YORK, Sept. 24, 2018 (GLOBE NEWSWIRE) -- Amalgamated Bank (Nasdaq: AMAL) ("Amalgamated" or the "Company") today announced financial results for the second quarter ended June 30, 2018.

Second Quarter 2018 Highlights

- Net income of $11.6 million, or $0.39 per diluted share, as compared to $2.3 million, or $0.08 per diluted share, for the second quarter of 2017[1]
- Core earnings (non-GAAP) of $11.8 million, or $0.40 per diluted share, as compared to $1.0 million, or $0.04 per diluted share for the second quarter of 2017
- Closed the acquisition of New Resource Bank ("New Resource") on May 18, 2018
- Deposit growth of $874.5 million, or 28.3%, compared to June 30, 2017, and $729.3 million, or 45% annualized, from December 31, 2017, $361.9 million of deposit growth attributed to the acquisition of New Resource
- Loan growth of $376.7 million, or 13.7%, compared to June 30, 2017, and $306.2 million, or 22% annualized, from December 31, 2017, $334.0 million of loan growth attributed to the acquisition of New Resource
- Cost of deposits was 0.24%, as compared to 0.26% for the first quarter of 2018 and 0.24% for the second quarter of 2017
- Net Interest Margin was 3.56%, as compared to 3.43% for the first quarter of 2018 and 3.12% for the second quarter of 2017
- Tier 1 Leverage, Common Equity Tier 1, and Total Risk-Based capital ratios were 8.59%, 12.46%, and 13.71%, respectively, at June 30, 2018

(1) Earnings per diluted share is inclusive of a 20-for-1 stock split effected on July 27, 2018

Keith Mestrich, President and Chief Executive Officer of Amalgamated Bank, commented, "Since our founding in 1923 by the Amalgamated Clothing Workers of America, our goal has been to be the go-to financial partner for people and organizations who strive to make a meaningful impact in our society and who care about their communities, the environment, and social justice. Indications of our success are evident in our second quarter results, the closing of our acquisition of San Francisco based New Resource, a key step to growing our business and expanding our geographic footprint, and our successful initial public offering in August."

Keith Mestrich concluded, "Looking forward, we are well positioned to drive deposit growth through our mission based strategy of developing and maintaining relationships with our clients who share similar values while opportunistically exploring acquisitions in attractive markets."

Results of Operations, Quarter Ended June 30, 2018

On May 18, 2018 the Company closed the acquisition of New Resource. New Resource's results of operations from May 19, 2018 to June 30, 2018 are included in Amalgamated's consolidated results for the three and six months ended June 30, 2018.

Net income for the second quarter of 2018 was $11.6 million, or $0.39 per diluted share, as compared to $7.7 million, or $0.27 per diluted share, for the first quarter of 2018 and net income of $2.3 million, or $0.08 per diluted share, for the second quarter of 2017. The $9.3 million increase in net income for the second quarter of 2018, compared to the comparable prior year period was primarily due to a $6.9 million increase in net interest income and a $6.8 million improvement in provision for loan losses, partially offset by a $3.3 million increase in the provision for income taxes.

Core earnings (non-GAAP) for the second quarter of 2018 was $11.8 million, or $0.40 per diluted share, compared to $7.93 million, or $0.28 per diluted share for the first quarter of 2018 and $1.0 million, or $0.04 per diluted share for the second quarter of 2017. Core earnings for the quarter ended June 30, 2018 exclude $0.3 million of costs related to the acquisition of New Resource.

Net interest income was $36.7 million for the second quarter of 2018, compared to $32.8 million for the first quarter of 2018 and $29.8 million for the second quarter of 2017. The year over year increase was primarily attributable to an increase in average loans of $356.7 million, an increase in the yield on loans of 15 basis points, an increase in average non-interest bearing deposits of $512.0 million, a decrease in funding costs due to the prepayment of high-cost, long-term borrowings in the second quarter of 2017 and a $267.0 million reduction in the average balance of borrowings. Accretion of the loan mark related to the New Resource acquisition was $0.3 million in the second quarter of 2018, or three basis points on the Company's net interest margin.

