Amalgamated Bank Reports Third Quarter 2019 Financial Results

October 28, 2019

NEW YORK, Oct. 28, 2019 (GLOBE NEWSWIRE) -- Amalgamated Bank (Nasdaq: AMAL) ("Amalgamated") today announced financial results for the period ended September 30, 2019.

Third Quarter 2019 Highlights

- Net income for the quarter of $13.2 million, or $0.41 per diluted share, compared to $9.4 million, or $0.29 per diluted share, for the third quarter of 2018
- Core net income (non-GAAP) for the quarter of $13.3 million, or $0.41 per diluted share, compared to $12.1 million, or $0.38 per diluted share, for the third quarter of 2018
- Deposit growth of $185.9 million, or 17.8% annualized, from $4.1 billion at June 30, 2019
- Average deposit growth of $117.4 million, or 11.3% annualized, as compared to the second quarter of 2019
- Loan growth of $176.3 million, or 21.4% annualized, as compared to June 30, 2019
- Cost of deposits of 0.37%, as compared to 0.34% for the second quarter of 2019 and 0.25% for the third quarter of 2018
- Net interest margin of 3.50%, compared to 3.66% for the second quarter of 2019 and 3.65% for the third quarter of 2018
- Tier 1 Leverage, Common Equity Tier 1, and Total Risk-Based capital ratios were 9.03%, 13.49%, and 14.55%, respectively, at September 30, 2019
- First U.S. bank to endorse United Nations' Principles for Responsible Banking (UNPRB); Joined UNPRB Collective Commitment to Climate Action and Global Partnership for Carbon Accounting Financials Received the Small Cap Board Diversity Award by the National Association of Corporate Directors

Keith Mestrich, President and Chief Executive Officer of Amalgamated Bank, commented, "Our third quarter results demonstrate the continued growth of our franchise as we surpassed $5.0 billion in assets, a significant milestone for Amalgamated. This growth was driven by continued strength in our average deposits which increased at an 11.3% annualized rate in the quarter, including $91.5 million growth in political deposits at period end as we continue to bank a majority of the candidates running for President. We also delivered 21.4% annualized loan growth as our expansion into 'sustainable' lending continues to gain traction and the headwind from our decision to run off our indirect C&I portfolio abates. Looking to the balance of the year, we are well positioned as our pipelines in alternative energy, C&I, CRE, and Multifamily are healthy. Lastly, we have remained disciplined on costs, having reduced our forward looking expense base by approximately $2.4 million annually through the renegotiation of a major vendor contract and the closure of our Chelsea bank branch. Expense control remains a priority of our management team as we strive to improve the Bank's profitability."

Results of Operations, Quarter Ended September 30, 2019

Net income for the third quarter of 2019 was $13.2 million, or $0.41 per diluted share, compared to $11.2 million, or $0.35 per diluted share, for the second quarter of 2019 and $9.4 million, or $0.29 per diluted share, for the third quarter of 2018. The $3.8 million increase in net income for the third quarter of 2019, compared to the third quarter of 2018, was primarily due to a $2.2 million decrease in non-interest expense due to the initial public offering of our stock in the third quarter of 2018, a $1.7 million increase in net interest income, and a $1.3 million decrease in provision expense due to a $1.7 million recovery in the quarter, partially offset by a $1.6 million increase in income tax expense.

Core net income (non-GAAP) for the third quarter of 2019 was $13.3 million, or $0.41 per diluted share, compared to $11.6 million, or $0.36 per diluted share, for the second quarter of 2019 and $12.1 million, or $0.38 per diluted share, for the third quarter of 2018. Core net income for the third quarter of 2019 exclude branch closure expenses, loss on the sale of securities, severance, and the tax effect of such adjustments.

Net interest income was $41.8 million for the third quarter of 2019, compared to $41.9 million for the second quarter of 2019 and $40.0 million for the third quarter of 2018. The year-over-year increase of $1.7 million, or 4.3%, was primarily attributable to an increase in average loans of $266.5 million, an increase in average securities of $164.2 million, and an increase in the yield on average securities of 17 basis points. These increases were partially offset by an increase in average interest bearing deposits of $48.4 million, an increase in average FHLB borrowings of $60.2 million, an increase in the average rate paid on interest bearing deposits of 24 basis points, and an increase in the rate paid on FHLB borrowings of 49 basis points. We also recognized $0.8 million of accretion income on acquired loans, adding seven basis points to our net interest margin in the third quarter of 2019.

