



# Amalgamated Bank Reports First Quarter 2019 Financial Results

NEW YORK, April 30, 2019 (GLOBE NEWSWIRE) -- Amalgamated Bank (Nasdaq: AMAL) ("Amalgamated") today announced financial results for the first quarter ended March 31, 2019.

## **First Quarter 2019 Highlights**

- | Net income of \$10.8 million, or \$0.33 per diluted share, compared to \$7.7 million, or \$0.27 per diluted share, for the first quarter of 2018
- | Core earnings (non-GAAP) of \$10.7 million, or \$0.33 per diluted share, compared to \$7.9 million, or \$0.28 per diluted share, for the first quarter of 2018
- | Deposit growth of \$1.8 million, or 0.2% annualized, compared to a balance of \$4.1 billion on December 31, 2018
  - | Deposits at December 31, 2018 included \$326.7 million of short term deposits that exited the bank on January 2, 2019, resulting in beginning year 2019 deposits of \$3.8 billion
  - | On an adjusted basis, excluding these short-term deposits we had deposit growth of \$328.5 million, or 34.8% annualized, compared to \$3.8 billion on January 2, 2019
- | Loan growth of \$56.4 million, or 7.0% annualized, compared to a balance of \$3.2 billion on December 31, 2018
- | Cost of deposits was 0.31%, compared to 0.27% for the fourth quarter of 2018 and 0.26% for the first quarter of 2018
- | Net interest margin was 3.65%, compared to 3.57% for the fourth quarter of 2018 and 3.43% for the first quarter of 2018
- | Tier 1 Leverage, Common Equity Tier 1, and Total Risk-Based capital ratios were 8.90%, 13.31%, and 14.33%, respectively, at March 31, 2019
- | Total nonperforming assets were \$56.6 million or 1.15% of total assets as of March 31, 2019, compared to \$59.3 million or 1.27% of total assets at December 31, 2018 and \$56.0 million, or 1.35% of total assets at March 31, 2018

Keith Mestrich, President and Chief Executive Officer of Amalgamated Bank, commented, "I am quite pleased with our first quarter results as they clearly demonstrate the attractive position that Amalgamated Bank holds as we work to service the needs of values-based institutions and further our reputation as 'America's socially responsible bank.' Signs of our continued success can be seen in our deposit franchise which experienced 34.8% adjusted annualized organic growth in the first quarter. This included an \$89.0 million increase in political deposits as well as vibrant deposit growth across our customer categories of unions and their funds, non-profits and philanthropies. Importantly, our cost of funds remained relatively stable at 31 basis points and contributed to our strong profitability as our net interest margin increased to 3.65% in the first quarter of 2019 from 3.43% in the first quarter of 2018. Lastly, while our loan growth was modestly below our expectations, our acquisition of New Resource Bank ("NRB") allowed us to continue to make very good progress expanding our loan origination capabilities into sustainable industries. We have seen a recovery in the purchased Commercial and Industrial ("C&I") credit market and decided to sell a significant amount of that portfolio and have commitments to reduce that portfolio by approximately \$127 million in the second quarter of 2019."

## **Results of Operations, Quarter Ended March 31, 2019**

Net income for the first quarter of 2019 was \$10.8 million, or \$0.33 per diluted share, compared to \$16.0 million, or \$0.49 per diluted share, for the fourth quarter of 2018 and a net income of \$7.7 million, or \$0.27 per diluted share, for the first quarter of 2018. The \$3.2 million increase in net income for the first quarter of 2019, compared to the first quarter of 2018, was primarily due to an \$8.0 million increase in net interest income, partially offset by a \$2.7 million increase in non-interest expense, a \$1.3 million increase in our provision for loan losses, and a \$1.2 million increase in our provision for income taxes.