Net interest margin was 3.56% for the second quarter of 2018, an increase of 13 basis points as compared to 3.43% in the first quarter of 2018, and an increase of 44 basis points from 3.12% in the second quarter of 2017.

Non-interest income decreased $0.8 million, or 11.6% to $6.2 million in the second quarter of 2018 from $7.0 million in the first quarter of 2018, and decreased $0.1 million or 1.9% from $6.3 million in the second quarter of 2017. The decrease was primarily due to the loss on the sale of one C&I loan and loss on the sales of foreclosed 1-4 family residential properties, which was partially offset by lower losses on the sales of investment securities and higher fees from custody and investment management services (included within trust department fees) and service charges on deposit accounts.

Non-interest expense for the second quarter of 2018 was $30.1 million, an increase of $1.3 million from $28.8 million in the first quarter of 2018, and an increase of $1.0 million from $29.1 million in the second quarter of 2017. The increase from the linked quarter was primarily related to the acquisition of New Resource.

Total loans, net of deferred origination fees, at June 30, 2018 were $3.1 billion, an increase of $306.2 million or 11.0% as compared to $2.8 billion as of December 31, 2017, and an increase of $376.7 million or 13.7% as compared to $2.8 billion as of June 30, 2017. Loan growth was primarily driven by the $334.0 million of loans acquired, net of fair value adjustments from the acquisition of New Resource.

Deposits at June 30, 2018 were $4.0 billion, an increase of $729.3 million or 22.6% as compared to $3.2 billion as of December 31, 2017, and an increase of $874.5 million or 28.3% as compared to $3.1 billion as of June 30, 2017, $361.9 million of deposit growth was attributed to the acquisition of New Resource. Political deposits were $416.3 million as of June 30, 2018, an increase of $292.2 million compared to June 30, 2017. The average rate on interest-bearing liabilities was 0.61% for the second quarter, a decrease of 14 basis points from the same period in 2017, which was benefited by the prepayment of long-term borrowings in 2017. The average rate paid on interest-bearing deposits was 0.45% for the second quarter of 2018, an increase of 8 basis points from the second quarter of 2017, which was primarily due to an increase in deposit rates in response to an increasing Federal Funds rate. Noninterest-bearing deposits represented 45% of average deposits for the three months ended June 30, 2018, contributing to an average cost of deposits of 0.24% in the second quarter of 2018, a two basis point decrease from the linked quarter.

Results of Operations, Six Months Ended June 30, 2018

Net income for the six months ended June 30, 2018 was $19.3 million, or $0.67 per diluted share, as compared to $5.1 million, or $0.18 per diluted share, for the six months ended June 30, 2017. The $14.1 million increase in net income for the period was primarily due to an $11.4 million increase in net interest income and a $7.0 million improvement in provision for loan losses, partially offset by a $4.4 million increase in the provision for income taxes.

Core earnings (non-GAAP) for the six months ended June 30, 2018 was $19.7 million, or $0.68 per diluted share, as compared to $4.5 million, or $0.16 per diluted share for the six months ended June 30, 2017. Core earnings for the six months ended June 30, 2018 exclude $0.5 million of costs related to the acquisition of New Resource.

Net interest income was $69.5 million for the six months ended June 30, 2018, as compared to $58.1 million for the six months ended June 30, 2017. Net interest margin was 3.50% for the first six months of 2018, compared to 3.05% for the first six months of 2017, an increase of 45 basis points.

Non-interest income decreased to $13.2 million for the six months ended June 30, 2018, or 4.3%, compared to $13.8 million for the six months ended June 30, 2017. The decrease was primarily due to the loss on the sale of one C&I loan and loss on the sales of foreclosed 1-4 family residential properties, which was partially offset by increased fee income from service charges on deposit accounts.

Non-interest expense for the six months ended June 30, 2018 was $58.9 million, a decrease of $0.7 million or 1.2%, from $59.6 million for the six months ended June 30, 2017.