Net interest margin was 3.50% for the third quarter of 2019, compared to 3.66% in the second quarter of 2019, and 3.65% in the third quarter of 2018. The 16 basis point decrease in the third quarter compared to the linked quarter, was primarily due to a 20 basis point decrease in the yield on loans as the result of the indirect C&I portfolio run-off and lower market rates and due to higher rates on interest bearing deposits.

Provisions for loan losses totaled a release of $0.6 million in the third quarter of 2019, compared to an expense of $2.1 million in the second quarter of 2019 and an expense of $0.8 million for the third quarter of 2018. The provision release in the third quarter of 2019 was primarily driven by the recovery of $1.7 million related to one indirect C&I loan that had previously been charged-off, partially offset by $0.8 million in net charge-offs in C&I and by other factors. The provision for the third quarter of 2018 was primarily due to an increase in loan balances, partially offset by a reduction in loss factors.

Non-interest income was $7.7 million in the third quarter of 2019 compared to $6.3 million in the second quarter of 2019, and $7.5 million in the third quarter of 2018. The $1.3 million increase in the third quarter of 2019 compared to the linked quarter was primarily due to an increase in Trust

Department and service charge fees as well as a lower losses on investment securities and no losses in the sale of other real estate owned in the third quarter of 2019. The $0.1 million, or 1.5%, increase in the third quarter of 2019, compared to the same period in 2018, was primarily due to a $0.2 million increase in Trust Department fees, partially offset by other factors.

Non-interest expense for the third quarter of 2019 was $31.9 million, an increase of $0.9 million from $31.0 million in the second quarter of 2019, and a decrease of $2.2 million from $34.1 million in the third quarter of 2018. The $0.9 million increase in the third quarter compared to the linked quarter was due to higher expenses related to projects, such as SOX readiness and an increase in bonus pool for employees, partially offset by a reduction in the off balance sheet provision and FDIC assessment expense.

The third quarter of 2019 included a provision for income tax expense of $4.9 million, compared to a provision of $3.9 million for second quarter of 2019, and provision of $3.3 million for the third quarter of 2018. Our effective tax rate was 27.1% for the three months ended September 30, 2019, compared to 26.1% and 25.8% for the same period in 2018 and the linked quarter respectively.

Total loans at September 30, 2019 were $3.5 billion, an increase of $176.3 million, or 21.4% annualized, compared to June 30, 2019, and an increase of $302.8 million, or 9.6%, as compared to $3.2 billion as of September 30, 2018. Loan growth in the third quarter of 2019 was primarily driven by a $83.3 million increase in residential first lien and PACE loans, a $56.9 million increase in multifamily loans, and a $45.6 million increase in C&I loans.

Deposits at September 30, 2019 were $4.3 billion, an increase of $185.9 million, or 17.8% annualized, as compared to $4.1 billion as of June 30, 2019, and an increase of $289.6 million, or 7.2%, compared to $4.0 billion as of September 30, 2018. Deposits held by politically-active customers, such as campaigns, PACs and state and national party committees were $510.9 million as of September 30, 2019, an increase of $91.5 million, compared to $419.4 million as of June 30, 2019, and an increase of $113.1 million compared to $397.8 million, as of September 30, 2018. Noninterest-bearing deposits represented 45.9% of average deposits and 45.4% of ending deposits for the three months ended September 30, 2019.

Results of Operations, Nine Months Ended September 30, 2019

Net income for the nine months ended September 30, 2019 was $35.2 million, or $1.09 per diluted share, compared to $28.7 million, or $0.96 per diluted share, for same period in 2018. The $6.5 million increase in net income for the nine months ended September 30, 2019, compared to the same period in 2018, was primarily due to a $14.8 million increase in net interest income, partially offset by a $4.9 million increase in the provision for loan losses, a $2.7 million increase in income tax expense, and $1.4 million increase in non-interest expense.

Core net income (non-GAAP) for the nine months ended September 30, 2019 were $35.6 million, or $1.10 per diluted share, compared to $31.9 million or $0.97 per diluted share, for the same period last year. Core net income for the first nine months of 2019 exclude branch closures, severance, loss on the sale of securities, and the tax effect of such adjustments.

Net interest income was $124.4 million for the nine months ended September 30, 2019, an increase of $14.8 million, or 13.6%, from the same period in 2018. This increase was primarily attributable to an increase in average loans of $292.8 million, an increase in average securities of $227.0 million, and an increase in the yield on average securities and FHLB stock of 36 basis points. These increases were partially offset by an increase in average interest bearing deposits of $280.6 million, an increase in the rate paid on interest bearing deposits of 15 basis points, and an increase in the rate paid on FHLB borrowings of 81 basis points.