Core earnings (non-GAAP) for the first quarter of 2019 were \$10.7 million, or \$0.33 per diluted share, compared to \$9.7 million or \$0.30 per diluted share, for the fourth quarter of 2018 and \$7.9 million, or \$0.28 per diluted share, for the first quarter of 2018. Core earnings for the fourth quarter of 2018 excluded \$1.6 million of expense related to the NRB acquisition, a deferred tax asset realization of approximately \$7.6 million, and other adjustments including the tax effect of such adjustments.

Net interest income was \$40.8 million for the first quarter of 2019, compared to \$40.2 million for the fourth quarter of 2018 and \$32.8 million for the first quarter of 2018. The year-over-year increase was primarily attributable to an increase in average net loans of \$375.3 million, an increase in the yield on average loans of 29 basis points, an increase in average securities of \$275.6 million and an increase in the yield on average securities and FHLB stock of 54 basis points. These increases were partially offset by an increase in average interest bearing deposits of \$441.8 million, an increase in the rate paid on interest bearing deposits of seven basis points, and an increase in the rate paid on FHLB borrowings of 101 basis points.

Net interest margin was 3.65% for the first quarter of 2019, an increase of eight basis points from 3.57% in the fourth quarter of 2018 and an increase of 22 basis points from 3.43% in the first quarter of 2018. The net interest margin in the fourth quarter of 2018 was also impacted by a one-time adjustment to write-off \$0.8 million of accrued interest receivable from the fourth quarter of 2017. Without this adjustment, our net interest margin increased by one basis point from the fourth quarter of 2018.

Provisions for loan losses totaled an expense of \$2.2 million in the first quarter of 2019 compared to \$0.9 million in the fourth quarter of 2018 and \$0.9 million for the first quarter of 2018. The provision expense in the first quarter of 2019 was primarily driven by an increase in our allowance for loan losses on two leveraged loans and increasing historical loss factors related to the charge-off activity. This increase in provision was partially offset by a release of an off-balance sheet provision of \$0.6 million, which is reported through non-interest expense.

Non-interest income was \$7.4 million in the first quarter of 2019 compared to \$7.6 million in the fourth quarter of 2018, and \$7.0 million in the first quarter of 2018. The \$0.4 million, or 5.7%, increase in the first quarter of 2019, compared to the like period in 2018, was primarily due to higher gains on the sale of investment securities of \$0.3 million in the first quarter of 2019 compared to a loss of \$0.1 million in the first quarter of 2018 and modest increases in Trust Department fees, service charges on deposit accounts, and other income. These

increases were partially offset by higher losses on other real estate owned resulting from the liquidation of residential real estate acquired as the result of foreclosure on delinquent residential mortgages.

Non-interest expense for the first quarter of 2019 was \$31.4 million, a decrease of \$3.6 million from \$35.0 million in the fourth quarter of 2018, and an increase of \$2.7 million from \$28.8 million in the first quarter of 2018. The increase compared to the first quarter of 2018 was primarily due to a \$2.1 million increase in compensation and employee benefits, a \$0.4 million increase in data processing, a \$0.4 million expense from the addition of amortization of the core deposit intangible from the NRB acquisition, partially offset by a \$0.2 million reduction in other expenses driven primarily by the release of \$0.6 million in off-balance sheet provision in the first quarter of 2019.

We had a provision for income tax expense of \$3.7 million for the first quarter of 2019, compared to a credit of \$4.1 million for fourth quarter of 2018 and provision of \$2.5 million for the first quarter of 2018. Our effective tax rate for the first quarter of 2019 was 25.7%, compared to 24.7% for the first quarter of 2018.

## Financial Condition

Total assets were \$4.9 billion at March 31, 2019, compared to \$4.7 billion at December 31, 2018. The increase of \$229.0 million was driven primarily by a \$72.7 million increase in investment securities, a \$51.3 million increase in cash and cash equivalents, a \$56.4 million increase in loans receivable, net and the addition of a \$53.3 million "Right of use" asset as the result of adopting ASC 842 – Leases in the first quarter of 2019.