Financial Condition

Total assets were $4.6 billion at June 30, 2018, compared to $4.0 billion at December 31, 2017. The increase of $566.8 million was primarily driven by the addition of $410.9 million in total assets acquired, net of fair value adjustments, in the acquisition of New Resource, and by an increase in investment securities of $170.7 million. The Company recorded $14.1 million of goodwill related to the New Resource acquisition.

Nonperforming assets totaled $52.0 million, or 1.13% of period end total assets at June 30, 2018, a decrease of $3.9 million, compared with $56.0 million, or 1.35% of period end total assets at March 31, 2018.

The allowance for loan losses decreased to $35.4 million at June 30, 2018 from $37.4 million at March 31, 2018, a decrease of $2.0 million, which was primarily driven by the reduction of the indirect C&I portfolio. At June 30, 2018, the Company had $51.1 million of impaired loans for which a specific allowance of $9.2 million was made, compared to $53.2 million of impaired loans at March 31, 2018 for which a specific allowance of $9.3 million was made. The ratio of allowance to total loans was 1.13% at June 30, 2018 and 1.26% at March 31, 2018.

Non-GAAP Financial Measures

This release contains certain non-GAAP financial measures including, without limitation, “Core operating revenue,” “Core non-interest expense,” “Core earnings,” “Tangible common equity,” “Core return on average assets,” “Core return on average tangible common equity,” and “Core efficiency ratio.”

Our management utilizes this information to compare our operating performance for 2018 versus certain periods in 2017 and to internally prepared projections. We believe these non-GAAP financial measures facilitate making period-to-period comparisons and are meaningful indications of our operating performance. In addition, because intangible assets such as goodwill and other discrete items unrelated to our core business that are excluded vary extensively from company to company, we believe that the presentation of this information allows investors to more easily compare our results to those of other companies.

The presentation of non-GAAP financial information, however, is not intended to be considered in isolation or as a substitute for GAAP financial measures. We strongly encourage readers to review the GAAP financial measures included in this release and not to place undue reliance upon any single financial measure. In addition, because non-GAAP financial measures are not standardized, it may not be possible to compare the non-GAAP financial measures presented in this release with other companies’ non-GAAP financial measures having the same or similar names. Reconciliations of non-GAAP financial disclosures to comparable GAAP measures found in this release are set forth in the final pages of this release and also may be viewed on the Company’s website, amalgamatedbank.com.

About Amalgamated Bank

Amalgamated Bank is a New York-based full-service commercial bank and a chartered trust company with a combined network of 14 branches in New York City, Washington D.C., and San Francisco, and a presence in Pasadena, CA and Boulder, CO. Amalgamated was formed in 1923 as Amalgamated Bank of New York by the Amalgamated Clothing Workers of America, one of the country's oldest labor unions. Amalgamated provides commercial banking and trust services nationally and offers a full range of products and services to both commercial and retail customers. Amalgamated is a proud member of the Global Alliance for Banking on Values and is a certified B Corporation®. As of June 30, 2018, total assets were $4.6 billion, total net loans were $3.1 billion, and total deposits were $4.0 billion. Additionally, as of June 30, 2018, the trust business held $29.3 billion in assets under custody and $11.9 billion in assets under management.

Terminology

Certain terms used in this release are defined as follows:

"Core operating revenue" is defined as total net interest income plus non-interest income excluding gains and losses on sales of securities and excluding other than temporary impairment charges ("OTTI"). We believe the most directly comparable GAAP financial measure is the total of net interest income and non-interest income.

"Core non-interest expense" is defined as total non-interest expense excluding any prepayment of long-term borrowings, branch closures, costs related to bank acquisitions, restructuring/severance or post-retirement benefit cancellation impacts. We believe the most directly comparable GAAP financial measure is total non-interest expense.

"Core earnings" is defined as net income after tax excluding gains and losses on sales of securities and excluding OTTI, prepayment of long-term borrowings, branch closures, costs related to bank acquisitions, restructuring/severance, post-retirement benefit cancellation, taxes on notable pre-tax items, pension recycling taxes and valuation allowance release. We believe the most directly comparable GAAP financial measure is net income.

