Amalgamated Bank Reports Third Quarter 2018 Financial Results

NEW YORK – (Globe Newswire) -- October 29, 2018: Amalgamated Bank (Nasdaq: AMAL) (the "Company") today announced financial results for the third quarter ended September 30, 2018.

<u>Third Quarter 2018 Highlights</u>

- Net income of $9.4 million, or $0.29 per diluted share, as compared to $4.6 million, or $0.16 per diluted share, for the third quarter of 2017
- Core earnings (non-GAAP) of $12.1 million, or $0.38 per diluted share, as compared to $4.9 million, or $0.17 per diluted share, for the third quarter of 2017
- Deposit growth of $70.4 million, or 7.1% annualized, compared to June 30, 2018
- Loan growth of $78.8 million, or 10.1% annualized, compared to June 30, 2018
- Cost of deposits was 0.25%, as compared to 0.24% for the second quarter of 2018 and 0.25% for the third quarter of 2017
- Net Interest Margin was 3.65%, as compared to 3.56% for the second quarter of 2018 and 3.30% for the third quarter of 2017
- Tier 1 Leverage, Common Equity Tier 1, and Total Risk-Based capital ratios were 8.94%, 12.95%, and 14.20%, respectively, at September 30, 2018

Keith Mestrich, President and Chief Executive Officer of Amalgamated Bank, commented, "I am pleased with our third quarter financial results as they visibly demonstrate the value that we provide to our customers as we execute our mission of building America's socially responsible bank. Our sustained deposit growth and stable cost of funds, and our position as the go-to financial partner for clients who share our values, are strong proof-points of our continued success. Our strategy is to invest our low-cost deposits into conservative assets to generate attractive returns for all our stakeholders which can be seen in our margin expansion. This quarter, we again experienced success reducing our indirect C&I portfolio as the total C&I balances declined $41.8 million, which was more than offset by growth in residential and multifamily lending as total loan balances were modestly higher at quarter end."

Results of Operations, Quarter Ended September 30, 2018

Net income for the third quarter of 2018 was $9.4 million, or $0.29 per diluted share, as compared to $11.6 million, or $0.39 per diluted share, for the second quarter of 2018 and net income of $4.6 million, or $0.16 per diluted share, for the third quarter of 2017. The $4.8 million increase in net income for the third quarter of 2018, compared to the comparable prior year period, was primarily due to an $8.1 million increase in net interest income, partially offset by a $3.1 million increase in non-interest expense, primarily due to costs associated with the initial public offering, and an $0.8 million increase in the provision for income taxes.

Core earnings (non-GAAP) for the third quarter of 2018 were $12.1 million, or $0.38 per diluted share, compared to $11.8 million or $0.40 per diluted share, for the second quarter of 2018 and $4.9 million, or $0.17 per diluted share, for the third quarter of 2017. Core earnings for the third quarter of 2018 excluded $3.4 million of expense related to our initial public offering and $148,000 in integration expense related to our acquisition of New Resource Bank.

Net interest income was $40.0 million for the third quarter of 2018, compared to $36.7 million for the second quarter of 2018 and $32.0 million for the third quarter of 2017. The year over year increase was primarily attributable to a $400.1 million increase in average net loans, a six basis point increase in the yield on average loans, a 58 basis point increase in the yield on average securities and FHLB stock, and a decrease in funding costs due to a decrease in average borrowings of $504.0 million, partially offset by a $399.9 million increase in average interest bearing deposits. The company recorded

**Please refer to the reconciliation of GAAP to non-GAAP financial measures on page 15 of this document* loans acquired in our acquisition of New Resource at fair value, including a credit discount, which is accreted into interest income over the life of the related loans.

Net interest margin was 3.65% for the third quarter of 2018, an increase of nine basis points as compared to 3.56% in the second quarter of 2018 and an increase of 35 basis points from 3.30% in the third quarter of 2017. The accretion of the loan mark from the loans acquired in the New Resource Bank acquisition was six basis points on net interest margin in the third quarter of 2018 compared to three basis points in the second quarter of 2018.