Total loans at March 31, 2019 were \$3.3 billion, an increase of \$56.4 million, or 7.0% annualized, compared to December 31, 2018, and an increase of \$385.1 million, or 13.4%, as compared to \$2.9 billion as of March 31, 2018. Loan growth in the first quarter of 2019 was primarily driven by a \$93.3 million increase in residential first liens and property assessed clean energy ("PACE") loans and offset by a strategic reduction in indirect C&I loans of \$29.3 million, and a \$12.2 million reduction in commercial real estate loans.

Deposits at March 31, 2019 were \$4.1 billion, an increase of \$1.8 million, or 0.2% annualized, as compared to \$4.1 billion as of December 31, 2018, and an increase of \$771.5 million, or 23.1%, compared to \$3.3 billion as of March 31, 2018. December 31, 2018 deposits included \$326.7 million of short term deposits that exited the bank on January 2, 2019, resulting in beginning year 2019 deposits of \$3.8 billion. On an adjusted basis, excluding these short-term deposits, deposits increased \$328.5 million or 34.8% annualized for the quarter. Deposits held by politically-active customers, such as campaigns, PACs and state and national party committees were \$271.0 million as of March 31, 2019, an increase of \$89.0 million compared to \$181.9 million as of December 31, 2018, and a decrease of \$50.4 million compared to \$321.4 million as of March 31, 2018. Noninterest-bearing deposits represented 40.8% of average deposits and 41.6% of ending deposits for the three months ended March 31, 2019, contributing to an average cost of deposits of 0.31% in the first quarter of 2019, a four basis point increase from the linked quarter.

Nonperforming assets totaled \$56.6 million, or 1.15% of period end total assets at March 31, 2019, a decrease of \$2.7 million, compared with \$59.3 million, or 1.27% of period end total assets at December 31, 2018. The decrease in nonperforming assets at March 31, 2019 compared to the year-ended December 31, 2018 was primarily driven by an \$8.4 million charge-off related to one C&I loan partially offset by an increase of \$7.2 million in loans 90 days past due and accruing related to delays in renewing loans from one borrower.

The allowance for loan losses decreased \$5.8 million to \$31.4 million at March 31, 2019 from \$37.2 million at December 31, 2018, primarily due to the charge-off of one C&I loan that had a specific reserve of \$8.1 million in the first quarter of 2019, partially offset by increases on the allowance for classified and criticized C&I loans. At March 31, 2019, we had \$48.1 million of impaired loans for which a specific allowance of \$1.5 million was made, compared to \$58.3 million of impaired loans at December 31, 2018 for which a specific allowance of \$9.6 million was made. The ratio of allowance to total loans was 0.95% at March 31, 2019 and 1.15% at December 31, 2018.

## Capital

As of March 31, 2019, our Tier 1 Leverage Capital Ratio was 8.90%, Common Equity Tier 1 Capital Ratio was 13.31%, and Total Risk-Based Capital Ratio was 14.33%, compared to 8.88%, 13.22%, and 14.46%, respectively, as of December 31, 2018. As of March 31, 2018, our Tier 1 Leverage, Common Equity Tier 1, and Total Risk-Based capital ratios were 8.60%, 11.36%, and 12.83%, respectively. Stockholders' equity at March 31, 2019 was \$455.5 million, compared to \$439.4 million at December 31, 2018.

Our tangible book value per share was \$13.68 as of March 31, 2019 compared to \$13.16 as of December 31, 2018 and \$12.11 as of March 31, 2018.

## Conference Call

As previously announced, Amalgamated Bank will host a conference call to discuss its first quarter 2019 results today, April 30, 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 First Quarter 2019 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 13689479. The telephonic replay will be available until 11:59 pm (Eastern Time) on May 7, 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 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 March 31, 2019, our total assets were \$4.9 billion, total net loans were \$3.3 billion, and total deposits were \$4.1 billion. Additionally, as of March 31, 2019, the trust business held \$30.1 billion in assets under custody and \$11.8 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,” “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 comparable GAAP measures found in this release are set forth in the final pages of this release and also may be viewed on our website, [amalgamatedbank.com](http://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 costs related to bank acquisitions, our initial public offering and follow on costs, or restructuring/severance costs. 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, costs related to bank acquisitions, initial public offering and follow on costs, restructuring/severance, taxes on notable pre-tax items, deferred tax asset realization, and changes in tax laws. 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**