We had income tax expense of $12.5 million for the nine months ended September 30, 2019, compared to $9.8 million for the same period in 2018. The $2.7 million increase in income tax expense was primarily due to an increase in pre-tax earnings of $9.3 million in the nine months ended September 30, 2019, compared to the same period in 2018. Our effective tax rate was 26.3% for the nine months ended September 30, 2019, compared to 25.4% for the same period in 2018.

Financial Condition

Total assets were $5.0 billion at September 30, 2019, compared to $4.7 billion at December 31, 2018. The increase of $344.3 million was driven primarily by a $256.4 million increase in loans, net, a $67.1 million increase in investment securities and the addition of a $53.3 million “Rights to use” asset as the result of adopting *ASC 842* - leases in the first quarter of 2019.

Nonperforming assets totaled $71.6 million, or 1.42% of total assets at September 30, 2019, a decrease of $2.4 million, compared with $73.9 million, or 1.50% of period end total assets at June 30, 2019. The decrease in nonperforming assets at September 30, 2019 compared to June 30, 2019 was primarily driven by a $13.9 million reduction in loans 90 days past due and accruing, partially offset by the addition of a $9.3 million accruing restructured loan due to the restructuring of one indirect C&I loan and the addition of a $3.7 million non-accruing restructured construction loan.

The allowance for loan losses increased $0.1 million to $33.7 million at September 30, 2019 from $33.6 million at June 30, 2019. At September 30, 2019, the Bank had $71.0 million of impaired loans for which a specific allowance of $6.2 million was made, compared to $59.3 million of impaired loans at June 30, 2019 for which a specific allowance of $3.9 million was made. The ratio of allowance to total loans was 0.96% at September 30, 2019, 1.01% at June 30, 2019 and 1.14% at September 30, 2018.

Capital

As of September 30, 2019, our Tier 1 Leverage Capital Ratio was 9.03%, Common Equity Tier 1 Capital Ratio was 13.49%, and Total Risk-Based Capital Ratio was 14.55%, compared to 9.04%, 13.57%, and 14.67%, respectively, as of June 30, 2019. As of September 30, 2018, our Tier 1 Leverage, Common Equity Tier 1, and Total Risk-Based capital ratios were 8.94%, 12.95%, and 14.20%, respectively. Stockholders’ equity at September 30, 2019 was $486.3 million, compared to $474.9 million at June 30, 2019.

Tangible book value (or tangible common equity) per share was $14.74 as of September 30, 2019 compared to $14.25 as of June 30, 2019 and $12.57 as of September 30, 2018.

Conference Call

As previously announced, Amalgamated Bank will host a conference call to discuss its third quarter 2019 results today, October 28, 2019 at 10:00am (Eastern Time). The conference call can be accessed by dialing 1-877-407-9716 (domestic) or 1-201-493-6779 (international) and asking for the Amalgamated Bank Third Quarter 2019 Earnings Call. A telephonic replay will be available approximately two hours after the conclusion of the call and can be accessed by dialing 1-844-512-2921, or for international callers 1-412-317-6671 and providing the access code 13695040. The telephonic replay will be available until 11:59 pm (Eastern Time) on November 4, 2019.

Interested investors and other parties may also listen to a simultaneous webcast of the conference call by logging onto the investor relations section of our website at http://ir.amalgamatedbank.com/. The online replay will remain available for a limited time beginning immediately following the call.

The presentation materials for the call can be accessed on the investor relations section of our website at http://ir.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 13 branches in New York City, Washington D.C., and San Francisco. 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 September 30, 2019, our total assets were $5.0 billion, total net loans were $3.5 billion, and total deposits were $4.3 billion. Additionally, as of September 30, 2019, the trust business held $32.0 billion in assets under custody and $12.6 billion in assets under management.

Non-GAAP Financial Measures

This release contains certain non-GAAP financial measures including, without limitation, "Core operating revenue," "Core non-interest expense," "Core net income," "Tangible common equity," "Tangible book value," "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 2019 versus certain periods in 2018 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 what we believe to be the most directly comparable GAAP measures are set forth in the final pages of this release and also may be viewed on our website, amalgamatedbank.com.