Provisions for loan losses totaled an expense of $0.8 million in the third quarter of 2018 compared to a release of $2.8 million in the second quarter of 2018 and an expense of $1.2 million for the third quarter of 2017. The provision expense in the third quarter of 2018 was primarily driven by portfolio balance increases, particularly in Residential 1-4 Family (1st lien) and Multifamily loans, tempered by general improvement in loss rates. The provision includes an increase in specific reserves related to a previously impaired indirect C&I loan, offset by an overall net reduction in C&I portfolio.

Non-interest income increased $1.3 million, or 21.7%, to $7.5 million in the third quarter of 2018 from $6.2 million in the second quarter of 2018, and increased $0.2 million, or 3.4%, from $7.3 million in the third quarter of 2017. The linked quarter increase was primarily due to higher service charges on deposit accounts and the absence of losses on the sale of loans and other real estate owned compared to the second quarter.

Non-interest expense for the third quarter of 2018 was $34.1 million, an increase of $4.0 million from $30.1 million in the second quarter of 2018, and an increase of $3.1 million from $31.0 million in the third quarter of 2017. The linked quarter increase was primarily due to $3.4 million of initial public offering costs expensed during the third quarter.

Total loans, net of deferred origination fees, at September 30, 2018 were $3.2 billion, an increase of $78.8 million, or 2.5%, as compared to $3.1 billion as of June 30, 2018, and an increase of $493.0 million, or 18.2%, as compared to $2.7 billion as of September 30, 2017. Loan growth was primarily driven by the $335.2 million of loans we acquired, net of fair value adjustments, in our acquisition of New Resource, growth in residential lending and multifamily lending portfolios, and the purchase of loans, partially offset by run-off in our indirect C&I portfolio.

Deposits at September 30, 2018 were $4.0 billion, an increase of $70.4 million, or 1.8%, as compared to $4.0 billion as of June 30, 2018, and an increase of $1.0 billion, or 31.2%, as compared to $3.0 billion as of September 30, 2017; $361.9 million of deposit growth was attributed to our acquisition of New Resource. Our deposits held by politically-active customers, such as campaigns, PACs and state and national party committees were $397.8 million as of September 30, 2018, a decrease of $18.6 million compared to $416.3 million as of June 30, 2018, and an increase of $241.3 million compared to $156.5 million as of September 30, 2017. Noninterest-bearing deposits represented 44.2% of average deposits for the three months ended September 30, 2018, contributing to an average cost of deposits of 0.25% in the third quarter of 2018, a one basis point increase from the linked quarter.

Results of Operations, Nine Months Ended September 30, 2018

Net income for the nine months ended September 30, 2018 was $28.7 million, or $0.96 per diluted share, as compared to $9.7 million, or $0.34 per diluted share, for the nine months ended September 30, 2017. The $19.0 million increase in net income for the period was primarily due to a $19.5 million increase in net interest income and a $7.4 million improvement in provision for loan losses, partially offset by a $2.4 million increase in non-interest expense and a $5.2 million increase in the provision for income taxes.

Core earnings (non-GAAP) for the nine months ended September 30, 2018 were $31.9 million, or $1.06 per diluted share, as compared to $9.4 million, or $0.33 per diluted share, for the nine months ended September 30, 2017. Core earnings for the nine months ended September 30, 2018 excluded $3.4 million of expenses related to the initial public offering and $730,000 in expense related to our acquisition of New Resource Bank.

Net interest income was $109.5 million for the nine months ended September 30, 2018, as compared to $90.0 million for the nine months ended September 30, 2017. Net interest margin was 3.55% for the nine months ended September 30, 2018, compared to 3.13% for the same period in 2017, an increase of 42 basis points.