"Tangible common equity" and "Tangible book value" and are defined as stockholders' equity excluding, as applicable, minority interests, preferred stock, goodwill and core deposit intangibles. We believe that the most directly comparable GAAP financial measure is total stockholders' equity.

"Core return on average assets" is defined as "Core earnings" divided by average total assets. We believe the most directly comparable performance ratio derived from GAAP financial measures is return on average assets calculated by dividing net income by average total assets.

"Core return on average tangible common equity" is defined as "Core earnings" divided by "Average tangible common equity." We believe the most directly comparable performance ratio derived from GAAP financial measures is return on average equity calculated by dividing net income by average total stockholders' equity.

"Core efficiency ratio" is defined as "Core non-interest expense" divided by "Core operating revenue." We believe the most directly comparable performance ratio derived from GAAP financial measures is an efficiency ratio calculated by dividing total non-interest expense by the sum of net interest income and total non-interest income.

Forward Looking Statements

Statements included in this release that are not historical in nature are intended to be, and are hereby identified as, forward-looking statements within the meaning of the Private Securities Litigation Reform Act, Section 21E of the Securities Exchange Act of 1934, as amended. The words "may," "will," "anticipate," "should," "would," "believe," "contemplate," "expect," "estimate," "continue," "may" and "intend," as well as other similar words and expressions of the future, are intended to identify forward-looking statements, but other statements not based on historical information may also be considered forward-looking statements. These forward-looking statements include statements related to our business strategy, projected growth, future provisions for loan losses, our asset quality and any loan charge-offs, the composition of our loan portfolio, statements regarding our cost of deposits, anticipated future financial performance, and management's long-term performance goals, as well as statements relating to the anticipated effects on results of operations and financial condition from expected developments or events, business and growth strategies, anticipated internal growth and the impact of our acquisition of New Resource Bank. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors, any or all of which could cause actual results to differ materially from the results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: (i) deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses; (ii) continuation of the historically low short-term interest rate environment; (iii) the inability of Amalgamated Bank to maintain the historical growth rate of its loan portfolio; (iv) changes in loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments; (v) effectiveness of Amalgamated Bank's asset management activities in improving, resolving or liquidating lower-quality assets; (vi) the impact of competition with other financial institutions, including pricing pressures (including those resulting from the Tax Cuts and Jobs Act) and the resulting impact on Amalgamated Bank's results, including as a result of compression to net interest margin; (vii) greater than anticipated adverse conditions in the national or local economies including in Amalgamated Bank's core markets (viii) fluctuations or unanticipated changes in interest rates on loans or deposits or that affect the yield curve; (ix) the results of regulatory examinations; (x) the ability to grow and retain low-cost core deposits and retain large, uninsured deposits; (xi) a merger or acquisition; (xii) risks of expansion into new geographic or product markets; (xiii) any matter that would cause Amalgamated Bank to conclude that there was impairment of any asset, including intangible assets; (xiv) inability to comply with regulatory capital requirements, including those resulting from changes to capital calculation methodologies, required capital maintenance levels or regulatory requests or directives; (xv) risks associated with litigation, including the applicability of insurance coverage; (xvi) the risk of successful integration of the businesses Amalgamated Bank has recently acquired with its business; (xvii) the vulnerability of Amalgamated Bank's network and online banking portals, and the systems of parties with whom Amalgamated Bank contracts, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches; (xviii) the possibility of increased compliance costs resulting from increased regulatory oversight as a result of Amalgamated Bank becoming a publicly traded company; (xix) volatile credit and financial markets both domestic and foreign; (xx) potential deterioration in real estate values (xxi) the risk that the cost savings and any synergies expected from Amalgamated's merger with New Resource Bank ("NRB") may not be realized or take longer than anticipated to be realized; (xx) disruption from Amalgamated's merger with NRB with customers, suppliers, employee or other business partners relationships; (xxi) the risk of successful integration of Amalgamated's and NRB's businesses; (xxii) reputational risk and the reaction of the parties' customers, suppliers, employees or other business partners to Amalgamated's merger with NRB; (xxiii) the risk that the integration of Amalgamated's and NRB's operations will be more costly or difficult than expected; and (xxiii) the availability and access to capital. Additional factors which could affect the forward looking statements can be found in Amalgamated's Registration Statement on Form 10, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K filed with the FDIC and available on the FDIC's website at https://efr.fdic.gov/fcxweb/efr/index.html. Amalgamated Bank disclaims any obligation to update or revise any forward-looking statements contained in this release, which speak only as of the date hereof, whether as a result of new information, future events or otherwise.