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Consolidated Statements of Income (Unaudited)
(Dollars in thousands, except for per share amount)

	Three Months Ended			**Nine Months Ended**	
	September 30,	**June 30,**	**September 30,**	**September 30,**	
	2019	**2019**	**2018**	**2019**	**2018**
INTEREST AND DIVIDEND INCOME					
Loans	$ 35,768	$ 35,559	$ 33,788	$ 106,623	$ 95,284
Securities	10,542	10,524	8,707	30,941	22,325
Federal Home Loan Bank of New York stock	178	191	161	679	801
Interest-bearing deposits in banks	209	254	443	756	1,094
Total interest and dividend income	46,697	46,528	43,099	138,999	119,504
INTEREST EXPENSE					
Deposits	3,952	3,499	2,559	10,396	6,860
Borrowed funds	988	1,173	498	4,216	3,104
Total interest expense	4,940	4,672	3,057	14,612	9,964

NET INTEREST INCOME	41,757	41,856	40,042	124,387	109,540
Provision for (recovery of) loan losses	(558)	2,127	791	3,755	(1,124)
Net interest income after provision for loan losses	42,315	39,729	39,251	120,632	110,664
NON-INTEREST INCOME					
Trust Department fees	4,888	4,508	4,698	14,117	13,983
Service charges on deposit accounts	2,222	2,068	2,225	6,161	5,995
Bank-owned life insurance	415	408	434	1,243	1,237
Gain (loss) on sale of investment securities available for sale, net	(50)	(377)	-	(135)	(110)
Gain (loss) on other real estate owned, net	-	(315)	-	(564)	(494)
Other	184	57	190	603	153
Total non-interest income	7,659	6,349	7,547	21,425	20,764
NON-INTEREST EXPENSE					
Compensation and employee benefits, net	17,765	16,992	17,044	52,187	49,259
Occupancy and depreciation	4,298	4,145	4,172	12,714	12,234
Professional fees	3,120	2,401	5,243	8,686	10,863
Data processing	2,856	2,729	2,787	8,334	7,585
Office maintenance and depreciation	934	830	796	2,651	2,669
Amortization of intangible assets	344	298	406	1,031	580
Advertising and promotion	684	692	1,075	1,998	2,583
Other	1,885	2,915	2,530	6,735	7,206
Total non-interest expense	31,886	31,002	34,053	94,336	92,979
Income before income taxes	18,088	15,076	12,745	47,721	38,449
Income tax expense (benefit)	4,893	3,891	3,328	12,527	9,779
Net income	13,195	11,185	9,417	35,194	28,670
Net income attributable to noncontrolling interests	-	-	-	-	-
Net income attributable to Amalgamated Bank and subsidiaries	$ 13,195	$ 11,185	$ 9,417	$ 35,194	$ 28,670
Earnings per common share - basic (1)	$ 0.41	$ 0.35	$ 0.30	$ 1.11	$ 0.96
Earnings per common share - diluted (1)	$ 0.41	$ 0.35	$ 0.29	$ 1.09	$ 0.96

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

Consolidated Statements of Financial Condition (Unaudited)
(Dollars in thousands)

Assets	**September 30, 2019 (Unaudited)**	**December 31, 2018**
Cash and due from banks	$ 7,016	$ 10,510
Interest-bearing deposits in banks	64,223	70,335
Total cash and cash equivalents	71,239	80,845
Securities:		
Available for sale, at fair value (amortized cost of $1,212,456 and $1,188,710, respectively)	1,225,106	1,175,170
Held-to-maturity (fair value of $22,396 and $4,105, respectively)	21,259	4,081
Loans receivable, net of deferred loan origination costs (fees)	3,500,724	3,247,831
Allowance for loan losses	(33,697)	(37,195)
Loans receivable, net	3,467,027	3,210,636
Accrued interest and dividends receivable	15,932	14,387
Premises and equipment, net	18,912	21,654

Bank-owned life insurance	80,309	79,149
Right-of-use lease asset	49,848	-
Deferred tax asset	32,482	39,697
Goodwill and other intangible assets	20,008	21,039
Other assets	27,647	38,831
Total assets	$ 5,029,769	$ 4,685,489
Liabilities		
Deposits	$ 4,322,379	$ 4,105,306
Borrowed funds	127,775	92,875
Operating leases	64,512	-
Other liabilities	28,791	47,937
Total liabilities	4,543,457	4,246,118
Commitments and contingencies	-	-
Stockholders' equity		
Common stock, par value $.01 per share (70,000,000 shares authorized; 31,633,691 and 31,771,585 shares issued and outstanding, respectively)	315	318
Additional paid-in capital	307,157	308,678
Retained earnings	171,684	142,231
Accumulated other comprehensive income (loss), net of income taxes	7,022	(11,990)
Total Amalgamated Bank stockholders' equity	486,178	439,237
Noncontrolling interests	134	134
Total stockholders' equity	486,312	439,371
Total liabilities and stockholders' equity	$ 5,029,769	$ 4,685,489