Non-interest income decreased 1.6% to $20.8 million for the nine months ended September 30, 2018, as compared to $21.1 million for the nine months ended September 30, 2017. The decrease was primarily due to the loss on the sale of one C&I loan, loss on the sales of foreclosed 1-4 family residential properties, and loss on the sale of investment securities, partially offset by increased fee income from service charges on deposit accounts.

Non-interest expense for the nine months ended September 30, 2018 was $93.0 million, an increase of $2.4 million or 2.6%, from $90.6 million for the nine months ended September 30, 2017. The increase was primarily due to the absence of the retirement plan cancellation credit of $9.8 million which occurred in the second quarter of 2017 and $3.4 million in expense related to the initial public offering of the stock in the third quarter of 2018, partially offset by the absence of prepayment penalties on borrowings which occurred in the first nine months of 2017.

Financial Condition

Total assets were $4.6 billion at September 30, 2018, compared to $4.0 billion at December 31, 2017. The increase of $589.2 million was primarily driven by the addition of $412.1 million in total assets acquired, net of fair value adjustments, in our acquisition of New Resource, and by an increase in investment securities of $201.1 million.

Nonperforming assets totaled $58.0 million, or 1.25% of period end total assets at September 30, 2018, an increase of $6 million, compared with $52.0 million, or 1.13% of period end total assets at June 30, 2018.

The allowance for loan losses increased $1.0 million to $36.4 million at September 30, 2018 from $35.4 million at June 30, 2018, primarily driven by an increase in reserves on multifamily and retail loans. At September 30, 2018, the Company had $57.0 million of impaired loans for which a specific allowance of $9.8 million was made, compared to $51.1 million of impaired loans at June 30, 2018 for which a specific allowance of $9.2 million was made. The ratio of allowance to total loans was 1.14% at September 30, 2018 and 1.13% at June 30, 2018.

Capital

As of September 30, 2018, the Company's Tier 1 Leverage Capital Ratio was 8.94%, Common Equity Tier 1 Capital Ratio was 12.95%, and Total Risk-Based Capital Ratio was 14.20%, compared to 8.59%, 12.46%, and 13.71%, respectively, as of June 30, 2018. As of September 30, 2017, the Company's Tier 1 Leverage, Common Equity Tier 1, and Total Risk-Based capital ratios were 8.46%, 11.84%, and 13.10%, respectively. Stockholders' equity at September 30, 2018 was $420.9 million, compared to $406.2 million at June 30, 2018.

The Company's tangible book value per share was $12.57 as of September 30, 2018 compared to $12.06 as of June 30, 2018 and $12.19 as of September 30, 2017.

Conference Call

As previously announced, Amalgamated Bank will host a conference call today, October 29, 2018, to discuss its third quarter 2018 results at 5:00pm (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 2018 Earnings Call. A telephonic replay will be available approximately three hours after 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 13683598. The telephonic replay will be available until 11:59 pm (Eastern Time) on November 12, 2018.
Interested investors and other parties may also listen to a simultaneous webcast of the conference call by logging onto the investor relations section of the Company's website at http://ir.amalgamatedbank.com/. The online replay will remain available for a limited time beginning immediately following the call.

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 September 30, 2018, total assets were $4.6 billion, total net loans were $3.2 billion, and total deposits were $4.0 billion. Additionally, as of September 30, 2018, the trust business held $30.2 billion in assets under custody and $12.3 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 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.

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, deposit growth, projected cost of funds, decline in the amount of deposits by certain of our customers and margin expansion. 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, except as required by law.