This press release may contain statements that are not historical in nature that 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. Forward-looking statements generally can be identified by forward-looking language such as “may,” “will,” “anticipate,” “should,” “would,” “believe,” “contemplate,” “expect,” “estimate,” “continue” and “intend,” as well as other similar words and expressions of the future, and include, without limitation, our intentions to sell a portion of our indirect C&I portfolio. 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 risk associated with the sale of our C&I portfolio that may result in that sale failing to close. Additional factors which could affect any forward looking statements can be found in Amalgamated's 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)**

	<b>Three Months Ended</b>		
	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<b>INTEREST AND DIVIDEND INCOME</b>			
Loans	\$ 35,296	\$ 34,620	\$ 29,173
Securities	9,875	9,251	6,243
Federal Home Loan Bank of New York stock	310	239	391
Interest-bearing deposits in banks	293	350	436
	<u>45,774</u>	<u>44,460</u>	<u>36,243</u>
<b>INTEREST EXPENSE</b>			
Deposits	2,946	2,713	2,089
Borrowed funds	2,055	1,542	1,353
	<u>5,001</u>	<u>4,255</u>	<u>3,442</u>
<b>NET INTEREST INCOME</b>			
	40,773	40,205	32,801
Provision for (recovery of) loan losses	2,186	864	851
	<u>38,587</u>	<u>39,341</u>	<u>31,950</u>
<b>NON-INTEREST INCOME</b>			
Trust Department fees	4,721	4,807	4,649
Service charges on deposit accounts	1,871	2,187	1,779
Bank-owned life insurance	420	430	404
Gain (loss) on sale of investment securities available for sale, net	292	(139)	(101)
Gain (loss) on other real estate owned, net	(249)	19	(27)
Other	362	251	311
	<u>7,417</u>	<u>7,555</u>	<u>7,015</u>
<b>NON-INTEREST EXPENSE</b>			
Compensation and employee benefits, net	17,430	18,166	15,376
Occupancy and depreciation	4,271	4,247	4,002
Professional fees	3,165	2,825	3,193
FDIC deposit insurance	491	406	554
Data processing	2,749	3,986	2,336
Office maintenance and depreciation	887	974	947
Amortization of intangible assets	389	389	-
Advertising and promotion	622	819	646
Other	1,444	3,213	1,734
	<u>31,448</u>	<u>35,025</u>	<u>28,788</u>
Income before income taxes	14,556	11,871	10,177
Income tax expense (benefit)	3,743	(4,113)	2,516
	<u>10,813</u>	<u>15,984</u>	<u>7,661</u>
Net income	10,813	15,984	7,661
Net income attributable to noncontrolling interests	-	-	-
Net income attributable to Amalgamated Bank and subsidiaries	<u>\$ 10,813</u>	<u>\$ 15,984</u>	<u>\$ 7,661</u>

Earnings per common share - basic (1)	\$ 0.34	\$ 0.50	\$ 0.27
Earnings per common share - diluted (1)	\$ 0.33	\$ 0.49	\$ 0.27