Select Financial Data

	As of and for the Three Months Ended			As of and for the Nine Months Ended	
	September 30, 2019	**June 30,** 2019	**September 30,** 2018	**September 30,** 2019	2018
Selected Financial Ratios and Other Data [1]					
Earnings per share					
Basic	$ 0.41	$ 0.35	$ 0.30	$ 1.11	$ 0.96
Diluted	0.41	0.35	0.29	1.09	0.96
Core Earnings per share (non-GAAP)					
Basic	$ 0.42	$ 0.36	$ 0.38	$ 1.12	$ 1.07
Diluted	0.41	0.36	0.38	1.10	1.06
Book value per common share (excluding minority interest)	15.37	14.89	13.25	15.37	13.25
Tangible book value per share (non-GAAP)	14.74	14.25	12.57	14.74	12.57
Common shares outstanding	31,633,691	31,886,669	31,771,585	31,633,691	31,771,585
Weighted average common shares outstanding, basic	31,809,083	31,824,930	31,771,585	31,802,004	29,895,897
Weighted average common shares outstanding, diluted	32,176,439	32,237,116	32,099,668	32,251,333	30,006,460

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

Select Financial Data – Select Performance Metrics

	As of and for the Three Months Ended			As of and for the Nine Months Ended	
	September 30, 2019	**June 30,** 2019	**September 30,** 2018	**September 30,** 2019	2018
Selected Performance Metrics:					
Return on average assets	1.05%	0.92%	0.82%	0.97%	0.89%
Core return on average assets (non-GAAP)	1.06%	0.96%	1.05%	0.98%	0.98%
Return on average equity	10.86%	9.65%	8.96%	10.13%	10.07%
Core return on average tangible common equity (non-GAAP)	11.43%	10.45%	12.17%	10.71%	11.64%

Loan yield	4.22%	4.42%	4.33%	4.36%	4.28%
Securities yield	3.28%	3.34%	3.11%	3.33%	2.97%
Deposit cost	0.37%	0.34%	0.25%	0.34%	0.25%
Net interest margin	3.50%	3.66%	3.65%	3.60%	3.55%
Efficiency ratio	64.53%	64.31%	71.56%	64.70%	71.36%
Core efficiency ratio (non-GAAP)	64.26%	63.50%	64.02%	64.38%	68.11%
Asset Quality Ratios:					
Nonaccrual loans to total loans	0.53%	0.49%	0.63%	0.53%	0.63%
Nonperforming assets to total assets	1.42%	1.50%	1.25%	1.42%	1.25%
Allowance for loan losses to nonaccrual loans	183%	209%	180%	183%	180%
Allowance for loan losses to total loans	0.96%	1.01%	1.14%	0.97%	1.14%
Net charge-offs (recoveries) to average loans	-0.07%	0.01%	-0.03%	0.29%	-0.07%
Capital Ratios:					
Tier 1 leverage capital ratio	9.03%	9.04%	8.94%	9.03%	8.94%
Tier 1 risk-based capital ratio	13.49%	13.57%	12.95%	13.49%	12.95%
Total risk-based capital ratio	14.55%	14.67%	14.20%	14.55%	14.20%
Common equity tier 1 capital ratio	13.49%	13.57%	12.95%	13.49%	12.95%

Loan Portfolio Composition

(In thousands)	**At September 30, 2019**			**At June 30, 2019**			**At September 30, 2018**		
	Amount	**% of total loans**		**Amount**	**% of total loans**		**Amount**	**% of total loans**	
Commercial portfolio:									
Commercial and industrial	$ 469,882	13.5	%	$ 424,319	12.8	%	$ 585,279	18.3	%
Multifamily mortgages	982,667	28.1	%	925,747	27.9	%	956,307	30.0	%
Commercial real estate mortgages	441,612	12.6	%	453,393	13.7	%	429,616	13.4	%
Construction and land development mortgages	59,309	1.7	%	58,696	1.7	%	36,704	1.1	%
Total commercial portfolio	1,953,470	55.9	%	1,862,155	56.1	%	2,007,906	62.8	%
Retail portfolio:									
Residential 1-4 family (1st mortgage)	1,344,757	38.5	%	1,261,488	38.0	%	1,017,362	31.9	%
Residential 1-4 family (2nd mortgage)	24,859	0.7	%	25,174	0.8	%	28,588	0.9	%
Consumer and other	169,463	4.9	%	168,201	5.1	%	141,660	4.4	%
Total retail	1,539,079	44.1	%	1,454,863	43.9	%	1,187,610	37.2	%
Total loans	3,492,549	100.0	%	3,317,018	100.0	%	3,195,516	100.0	%
Net deferred loan origination fees (costs)	8,175			7,562			5,349		
Allowance for loan losses	(33,697)			(33,630)			(36,414)		
Total loans, net	$ 3,467,027			$ 3,290,950			$ 3,164,451		