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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, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
INTEREST AND DIVIDEND INCOME					
Loans	$ 33,788	$ 32,322	$ 29,048	$ 95,284	$ 82,889
Securities	8,707	7,374	6,388	22,325	19,407
Federal Home Loan Bank of New York stock	161	248	449	801	1,230
Interest-bearing deposits in banks	443	216	150	1,094	438
Total interest and dividend income	43,099	40,160	36,035	119,504	103,964
INTEREST EXPENSE					
Deposits	2,559	2,212	1,910	6,860	5,339
Borrowed funds	498	1,253	2,172	3,104	8,582
Total interest expense	3,057	3,465	4,082	9,964	13,921
NET INTEREST INCOME	40,042	36,695	31,953	109,540	90,043
Provision (release) for loan losses	791	(2,766)	1,167	(1,124)	6,240
Net interest income after provision for loan losses	39,251	39,461	30,786	110,664	83,803
NON-INTEREST INCOME					
Trust department fees	4,698	4,636	4,618	13,983	13,890
Service charges on deposit accounts	2,225	1,991	1,717	5,995	5,184
Bank-owned life insurance	434	399	448	1,237	1,291
(Loss) gain on sale of investment securities available for sale, net	-	(9)	183	(110)	81
Other than temporary impairment (OTTI) of securities, net	-	-	(1)	(2)	10
Gain (loss) on sale of loans, net	13	(506)	16	(464)	40
(Loss) gain on other real estate owned, net	-	(486)	87	(494)	67
Other	177	179	233	619	547
Total non-interest income	7,547	6,204	7,301	20,764	21,110
NON-INTEREST EXPENSE					
Compensation and employee benefits, net	17,044	16,839	17,340	49,259	39,885
Occupancy and depreciation	4,172	4,060	3,993	12,234	13,883
Professional fees	5,243	2,427	2,136	10,863	6,964
FDIC deposit insurance	443	576	632	1,574	1,870
Data processing	2,787	2,462	2,256	7,585	6,937
Office maintenance and depreciation	796	927	1,072	2,669	3,223
Amortization of intangible assets	406	174	-	580	-
Advertising and promotion	1,075	871	973	2,592	2,982
Borrowed funds prepayment fees	5	4	-	8	7,615
Other	2,082	1,798	2,580	5,615	7,258
Total non-interest expense	34,053	30,138	30,982	92,979	90,617
Income before provision for income taxes	12,745	15,527	7,105	38,449	14,296
Provision for income taxes	3,328	3,935	2,521	9,779	4,591
Net income	9,417	11,592	4,584	28,670	9,705
Net income attributable to noncontrolling interests	-	-	-	-	-
Net income attributable to Amalgamated Bank and subsidiaries	$ 9,417	$ 11,592	$ 4,584	$ 28,670	$ 9,705
Earnings per common share - basic (1)	$ 0.30	$ 0.39	$ 0.16	$ 0.96	$ 0.34
Earnings per common share - diluted (1)	$ 0.29	$ 0.39	$ 0.16	$ 0.96	$ 0.34

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

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

Assets	As of September 30, 2018 (Unaudited)	As of December 31, 2017
Cash and due from banks	$ 16,811	$ 7,130
Interest-bearing deposits in banks	83,518	109,329
Total cash and cash equivalents	100,329	116,459
Securities:		
Available for sale, at fair value	1,149,939	943,359
Held-to-maturity (fair value of $4,103 and $9,718, respectively)	4,108	9,601
Loans receivable, net of deferred loan origination costs (fees)	3,200,865	2,815,878
Allowance for loan losses	(36,414)	(35,965)
Loans receivable, net	3,164,451	2,779,913
Accrued interest and dividends receivable	14,487	11,177
Premises and equipment, net	22,552	22,422
Bank-owned life insurance	78,718	72,960
Deferred tax asset, net	37,686	39,307
Goodwill and other intangible assets	21,428	-
Other real estate owned	844	1,907
Other assets	35,834	44,057
Total assets	$ 4,630,376	$ 4,041,162
Liabilities and Stockholders' Equity		
Deposits	$ 4,032,792	$ 3,233,108
Borrowed funds	121,675	402,605
Accrued interest payable	1,025	1,434
Other liabilities	53,856	59,947
Total liabilities	4,209,348	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; 70,000,000 shares authorized; 31,771,585 and 28,060,980 shares issued and outstanding, respectively (1)	318	281
Additional paid-in capital (1)	308,144	243,771
Retained earnings	128,176	99,506
Total accumulated other comprehensive loss, net of taxes	(15,744)	(6,324)
Total Amalgamated Bank stockholders' equity	420,894	343,934
Noncontrolling interests	134	134
Total stockholders' equity	421,028	344,068
Total liabilities and stockholders' equity	$ 4,630,376	$ 4,041,162