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Consolidated Statements of Income

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
INTEREST AND DIVIDEND INCOME				
Loans	$ 32,322	$ 27,448	$ 61,496	$ 53,840
Securities	7,374	6,507	13,618	13,019
Federal Home Loan Bank of New York stock	248	357	639	782
Interest-bearing deposits in banks	216	132	651	288
Total interest and dividend income	40,160	34,444	76,404	67,929
INTEREST EXPENSE				
Deposits	2,212	1,811	4,301	3,429
Borrowed funds	1,253	2,841	2,606	6,410
Total interest expense	3,465	4,652	6,907	9,839
NET INTEREST INCOME	36,695	29,792	69,497	58,090
(Release) provision for loan losses	(2,766)	4,066	(1,916)	5,073
Net interest income after provision for loan losses	39,461	25,726	71,413	53,017
NON-INTEREST INCOME				
Trust department fees	4,636	4,478	9,285	9,272
Service charges on deposit accounts	1,991	1,730	3,770	3,467
Bank-owned life insurance	399	420	803	843
Loss on sale of investment securities available for sale, net	(9)	(525)	(110)	(101)
Other than temporary impairment (OTTI) of securities, net	-	10	(2)	10
(Loss) gain on sale of loans, net	(506)	8	(477)	24
(Loss) gain on other real estate owned, net	(486)	13	(513)	(20)
Other	179	191	461	314
Total non-interest income	6,204	6,325	13,217	13,809
NON-INTEREST EXPENSE				
Compensation and employee benefits, net	16,839	6,838	32,215	22,546
Occupancy and depreciation	4,060	5,504	8,062	9,890
Professional fees	2,427	2,171	5,620	4,828
FDIC deposit insurance	576	607	1,131	1,239
Data processing	2,462	2,667	4,798	4,680
Office maintenance and depreciation	927	1,154	1,873	2,151
Amortization of intangible assets	174	-	174	-
Advertising and promotion	871	1,340	1,517	2,009
Borrowed funds prepayment fees	4	6,441	4	7,615
Other	1,798	2,428	3,532	4,678
Total non-interest expense	30,138	29,150	58,926	59,636

Income before provision for income taxes	15,527	2,901	25,704	7,190
Provision for income taxes	3,935	630	6,451	2,069
Net income	11,592	2,271	19,253	5,121
Net income attributable to noncontrolling interests	-	-	-	-
Net income attributable to Amalgamated Bank and subsidiaries	$ 11,592	$ 2,271	$ 19,253	$ 5,121
Earnings per common share - basic and diluted - (1)	$ 0.39	$ 0.08	$ 0.67	$ 0.18