Net Interest Income Analysis

	Three Months Ended September 30, 2019				**Three Months Ended June 30, 2019**				**Three Months Ended September 30, 2018**			
(In thousands)	**Average Balance**	**Income / Expense**	**Yield / Rate**		**Average Balance**	**Income / Expense**	**Yield / Rate**		**Average Balance**	**Income / Expense**	**Yield / Rate**	
Interest earning assets:												
Interest-bearing deposits in banks	$ 72,143	$ 209	1.15	%	$ 70,442	$ 254	1.45	%	$ 114,464	$ 443	1.54	%
Securities and FHLB stock	1,294,930	10,720	3.28	%	1,287,520	10,715	3.34	%	1,130,719	8,867	3.11	%
Loans held for sale	-	-	0.00	%	-	-	0.00	%	11,445	-	0.00	%
Total loans, net (1)	3,363,837	35,768	4.22	%	3,225,129	35,559	4.42	%	3,097,318	33,789	4.33	%
Total interest earning assets	4,730,910	46,697	3.92	%	4,583,091	46,528	4.07	%	4,353,946	43,099	3.93	%
Non-interest earning assets:												
Cash and due from banks	6,985				6,838				19,623			

Other assets	228,076			264,046			202,593		
Total assets	$ 4,965,971			$ 4,853,975			$ 4,576,162		
Interest bearing liabilities:									
Savings, NOW and money market deposits	$ 1,869,675	$ 2,478	0.53 %	$ 1,857,715	$ 1,962	0.42 %	$ 1,804,535	$ 1,416	0.31 %
Time deposits	417,591	1,474	1.40 %	486,652	1,537	1.27 %	434,352	1,143	1.04 %
Total deposits	2,287,266	3,952	0.69 %	2,344,367	3,499	0.60 %	2,238,887	2,559	0.45 %
Federal Home Loan Bank advances	166,363	987	2.35 %	190,501	1,166	2.46 %	106,131	498	1.86 %
Other Borrowings	163	1	2.43 %	1,099	7	2.56 %	-	-	0.00 %
Total interest bearing liabilities	2,453,792	4,940	0.80 %	2,535,967	4,672	0.74 %	2,345,018	3,057	0.52 %
Non interest bearing liabilities:									
Demand and transaction deposits	1,936,915			1,762,426			1,771,774		
Other liabilities	93,056			90,680			42,563		
Total liabilities	4,483,763			4,389,073			4,159,355		
Stockholders' equity	482,208			464,902			416,807		
Total liabilities and stockholders' equity	$ 4,965,971			$ 4,853,975			$ 4,576,162		
Net interest income / interest rate spread		$ 41,757	3.12 %		$ 41,856	3.33 %		$ 40,042	3.41 %
Net interest earning assets / net interest margin	$ 2,277,118		3.50 %	$ 2,047,124		3.66 %	$ 2,008,928		3.65 %
Total Cost of Deposits			0.37 %			0.34 %			0.25 %