(1) December 31, 2017 balances effected for stock split that occurred on July 27, 2018

Select Financial Data

	As of and for the Three Months Ended (1)			As of and for the Nine Months Ended (1)	
	September 30,	June 30,	September 30,	September 30,	
	2018	2018	2017	2018	2017
Selected Financial Ratios and Other Data:					
Earnings					
Basic	$ 0.30	$ 0.39	$ 0.16	$ 0.96	$ 0.34
Diluted	0.29	0.39	0.16	0.96	0.34
Core Earnings					
Basic	$ 0.38	$ 0.40	$ 0.17	$ 1.07	$ 0.33
Diluted	0.38	0.40	0.17	1.06	0.33
Book value per common share (excluding minority interest)	13.25	12.78	12.43	13.25	12.43
Tangible book value per share	12.57	12.06	12.19	12.57	12.19
Common shares outstanding	31,771,585	31,771,585	28,060,985	31,771,585	28,060,985
Weighted average common shares outstanding, basic	31,771,585	29,814,345	28,060,985	29,895,897	28,060,985
Weighted average common shares outstanding, diluted	32,099,668	29,814,345	28,060,985	30,006,460	28,060,985

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

Select Financial Data

	As of and for the Three Months Ended			As of and for the Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
	2018	2018	2017	2018	2017
Selected Performance Metrics:					
Return on average assets	0.82%	1.07%	0.45%	0.89%	0.32%
Core return on average assets (non-GAAP)	1.05%	1.10%	0.48%	0.98%	0.31%
Return on average equity	8.96%	12.31%	5.19%	10.07%	3.72%
Core return on average tangible common equity (non-GAAP)	12.17%	13.08%	5.71%	11.64%	3.68%
Loan yield	4.33%	4.33%	4.27%	4.28%	4.21%
Securities yield	3.11%	2.93%	2.53%	2.97%	2.46%
Deposit cost	0.25%	0.24%	0.25%	0.25%	0.23%
Net interest margin	3.65%	3.56%	3.30%	3.55%	3.13%
Efficiency ratio	71.56%	70.25%	78.93%	71.36%	81.53%
Core efficiency ratio (non-GAAP)	64.02%	69.51%	77.59%	68.11%	81.83%
Asset Quality Ratios:					
Nonperforming loans to total loans	0.63%	0.63%	1.11%	0.63%	1.11%
Nonperforming assets to total assets	1.25%	1.13%	2.14%	1.25%	2.14%
Allowance for loan losses to nonperforming loans	180%	179%	123%	180%	123%
Allowance for loan losses to total loans	1.14%	1.13%	1.36%	1.14%	1.36%
Net (recoveries) charge-offs to average loans	(0.01%)	(0.02%)	0.15%	(0.05%)	0.18%
Capital Ratios:					
Tier 1 leverage capital ratio	8.94%	8.59%	8.46%	8.94%	8.46%
Tier 1 risk-based capital ratio	12.95%	12.46%	11.84%	12.95%	11.84%
Total risk-based capital ratio	14.20%	13.71%	13.10%	14.20%	13.10%
Common equity tier 1 capital ratio	12.95%	12.46%	11.63%	12.95%	11.63%