(1) effected for stock split that occurred on July 27, 2018

Consolidated Statements of Financial Condition

Assets	**As of June 30, 2018 (Unaudited)**	**December 31, 2017**
Cash and due from banks	$ 20,650	$ 7,130
Interest-bearing deposits in banks	141,369	109,329
Total cash and cash equivalents	162,019	116,459
Securities:		
Available for sale, at fair value	1,119,568	943,359
Held-to-maturity (fair value of $4,124 and $9,718, respectively)	4,123	9,601
Loans held for sale, at fair value	19,272	-
Loans receivable, net of deferred loan origination fees	3,122,064	2,815,878
Allowance for loan losses	(35,353)	(35,965)
Loans receivable, net	3,086,711	2,779,913
Accrued interest and dividends receivable	13,190	11,177
Premises and equipment, net	23,430	22,422
Bank-owned life insurance	78,284	72,960
Deferred tax asset, net	39,652	39,307
Goodwill and other intangible assets	23,021	-
Other real estate owned	844	1,907
Other assets	37,820	44,057
Total assets	$4,607,934	$4,041,162
Liabilities and Stockholders' Equity		
Deposits	$3,962,436	$3,233,108
Borrowed funds	141,675	402,605
Accrued interest payable	1,410	1,434
Other liabilities	96,102	59,947
Total liabilities	4,201,623	3,697,094
Commitments and contingencies		
Stockholders’ equity:		
Preferred Stock:		
Class B - par value $100,000 per share; 77 shares authorized; 67 shares issued and outstanding as of December 31, 2017	-	6,700
Common Stock:		
Class A - par value $.01 per share; 42,000,000 shares authorized; 31,771,584 and 28,060,980 shares issued and outstanding, respectively (1)	318	281
Additional paid-in capital (1)	300,913	243,771
Retained earnings	118,759	99,506
Total accumulated other comprehensive loss, net of taxes	(13,813)	(6,324)
Total Amalgamated Bank stockholders' equity	406,177	343,934
Noncontrolling interests	134	134
Total stockholders' equity	406,311	344,068
Total liabilities and stockholders’ equity	$4,607,934	$4,041,162

(1) effected for stock split that occurred on July 27, 2018

Select Financial Data

	As of and for the Three Months Ended June 30, (1)		As of and for the Six Months Ended June 30, (1)	
	2018	2017	2018	2017
Selected Financial Ratios and Other Data:				
Earnings				
Basic	$ 0.39	$ 0.08	$ 0.67	$ 0.18
Diluted	0.39	0.08	0.67	0.18
Core Earnings				
Basic	0.40	0.04	0.68	0.16
Diluted	0.40	0.04	0.68	0.16
Book value per common share (excluding minority interest)	12.78	12.28	12.78	12.28
Tangible book value per share	12.06	12.04	12.06	12.04
Common shares outstanding	31,771,580	28,060,980	31,771,580	28,060,980
Weighted average common shares outstanding, basic	29,814,340	28,060,980	28,942,504	28,060,980
Weighted average common shares outstanding, diluted	29,814,340	28,060,980	28,942,504	28,060,980

(1) effected for stock split that occurred on July 27, 2018

Select Financial Data

	As of and for the Three Months Ended June 30,				As of and for the Six Months Ended June 30,			
	2018		2017		2018		2017	
Selected Performance Metrics:								
Return on average assets	1.07	%	0.23	%	0.93	%	0.26	%
Core return on average assets (non-GAAP)	1.10	%	0.10	%	0.95	%	0.23	%
Return on average equity	12.31	%	2.61	%	10.71	%	2.96	%
Core return on average tangible common equity (non-GAAP)	13.08	%	1.20	%	11.32	%	2.67	%
Loan yield	4.33	%	4.18	%	4.25	%	4.18	%
Securities yield	2.93	%	2.45	%	2.88	%	2.42	%
Deposit cost	0.24	%	0.24	%	0.25	%	0.23	%
Net interest margin	3.56	%	3.12	%	3.50	%	3.05	%
Efficiency ratio	70.25	%	80.71	%	71.24	%	82.94	%
Core efficiency ratio (non-GAAP)	69.51	%	85.33	%	70.52	%	84.14	%
Asset Quality Ratios:								
Nonperforming loans to total loans	0.63	%	0.83	%	0.63	%	0.83	%
Nonperforming assets to total assets	1.13	%	2.07	%	1.13	%	2.07	%
Allowance for loan losses to nonperforming loans	179	%	177	%	179	%	177	%
Allowance for loan losses to total loans	1.13	%	1.46	%	1.13	%	1.46	%
Net charge-offs (recoveries) to average loans	(0.02	%)	0.02	%	(0.04	%)	0.02	%
Capital Ratios:								
Tier 1 leverage capital ratio	8.59	%	8.38	%	8.59	%	8.38	%

Tier 1 risk-based capital ratio	12.46 %	11.39 %	12.46 %	11.39 %
Total risk-based capital ratio	13.71 %	12.64 %	13.71 %	12.64 %
Common equity tier 1 capital ratio	12.46 %	11.20 %	12.46 %	11.20 %