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

Net Interest Income Analysis

	Nine Months Ended September 30, 2019			**Nine Months Ended September 30, 2018**		
(In thousands)	**Average Balance**	**Income / Expense**	**Yield / Rate**	**Average Balance**	**Income / Expense**	**Yield / Rate**
Interest earning assets:						
Interest-bearing deposits in banks	$ 71,956	$ 756	1.40 %	$ 88,215	$ 1,095	1.66 %
Securities and FHLB stock	1,269,637	31,620	3.33 %	1,042,680	23,125	2.97 %
Loans held for sale	-	-	0.00 %	13,541	-	0.00 %
Total loans, net (1)	3,271,700	106,623	4.36 %	2,978,911	95,284	4.28 %
Total interest earning assets	4,613,293	138,999	4.03 %	4,123,347	119,504	3.87 %
Non-interest earning assets:						
Cash and due from banks	7,926			13,498		
Other assets	248,707			186,518		
Total assets	$ 4,869,926			$ 4,323,363		
Interest bearing liabilities:						
Savings, NOW and money market deposits	$ 1,868,218	$ 6,307	0.45 %	$ 1,628,503	$ 3,774	0.31 %
Time deposits	448,140	4,089	1.22 %	407,305	3,086	1.01 %
Total deposits	2,316,358	10,396	0.60 %	2,035,808	6,860	0.45 %
Federal Home Loan Bank advances	227,853	4,199	2.46 %	251,488	3,104	1.65 %
Other Borrowings	861	17	2.64 %	-	-	0.00 %
Total interest bearing liabilities	2,545,072	14,612	0.77 %	2,287,296	9,964	0.58 %
Non interest bearing liabilities:						
Demand and transaction deposits	1,767,232			1,611,783		
Other liabilities	92,966			43,499		
Total liabilities	4,405,270			3,942,578		
Stockholders' equity	464,656			380,785		
Total liabilities and stockholders' equity	$ 4,869,926			$ 4,323,363		
Net interest income / interest rate spread		$ 124,387	3.26 %		$ 109,540	3.29 %
Net interest earning assets / net interest margin	$ 2,068,221		3.60 %	$ 1,836,051		3.55 %
Total Cost of Deposits			0.34 %			0.25 %

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

Deposit Portfolio Composition

	Three Months Ended		
(in thousands)	September 30, 2019	June 30, 2019	September 30, 2018
Non-interest bearing demand deposit accounts	$ 1,963,232	$ 1,908,741	$ 1,822,991
NOW accounts	235,933	216,834	184,503
Savings accounts	337,590	340,258	332,281
Money market deposit accounts	1,377,747	1,239,387	1,238,481
Time deposits	402,877	411,251	454,536
Brokered CD	5,000	19,991	-
	$ 4,322,379	$ 4,136,463	$ 4,032,792

	Three Months Ended September 30, 2019		Three Months Ended June 30, 2019		Three Months Ended September 30, 2018	
(In thousands)	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Demand and transaction deposits	$ 1,936,915	0.00 %	$ 1,762,426	0.00 %	$ 1,771,774	0.00 %
Savings accounts	338,383	0.23 %	339,166	0.22 %	327,098	0.17 %
Money market deposit accounts	1,303,766	0.62 %	1,298,033	0.47 %	1,286,940	0.32 %
NOW accounts	227,525	0.46 %	220,516	0.47 %	190,497	0.46 %
Time deposits	410,310	1.38 %	424,848	1.10 %	434,352	1.04 %
Brokered CD	7,281	2.76 %	61,804	2.45 %	-	0.00 %
Total deposits	$ 4,224,180	0.37 %	$ 4,106,793	0.34 %	$ 4,010,661	0.25 %

Asset Quality

(In thousands)	September 30, 2019	June 30, 2019	December 31, 2018
Loans 90 days past due and accruing	$ 36	$ 13,939	$ -
Nonaccrual loans excluding held for sale loans and restructured loans	8,874	9,893	8,379
Nonaccrual loans held for sale	-	-	-
Restructured loans - nonaccrual	9,495	6,221	15,482
Restructured loans - accruing	52,555	43,277	34,457
Other real estate owned	526	526	844
Impaired securities	67	88	93
Total nonperforming assets	$ 71,553	$ 73,944	$ 59,255
Nonaccrual loans:			
Commercial and industrial	$ 3,089	$ 4,180	$ 12,153
Multifamily	-	-	-
Commercial real estate	3,693	3,832	4,112
Construction and land development	3,702	-	-
Total commercial portfolio	10,484	8,012	16,265
Residential 1-4 family 1st mortgages	6,545	6,330	6,287
Residential 1-4 family 2nd mortgages	888	1,267	1,299
Consumer and other	452	505	10
Total retail portfolio	7,885	8,102	7,596
Total nonaccrual loans	$ 18,369	$ 16,114	$ 23,861
Nonperforming assets to total assets	1.42 %	1.50 %	1.27 %
Nonaccrual assets to total assets	0.38 %	0.34 %	0.53 %

Nonaccrual loans to total loans	0.53 %	0.49 %	0.74 %
Allowance for loan losses to nonaccrual loans	183 %	209 %	156 %
Troubled debt restructurings:			
TDRs included in nonaccrual loans	$ 9,495	$ 6,221	$ 15,482
TDRs in compliance with modified terms	$ 52,555	$ 43,277	$ 34,457