Portfolio Composition

(in thousands)	At September 30, 2018		At June 30, 2018		At September 30, 2017	
	Amount	% of total loans	Amount	% of total loans	Amount	% of total loans
Commercial portfolio:						
Commercial and industrial	$ 585,279	18.3%	$ 627,113	20.1%	$ 702,678	25.9%
Multifamily mortgages	956,307	29.9%	925,483	29.7%	859,039	31.7%
Commercial real estate mortgages	429,616	13.4%	436,669	14.0%	361,026	13.3%
Construction and land development mortgages	36,704	1.1%	32,727	1.05%	10,317	0.40%
Total commercial portfolio	2,007,906	62.8%	2,021,992	64.8%	1,933,060	71.4%
Retail portfolio:						
Residential 1-4 family (1st mortgage)	1,017,362	31.8%	958,145	30.7%	711,703	26.3%
Residential 1-4 family (2nd mortgage)	28,588	0.9%	29,278	0.9%	31,208	1.2%
Consumer and other	141,660	4.4%	110,008	3.60%	32,678	1.20%
Total retail	1,187,610	37.2%	1,097,431	35.2%	775,589	28.6%
Total loans	3,195,516	100.0%	3,119,423	100.0%	2,708,649	100.0%
Net deferred loan origination costs (fees)	5,349		2,641		(833)	
Allowance for loan losses	(36,414)		(35,353)		(37,132)	
Total loans, net	$ 3,164,451		$ 3,086,711		$ 2,670,684	

Portfolio Composition

(in thousands)	For the Three months ended September 30, 2018 Average Balance	Income / Expense	Yield / Rate	For the Three months ended June 30, 2018 Average Balance	Income / Expense	Yield / Rate	For the Three months ended September 30, 2017 Average Balance	Income / Expense	Yield / Rate
Interest earning assets:									
Interest-bearing deposits in banks	$ 114,464	$ 443	1.54%	$ 74,668	$ 216	1.16%	$ 73,227	$ 150	0.81%
Securities and FHLB stock	1,130,719	8,867	3.11%	1,045,196	7,622	2.93%	1,071,577	6,837	2.53%
Loans held for sale [1]	11,445	-	-	28,042	-	-	-	-	-
Total loans, net [2]	3,097,318	33,789	4.33%	2,991,273	32,322	4.33%	2,697,254	29,048	4.27%
Total interest earning assets	4,353,946	43,099	3.93%	4,139,179	40,160	3.89%	3,842,058	36,035	3.72%
Non-interest earning assets:									
Cash and due from banks	19,623			13,825			6,484		
Other assets [3]	202,593			180,417			197,716		
Total assets	$ 4,576,162			$ 4,333,422			$4,046,258		
Interest bearing liabilities:									
Savings, NOW and money market deposits	1,804,535	$ 1,416	0.31%	1,587,825	$ 1,225	0.31%	1,433,667	$ 1,042	0.29%
Time deposits	434,352	1,143	1.04%	400,778	987	0.99%	405,282	868	0.85%
Total interest bearing deposits	2,238,887	2,559	0.45%	1,988,603	2,212	0.45%	1,838,949	1,910	0.41%
Federal Home Loan Bank advances	106,131	498	1.86%	291,023	1,253	1.73%	610,173	2,172	1.41%
Total interest bearing liabilities	2,345,018	3,057	0.52%	2,279,626	3,465	0.61%	2,449,122	4,082	0.66%
Non interest bearing liabilities:									
Demand and transaction deposits	1,771,774			1,636,294			1,202,207		
Other liabilities	42,563			39,647			44,345		
Total liabilities	4,159,355			3,955,567			3,695,674		
Stockholders' equity	416,807			377,855			350,584		
Total liabilities and stockholders' equity	$ 4,576,162			$ 4,333,422			$4,046,258		
Net interest income / interest rate spread		$ 40,042	3.41%		$ 36,695	3.28%		$ 31,953	3.06%
Net interest earning assets / net interest margin	$ 2,008,928		3.65%	$ 1,859,553		3.56%	$1,392,936		3.30%

(1) Indirect C&I loans that have been traded, but not settled

(2) Average balances are net of deferred origination costs / (fees) and the allowance for loan losses

(3) Includes non performing residential 1-4 family loans $0.2 million and $22.8 million for the three months ended September 30, 2018 and 2017 respectively and $93,190 for the three months ended June 30, 2018