Portfolio Composition

	For the Three months ended June 30, 2018			For the Three months ended June 30, 2017		
(*in thousands)*	**Average Balance**	**Income / Expense**	**Yield / Rate**	**Average Balance**	**Income / Expense**	**Yield / Rate**
Interest earning assets:						
Interest-bearing deposits in banks	$ 74,668	$ 216	1.16 %	$ 77,343	$ 132	0.68 %
Securities and FHLB stock	1,045,196	7,622	2.93 %	1,121,602	6,864	2.45 %
Loans held for sale	28,042	-	0.00 %	1,423	-	0.00 %
Loans, net (1)	2,991,273	32,322	4.33 %	2,634,601	27,448	4.18 %
Total interest earning assets	4,139,179	40,160	3.89 %	3,834,969	34,444	3.60 %
Non-interest earning assets:						
Cash and due from banks	13,825			6,684		
Other assets(2)	180,417			176,673		
Total assets	$ 4,333,422			$ 4,018,326		
Interest bearing liabilities:						
Savings, NOW and money market deposits	$ 1,587,825	$ 1,225	0.31 %	$ 1,505,357	$ 985	0.26 %
Time deposits	400,778	987	0.99 %	437,563	826	0.76 %
Total interest bearing deposits	1,988,603	2,212	0.45 %	1,942,920	1,811	0.37 %
Federal Home Loan Bank advances	291,023	1,253	1.73 %	557,951	2,841	2.04 %
Total interest bearing liabilities	2,279,626	3,465	0.61 %	2,500,871	4,652	0.75 %
Non interest bearing liabilities:						
Demand and transaction deposits	1,636,294			1,124,618		
Other liabilities	39,647			43,418		
Total liabilities	3,955,567			3,668,907		
Stockholders' equity	377,855			349,419		
Total liabiliites and stockholders' equity	$ 4,333,422			$ 4,018,326		
Net interest income / interest rate spread		$ 36,695	3.28 %		$ 29,792	2.85 %
Net interest earning assets / net interest margin	$ 1,859,553		3.56 %	$ 1,334,098		3.12 %

(1) Amounts are net of deferred origination costs / (fees) and the allowance for loan losses

(2) Includes non performing residential 1-4 family loans of $93 and $400 for the three months ended 2018 and 2017 respectively

Portfolio Composition

	For the Six months ended June 30, 2018			For the Six months ended June 30, 2017		
(*in thousands)*	**Average Balance**	**Income / Expense**	**Yield / Rate**	**Average Balance**	**Income / Expense**	**Yield / Rate**
Interest earning assets:						
Interest-bearing deposits in banks	$ 74,872	$ 651	1.75 %	$ 96,055	$ 288	0.60 %
Securities and FHLB stock	997,932	14,257	2.88 %	1,148,113	13,801	2.42 %
Loans held for sale	14,607	-	0.00 %	715	-	0.00 %
Loans, net (1)	2,918,726	61,496	4.25 %	2,595,687	53,840	4.18 %
Total interest earning assets	4,006,137	76,404	3.85 %	3,840,570	67,929	3.57 %
Non-interest earning assets:						
Cash and due from banks	10,385			6,687		

Other assets[2]	178,347			178,545		
Total assets	$ 4,194,869			$ 4,025,802		
Interest bearing liabilities:						
Savings, NOW and money market deposits	$ 1,539,029	$ 2,357	0.31 %	$ 1,498,903	$ 1,763	0.24 %
Time deposits	393,557	1,944	1.00 %	455,510	1,666	0.74 %
Total interest bearing deposits	1,932,586	4,301	0.45 %	1,954,413	3,429	0.35 %
Federal Home Loan Bank advances	325,371	2,606	1.62 %	588,485	6,378	2.19 %
Other Borrowings	-	-	-	3,051	32	2.13 %
Total interest bearing liabilities	2,257,957	6,907	0.62 %	2,545,949	9,839	0.78 %
Non interest bearing liabilities:						
Demand and transaction deposits	1,530,460			1,085,798		
Other liabilities	43,975			45,462		
Total liabilities	3,832,392			3,677,209		
Stockholders' equity	362,477			348,593		
Total liabiliites and stockholders' equity	$ 4,194,869			$ 4,025,802		
Net interest income / interest rate spread		$ 69,497	3.23 %		$ 58,090	2.79 %
Net interest earning assets / net interest margin	$ 1,748,180		3.50 %	$ 1,294,621		3.05 %