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

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

	March 31, 2019 (Unaudited)	December 31, 2018
<b>Assets</b>		
Cash and due from banks	\$ 6,691	\$ 10,510
Interest-bearing deposits in banks	125,463	70,335
Total cash and cash equivalents	132,154	80,845
Securities:		
Available for sale, at fair value (amortized cost of \$1,246,843 and \$1,188,710, respectively)	1,242,721	1,175,170
Held-to-maturity (fair value of \$9,481 and \$4,105, respectively)	9,317	4,081
Loans receivable, net of deferred loan origination costs (fees)	3,298,407	3,247,831
Allowance for loan losses	(31,392)	(37,195)
Loans receivable, net	3,267,015	3,210,636
Accrued interest and dividends receivable	14,872	14,387
Premises and equipment, net	20,743	21,654
Bank-owned life insurance	79,485	79,149
Right-of-use lease asset	53,306	-
Deferred tax asset	35,017	39,697
Goodwill and other intangible assets	20,650	21,039
Other assets	39,199	38,831
Total assets	\$ 4,914,479	\$ 4,685,489
<b>Liabilities</b>		
Deposits	\$ 4,107,075	\$ 4,105,306
Borrowed funds	253,775	92,875
Operating leases	68,404	-
Other liabilities	29,746	47,937
Total liabilities	4,459,000	4,246,118
<b>Commitments and contingencies</b>	-	-
<b>Stockholders' equity</b>		
Common stock, par value \$.01 per share (70,000,000 shares authorized; 31,771,585 shares issued and outstanding)	318	318
Additional paid-in capital	309,033	308,678
Retained earnings	151,138	142,231
Accumulated other comprehensive loss, net of income taxes	(5,144)	(11,990)
Total Amalgamated Bank stockholders' equity	455,345	439,237
Noncontrolling interests	134	134
Total stockholders' equity	455,479	439,371
Total liabilities and stockholders' equity	\$ 4,914,479	\$ 4,685,489

**Select Financial Data**

	As of and for the Three Months Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
<b>Selected Financial Ratios and Other Data <sup>(1)</sup></b>			
Earnings per share			
Basic	\$ 0.34	\$ 0.50	\$ 0.27

Diluted		0.33		0.49		0.27
Core Earnings per share (non-GAAP)						
Basic	\$	0.34	\$	0.30	\$	0.28
Diluted		0.33		0.30		0.28
Book value per common share (excluding minority interest)		14.33		13.82		12.35
Tangible book value per share (non-GAAP)		13.68		13.16		12.11
Common shares outstanding		31,771,585		31,771,585		28,060,984
Weighted average common shares outstanding, basic		31,771,585		31,771,585		28,060,984
Weighted average common shares outstanding, diluted		32,321,585		32,460,024		28,060,984

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

### Select Financial Data

	As of and for the Three Months Ended		
	March 31,	December 31,	March 31,
	2019	2018	2018
<b>Selected Performance Metrics:</b>			
Return on average assets	0.92%	1.35%	0.77%
Core return on average assets (non-GAAP)	0.90%	0.82%	0.79%
Return on average equity	9.82%	14.88%	8.96%
Core return on average tangible common equity (non-GAAP)	10.18%	9.50%	9.46%
Loan yield	4.44%	4.32%	4.15%
Securities yield	3.37%	3.14%	2.83%
Deposit cost	0.31%	0.27%	0.26%
Net interest margin	3.65%	3.57%	3.43%
Efficiency ratio	65.26%	73.33%	71.67%
Core efficiency ratio (non-GAAP)	65.41%	69.44%	71.48%
<b>Asset Quality Ratios:</b>			
Nonaccrual loans to total loans	0.45%	0.74%	0.71%
Nonperforming assets to total assets	1.15%	1.27%	1.35%
Allowance for loan losses to nonaccrual loans	212%	156%	180%
Allowance for loan losses to total loans	0.95%	1.15%	1.26%
Net charge-offs (recoveries) to average loans	1.00%	0.01%	(0.02%)
<b>Capital Ratios:</b>			
Tier 1 leverage capital ratio	8.90%	8.88%	8.60%
Tier 1 risk-based capital ratio	13.31%	13.22%	11.58%
Total risk-based capital ratio	14.33%	14.46%	12.83%
Common equity tier 1 capital ratio	13.31%	13.22%	11.36%

### Loan Portfolio Composition

(In thousands)