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			**For the Nine Months Ended**	
(in thousands)	**September 30,**	**June 30,**	**September 30,**	**September 30,**	
	2019	2019	2018	2019	2018
Core operating revenue					
Net interest income (GAAP)	$ 41,758	$ 41,856	$ 40,042	$ 124,387	$ 109,540
Non interest income (GAAP)	7,659	6,349	7,547	21,425	20,764
Add: Securities loss (gain)	50	377	-	135	112
Core operating revenue (non-GAAP)	$ 49,467	$ 48,582	$ 47,589	$ 145,947	$ 130,416
Core non-interest expenses					
Non-interest expense (GAAP)	$ 31,887	$ 31,002	$ 34,053	$ 94,337	$ 92,979
Less: Prepayment fees on borrowings	-	-	(5)	-	(8)
Less: Branch closure expense(1)	(51)	-	-	(51)	-
Less: Acquisition cost(2)	-	-	(148)	-	(730)
Less: Initial public offering and follow on cost (3)	-	-	(3,436)	-	(3,436)
Less: Severance (4)	(47)	(154)	-	(318)	23
Core non-interest expense (non-GAAP)	$ 31,789	$ 30,848	$ 30,464	$ 93,967	$ 88,828
Core Earnings					
Net Income (GAAP)	$ 13,195	$ 11,185	$ 9,417	$ 35,194	$ 28,670
Add: Securities loss (gain)	50	377	-	135	112
Add: Prepayment fees on borrowings	-	-	5	-	8
Add: Branch closure expense(1)	51	-	-	51	-
Add: Acquisition cost(2)	-	-	148	-	730
Add: Initial public offering and follow on cost (3)	-	-	3,436	-	3,436
Add: Severance (4)	47	154	-	318	(23)
Less: Tax on notable items	(40)	(137)	(911)	(132)	(1,083)
Core earnings (non-GAAP)	$ 13,303	$ 11,579	$ 12,095	$ 35,566	$ 31,850
Tangible common equity					
Stockholders Equity (GAAP)	$ 486,312	$ 474,944	$ 421,028	$ 486,312	$ 421,028
Less: Minority Interest (GAAP)	(134)	(134)	(134)	(134)	(134)
Less: Goodwill (GAAP)	(12,936)	(12,936)	(12,936)	(12,936)	(12,936)
Less: Core deposit intangible (GAAP)	(7,072)	(7,415)	(8,491)	(7,072)	(8,491)
Tangible common equity (non-GAAP)	$ 466,170	$ 454,459	$ 399,467	$ 466,170	$ 399,467
Average tangible common equity					
Average Stockholders Equity (GAAP)	$ 482,208	$ 464,902	$ 416,808	$ 464,656	$ 380,786
Less: Minority Interest (GAAP)	(134)	(134)	(134)	(134)	(134)
Less: Preferred Stock (GAAP)	-	-	-	-	(3,681)
Less: Goodwill (GAAP)	(12,936)	(12,936)	(13,933)	(12,936)	(6,899)
Less: Core deposit intangible (GAAP)	(7,240)	(7,575)	(8,402)	(7,570)	(4,140)
Average tangible common equity (non-GAAP)	$ 461,898	$ 444,257	$ 394,338	$ 444,015	$ 365,931
Core return on average assets					
Core earnings (numerator) (non-GAAP)	13,303	11,579	12,095	35,566	31,850
Divided: Total average assets (denominator) (GAAP)	4,965,971	4,853,975	4,576,162	4,869,926	4,323,363

Core return on average assets (non-GAAP)	1.06	%	0.96	%	1.05	%	0.98	%	0.98	%
Core return on average tangible common equity										
Core earnings (numerator) (non-GAAP)	13,303		11,579		12,095		35,566		31,850	
Divided: Average tangible common equity (denominator) (non-GAAP)	461,898		444,257		394,338		444,015		365,931	
Core return on average tangible common equity (non-GAAP)	11.43	%	10.45	%	12.17	%	10.71	%	11.64	%
Core efficiency ratio										
Core non-interest expense (numerator) (non-GAAP)	31,789		30,848		30,464		93,967		88,828	
Core operating revenue (denominator) (non-GAAP)	49,467		48,582		47,589		145,947		130,416	
Core efficiency ratio (non-GAAP)	64.26	%	63.50	%	64.02	%	64.38	%	68.11	%

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

(2) Expense related to New Resource Bank acquisition

(3) Costs related to initial public offering in August 2018

(4) Salary and COBRA reimbursement expense for positions eliminated

Source: Amalgamated Bank