(1) Amounts are net of deferred origination costs / (fees) and the allowance for loan losses

(2) Includes non performing residential 1-4 family loans of $1,496 and $339 for the six months ended 2018 and 2017 respectively

Reconciliation of GAAP to Non-GAAP Financial Measures

The information provided below presents a reconciliation of each of our non-GAAP financial measures to the most directly comparable GAAP financial measure.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Core operating revenue				
Net interest income (GAAP)	$ 36,695	$ 29,792	$ 69,497	$ 58,090
Non interest income (GAAP)	6,204	6,325	13,217	13,809
Add: Securities loss, net and OTTI	9	514	112	91
Core operating revenue (non-GAAP)	$ 42,908	$ 36,631	$ 82,826	$ 71,990
Core non-interest expenses				
Non-interest expense (GAAP)	$ 30,138	$ 29,150	$ 58,926	$ 59,636
Less: Prepayment fees on borrowings	(4)	(6,441)	(4)	(7,615)
Less: Branch closure expense[1]	-	(1,289)	-	(1,289)
Less: Acquisition cost[2]	(307)		(537)	-
Less: Severance	-	-	23	-
Add: Post-retirement benefit cancellation[3]	-	9,838	-	9,838
Core non-interest expense (non-GAAP)	$ 29,827	$ 31,258	$ 58,408	$ 60,570
Core Earnings				
Net Income (GAAP)	$ 11,592	$ 2,271	$ 19,253	$ 5,121
Add: Securities loss, net and OTTI	9	514	112	91
Add: Prepayment fees on borrowings	4	6,441	4	7,615
Add: Branch closure expense[1]	-	1,289	-	1,289
Add: Acquisition cost[2]	307	-	537	-
Add: Severance	-	-	(23)	-
Less: Post-retirement benefit cancellation[3]	-	(9,838)	-	(9,838)
Less: Tax on notable items	(81)	346	(158)	242
Core earnings (non-GAAP)	$ 11,831	$ 1,023	$ 19,725	$ 4,520

Tangible common equity				
Stockholders Equity (GAAP)	$ 406,311	$ 344,622	$ 406,311	$ 344,622
Less: Minority Interest (GAAP)	(134)	(134)	(134)	(134)
Less: Preferred Stock (GAAP)	-	(6,700)	-	(6,700)
Less: Goodwill (GAAP)	(14,124)	-	(14,124)	-
Less: Core deposit intangible (GAAP)	(8,897)	-	(8,897)	-
Tangible common equity (non-GAAP)	$ 383,156	$ 337,788	$ 383,156	$ 337,788
Core return on average assets				
Core earnings (numerator) (non-GAAP)	11,831	1,023	19,725	4,521
Divided: Total average assets (denominator) (GAAP)	4,333,422	4,018,326	4,194,869	4,025,802
Core return on average assets (non-GAAP)	1.10%	0.10%	0.95%	0.23%
Core return on average tangible common equity				
Core earnings (numerator) (non-GAAP)	11,831	1,023	19,725	4,521
Divided: Total average tangible common equity (denominator) (non-GAAP)	362,765	342,585	351,491	341,759
Core return on average tangible common equity (non-GAAP)	13.08%	1.20%	11.32%	2.67%
Core efficiency ratio				
Core non-interest expense (numerator) (non-GAAP)	29,827	31,258	58,408	60,570
Core operating revenue (denominator) (non-GAAP)	42,908	36,631	82,826	71,990
Core efficiency ratio (non-GAAP)	69.51%	85.33%	70.52%	84.14%

(1) Occupancy and severance expense related to closure of branches during our branch rationalization

(2) Consulting and legal expense related to New Resource acquisition

(3) "One time" credit due to plan cancellation in Q2 2017

Source: Amalgamated Bank