	At March 31, 2019		At December 31, 2018		At March 31, 2018	
	Amount	% of total loans	Amount	% of total loans	Amount	% of total loans
<i>Commercial portfolio:</i>						
Commercial and industrial	\$ 527,200	16.0%	\$ 556,537	17.2%	\$ 666,827	22.9%
Multifamily mortgages	921,588	28.0%	916,337	28.3%	892,773	30.6%
Commercial real estate mortgages	428,534	13.0%	440,704	13.6%	338,064	11.6%
Construction and land development mortgages	45,734	1.4%	46,178	1.4%	11,582	0.4%
Total commercial portfolio	1,923,056	58.4%	1,959,756	60.5%	1,909,246	65.5%
<i>Retail portfolio:</i>						
Residential 1-4 family (1st mortgage)	1,176,551	35.8%	1,083,204	33.4%	890,027	30.5%
Residential 1-4 family (2nd mortgage)	26,906	0.8%	27,206	0.8%	30,360	1.0%
Consumer and other	164,412	5.0%	171,184	5.3%	88,040	3.0%

Total retail	1,367,869	41.6%	1,281,594	39.5%	1,008,427	34.5%
Total loans	3,290,925	100.0%	3,241,350	100.0%	2,917,673	100.0%
Net deferred loan origination fees (costs)	7,482		6,481		1,618	
Allowance for loan losses	(31,392)		(37,195)		(37,382)	
Total loans, net	<u>\$3,267,015</u>		<u>\$3,210,636</u>		<u>\$2,881,909</u>	

### Net Interest Income Analysis

(In thousands)	Three Months Ended March 31, 2019			Three Months Ended December 31, 2018			Three Months Ended March 31, 2018		
	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	\$ 73,296	\$ 293	1.62%	\$ 85,789	\$ 350	1.62%	\$ 75,078	\$ 436	2.35%
Securities and FHLB stock	1,225,700	10,185	3.37%	1,198,477	9,490	3.14%	950,143	6,633	2.83%
Loans held for sale	2,818	-	-	-	-	-	-	-	-
Total loans, net (1)	<u>3,224,604</u>	<u>35,296</u>	<u>4.44%</u>	<u>3,180,168</u>	<u>34,620</u>	<u>4.32%</u>	<u>2,849,310</u>	<u>29,174</u>	<u>4.15%</u>
Total interest earning assets	4,526,418	45,774	4.10%	4,464,434	44,460	3.95%	3,874,531	36,243	3.79%
Non-interest earning assets:									
Cash and due from banks	9,988			12,480			6,906		
Other assets	<u>251,468</u>			<u>203,321</u>			<u>173,339</u>		
Total assets	<u>\$4,787,874</u>			<u>\$4,680,235</u>			<u>\$4,054,776</u>		
Interest bearing liabilities:									
Savings, NOW and money market deposits	1,877,349	\$ 1,867	0.40%	1,839,662	\$ 1,731	0.37%	1,489,690	\$ 1,301	0.35%
Time deposits	440,428	1,079	0.99%	444,131	982	0.88%	386,256	788	0.83%
Total deposits	<u>2,317,777</u>	<u>2,946</u>	<u>0.52%</u>	<u>2,283,793</u>	<u>2,713</u>	<u>0.47%</u>	<u>1,875,946</u>	<u>2,089</u>	<u>0.45%</u>
Federal Home Loan Bank advances	328,476	2,046	2.53%	258,505	1,542	2.37%	360,101	1,353	1.52%
Other Borrowings	1,333	9	2.64%	-	-	0.00%	-	-	0.00%
Total interest bearing liabilities	<u>2,647,586</u>	<u>5,001</u>	<u>0.77%</u>	<u>2,542,298</u>	<u>4,255</u>	<u>0.66%</u>	<u>2,236,047</u>	<u>3,442</u>	<u>0.62%</u>
Non interest bearing liabilities:									
Demand and transaction deposits	1,598,637			1,669,670			1,423,451		
Other liabilities	95,187			41,976			48,352		
Total liabilities	<u>4,341,410</u>			<u>4,253,944</u>			<u>3,707,850</u>		
Stockholders' equity	446,464			426,291			346,926		
Total liabilities and stockholders' equity	<u>\$4,787,874</u>			<u>\$4,680,235</u>			<u>\$4,054,776</u>		
Net interest income / interest rate spread		40,773	3.34%		40,205	3.29%		32,801	3.17%
Net interest earning assets / net interest margin		<u>\$1,878,832</u>	<u>3.65%</u>		<u>\$1,922,136</u>	<u>3.57%</u>		<u>\$1,638,484</u>	<u>3.43%</u>