Portfolio Composition

(in thousands)	For the Nine months ended September 30, 2018 Average Balance	Income / Expense	Yield / Rate	For the Nine months ended September 30, 2017 Average Balance	Income / Expense	Yield / Rate
Interest earning assets:						
Interest-bearing deposits in banks	$ 88,215	$ 1,094	1.66%	$ 88,362	$ 438	0.66%
Securities and FHLB stock	1,042,680	23,125	2.97%	1,122,322	20,637	2.46%
Loans held for sale (1)	13,541	-	-	474	-	-
Total loans, net (2)	2,978,911	95,284	4.28%	2,629,914	82,889	4.21%
Total interest earning assets	4,123,347	119,504	3.87%	3,841,072	103,964	3.62%
Non-interest earning assets:						
Cash and due from banks	13,498			6,617		
Other assets (3)	186,518			185,006		
Total assets	$ 4,323,363			$ 4,032,695		
Interest bearing liabilities:						
Savings, NOW and money market deposits	1,628,503	$ 3,774	0.31%	1,476,918	$ 2,805	0.25%
Time deposits	407,305	3,086	1.01%	438,584	2,534	0.77%
Total interest bearing deposits	2,035,808	6,860	0.45%	1,915,502	5,339	0.37%
Federal Home Loan Bank advances	251,488	3,104	1.65%	595,794	8,549	1.92%
Other Borrowings	-	-	-	2,023	33	2.16%
Total borrowings	251,488	3,104	1.65%	597,817	8,582	1.92%
Total interest bearing liabilities	2,287,296	9,964	0.58%	2,513,319	13,921	0.74%
Non interest bearing liabilities:						
Demand and transaction deposits	1,611,782			1,125,027		
Other liabilities	43,499			45,085		
Total liabilities	3,942,577			3,683,432		
Stockholders' equity	380,786			349,263		
Total liabiliites and stockholders' equity	$ 4,323,363			$ 4,032,695		
Net interest income / interest rate spread		$ 109,540	3.29%		$ 90,043	2.88%
Net interest earning assets / net interest margin	$ 1,836,051		3.55%	$ 1,327,753		3.13%

(1) Indirect C&I loans that have been traded, but not settled

(2) Average balances are net of deferred origination costs / (fees) and the allowance for loan losses

(3) Includes non performing residential 1-4 family loans $1.1 million and $7.9 million for the nine months ended 2018 and 2017 respectively.

Portfolio Composition

(in thousands)	Three Months Ended					
	September 30, 2018		June 30, 2018		September 30, 2017	
	Average Amount	Weighted Average Rate	Average Amount	Weighted Average Rate	Average Amount	Weighted Average Rate
Non-interest bearing demand deposit accounts	$ 1,771,774	0.00%	$ 1,636,294	0.00%	$ 1,202,207	0.00%
Savings accounts	327,098	0.17%	313,694	0.15%	304,087	0.14%
Money market deposit accounts	1,286,940	0.32%	1,071,822	0.33%	930,830	0.34%
NOW accounts	190,497	0.46%	202,309	0.45%	198,750	0.27%
Time deposits	434,352	1.04%	400,778	0.99%	405,283	0.85%
	$ 4,010,661	0.25%	$ 3,624,897	0.24%	$ 3,041,157	0.25%

(in thousands)	Nine Months Ended September 30,			
	2018		2017	
	Average Amount	Weighted Average Rate	Average Amount	Weighted Average Rate
Non-interest bearing demand deposit accounts	$ 1,611,782	0.00%	$ 1,125,028	0.00%
Savings accounts	315,408	0.15%	303,744	0.13%
Money market deposit accounts	1,113,344	0.34%	978,949	0.30%
NOW accounts	199,751	0.38%	194,225	0.21%
Time deposits	407,305	1.01%	438,584	0.77%
	$ 3,647,590	0.25%	$ 3,040,530	0.23%

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.