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

### Deposit Portfolio Composition

(in thousands)	Three Months Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
Non-interest bearing demand deposit accounts	\$ 1,709,921	\$ 1,565,503	\$ 1,455,428
NOW accounts	223,195	230,859	204,936
Savings accounts	342,713	335,254	309,751
Money market deposit accounts	1,377,130	1,548,699	984,092
Time deposits	439,135	424,991	381,358

Brokered CD

14,981	-	-
<u>\$ 4,107,075</u>	<u>\$ 4,105,306</u>	<u>\$ 3,335,565</u>

(in thousands)

	Three Months Ended					
	March 31, 2019		December 31, 2018		March 31, 2018	
	Average Amount	Weighted Average Rate	Average Amount	Weighted Average Rate	Average Amount	Weighted Average Rate
Non-interest bearing demand deposit accounts	\$ 1,598,637	0.00%	\$ 1,669,670	0.00%	\$ 1,423,451	0.00%
NOW accounts	224,686	0.45%	206,107	0.45%	206,625	0.29%
Savings accounts	337,477	0.21%	329,192	0.19%	305,192	0.14%
Money market deposit accounts	1,315,186	0.44%	1,304,363	0.41%	977,874	0.43%
Time deposits	432,771	0.96%	444,131	0.88%	386,256	0.83%
Brokered CD	7,657	2.93%	-	-	-	-
	<u>\$ 3,916,414</u>	<u>0.31%</u>	<u>\$ 3,953,463</u>	<u>0.27%</u>	<u>\$ 3,299,398</u>	<u>0.26%</u>

### Asset Quality

(In thousands)

	March 31, 2019	December 31, 2018	March 31, 2018
Loans 90 days past due and accruing	\$ 7,157	\$ -	\$ 488
Nonaccrual loans excluding held for sale loans and restructured loans	9,351	8,379	4,785
Nonaccrual loans held for sale	-	-	635
Restructured loans - nonaccrual	5,455	15,482	15,962
Restructured loans - accruing	33,441	34,457	32,891
Other real estate owned	1,057	844	1,098
Impaired securities	90	93	113
Total nonperforming assets	<u>\$ 56,551</u>	<u>\$ 59,255</u>	<u>\$ 55,972</u>

### Nonaccrual loans:

Commercial and industrial	\$ 3,734	\$ 12,153	\$ 12,408
Multifamily	-	-	-
Commercial real estate	4,019	4,112	-
Construction and land development	-	-	-
Total commercial portfolio	<u>7,753</u>	<u>16,265</u>	<u>12,408</u>
Residential 1-4 family 1 <sup>st</sup> mortgages	5,769	6,287	7,684
Residential 1-4 family 2 <sup>nd</sup> mortgages	1,078	1,299	627
Consumer and other	206	10	28
Total retail portfolio	<u>7,053</u>	<u>7,596</u>	<u>8,339</u>
Total nonaccrual loans	<u>\$ 14,806</u>	<u>\$ 23,861</u>	<u>\$ 20,747</u>

Nonperforming assets to total assets	1.15%	1.27%	1.35%
Nonaccrual assets to total assets	0.32%	0.53%	0.54%
Nonaccrual loans to total loans	0.45%	0.74%	0.71%
Allowance for loan losses to nonaccrual loans	212%	156%	180%

### Troubled debt restructurings:

TDRs included in nonaccrual loans	\$ 5,455	\$ 15,482	\$ 15,962
TDRs in compliance with modified terms	\$ 33,441	\$ 34,457	\$ 32,891

### 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		
	March 31,	December 31,	March 31,



	2019		2018		2018
<b>Core operating revenue</b>					
Net interest income (GAAP)	\$ 40,773	\$	40,205	\$	32,801
Non interest income (GAAP)	7,417		7,555		7,015
Less: Securities loss, net and OTTI	(293)		129		103
<i>Core operating revenue (non-GAAP)</i>	<u>\$ 47,897</u>	\$	<u>47,889</u>	\$	<u>39,919</u>
<b>Core non-interest expenses</b>					
Non-interest expense (GAAP)	\$ 31,448	\$	35,025	\$	28,788
Less: Acquisition cost <sup>(1)</sup>	-		(1,633)		(275)
Less: Initial public offering and follow on cost <sup>(2)</sup>	-		120		-
Less: Severance <sup>(3)</sup>	(117)		(257)		23
<i>Core non-interest expense (non-GAAP)</i>	<u>\$ 31,331</u>	\$	<u>33,255</u>	\$	<u>28,536</u>
<b>Core Earnings</b>					
Net Income (GAAP)	\$ 10,813	\$	15,984	\$	7,661
Add: Securities loss, net and OTTI	(293)		129		103
Add: Acquisition cost <sup>(1)</sup>	-		1,633		275
Add: Initial public offering and follow on cost <sup>(2)</sup>	-		(120)		-
Add: Severance <sup>(3)</sup>	117		257		(23)
Less: Tax on notable items	45		(563)		(88)
Less: Deferred tax asset realization	-		(7,632)		-
<i>Core earnings (non-GAAP)</i>	<u>\$ 10,682</u>	\$	<u>9,688</u>	\$	<u>7,929</u>
<b>Tangible common equity</b>					
Stockholders Equity (GAAP)	\$ 455,480	\$	439,371	\$	346,586
Less: Minority Interest (GAAP)	(134)		(134)		(134)
Less: Preferred Stock (GAAP)	-		-		(6,700)
Less: Goodwill (GAAP)	(12,936)		(12,936)		-
Less: Core deposit intangible (GAAP)	(7,713)		(8,102)		-
<i>Tangible common equity (non-GAAP)</i>	<u>\$ 434,697</u>	\$	<u>418,199</u>	\$	<u>339,752</u>
<b>Average tangible common equity</b>					
Average Stockholders Equity (GAAP)	\$ 446,464	\$	426,290	\$	346,927
Less: Minority Interest (GAAP)	(134)		(134)		(134)
Less: Preferred Stock (GAAP)	-		-		(6,700)
Less: Goodwill (GAAP)	(12,936)		(12,936)		-
Less: Core deposit intangible (GAAP)	(7,903)		(8,291)		-
<i>Average tangible common equity (non-GAAP)</i>	<u>\$ 425,491</u>	\$	<u>404,929</u>	\$	<u>340,093</u>
<b>Core return on average assets</b>					
Core earnings (numerator) (non-GAAP)	10,682		9,688		7,929
Divided: Total average assets (denominator) (GAAP)	4,787,874	\$	4,680,235		4,054,776
<i>Core return on average assets (non-GAAP)</i>	0.90%		0.82%		0.79%
<b>Core return on average tangible common equity</b>					
Core earnings (numerator) (non-GAAP)	10,682		9,688		7,929
Divided: Total average tangible common equity (denominator) (non-GAAP)	425,491		404,929		340,093
<i>Core return on average tangible common equity (non-GAAP)</i>	10.18%		9.50%		9.46%
<b>Core efficiency ratio</b>					
Core non-interest expense (numerator) (non-GAAP)	31,331		33,255		28,536
Core operating revenue (denominator) (non-GAAP)	47,897		47,889		39,919
<i>Core efficiency ratio (non-GAAP)</i>	65.41%		69.44%		71.48%

(1) Expense related to New Resource Bank acquisition

(2) Costs related to first follow-on in November 2018

(3) Salary and COBRA reimbursement expense for positions eliminated