(in thousands)	For the Three Months Ended September 30, 2018	June 30, 2018	September 30, 2017	For the Nine Months Ended September 30, 2018	2017
Core operating revenue					
Net interest income (GAAP)	$ 40,042	$ 36,695	$ 31,953	$ 109,540	$ 90,043
Non interest income (GAAP)	7,547	$ 6,204	7,301	20,764	21,110
Less: Securities loss, net and OTTI	-	$ 9	(182)	112	(91)
Core operating revenue (non-GAAP)	$ 47,589	$ 42,908	$ 39,072	$ 130,416	$ 111,062
Core non-interest expenses					
Non-interest expense (GAAP)	$ 34,053	$ 30,138	$ 30,982	$ 92,979	$ 90,617
Less: Prepayment fees on borrowings	(5)	(4)	-	(8)	(7,615)
Less: Branch closure expense(1)	-	-	-	-	(1,289)
Less: Acquisition cost(2)	(148)	(307)		(730)	-
Less: Initial public offering cost (3)	(3,436)	-		(3,436)	
Less: Severance	-	-	(665)	23	(665)
Add: Post-retirement benefit cancellation(4)	-	-	-	-	9,838
Core non-interest expense (non-GAAP)	$ 30,464	$ 29,827	$ 30,317	$ 88,828	$ 90,886
Core Earnings					
Net Income (GAAP)	$ 9,417	$ 11,592	$ 4,584	$ 28,670	$ 9,705
Add: Securities loss, net and OTTI	-	9	(182)	112	(91)
Add: Prepayment fees on borrowings	5	4	-	8	7,615
Add: Branch closure expense(1)	-	-	-	-	1,289
Add: Acquisition cost(2)	148	307	-	730	-
Add: Initial public offering cost (3)	3,436	-	-	3,436	-
Add: Severance	-	-	665	(23)	665
Less: Post-retirement benefit cancellation(4)	-	-	-	-	(9,838)
Less: Tax on notable items	(911)	(81)	(123)	(1,083)	91
Core earnings (non-GAAP)	$ 12,095	$ 11,831	$ 4,944	$ 31,850	$ 9,436
Tangible common equity					
Stockholders Equity (GAAP)	$ 421,028	406,311	$ 349,031	$ 421,028	$ 349,031
Less: Minority Interest (GAAP)	(134)	(134)	(134)	(134)	(134)
Less: Preferred Stock (GAAP)	-	-	(6,700)	-	(6,700)
Less: Goodwill (GAAP)	(12,936)	(14,124)	-	(12,936)	-
Less: Core deposit intangible (GAAP)	(8,491)	(8,897)	-	(8,491)	-
Tangible common equity (non-GAAP)	$ 399,467	$ 383,156	$ 342,197	$ 399,467	$ 342,197
Core return on average assets					
Core earnings (numerator) (non-GAAP)	12,095	11,831	4,944	31,850	9,436
Divided: Total average assets (denominator) (GAAP)	4,576,162	4,333,422	4,046,258	4,323,363	4,032,695
Core return on average assets (non-GAAP)	1.05%	1.10%	0.48%	0.98%	0.31%
Core return on average tangible common equity					
Core earnings (numerator) (non-GAAP)	12,095	11,831	4,944	31,850	9,436
Divided: Total average tangible common equity (denominator) (non-GAAP)	394,338	362,765	343,750	365,931	342,429
Core return on average tangible common equity (non-GAAP)	12.17%	13.08%	5.71%	11.64%	3.68%
Core efficiency ratio					
Core non-interest expense (numerator) (non-GAAP)	30,464	29,827	30,317	88,828	90,886
Core operating revenue (denominator) (non-GAAP)	47,589	42,908	39,072	130,416	111,062
Core efficiency ratio (non-GAAP)	64.02%	69.51%	77.59%	68.11%	81.83%

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

(2) Expense expense related to New Resource acquisition

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

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