

INVESTAR HOLDING CORP

FORM 8-K (Current report filing)

Filed 09/19/19 for the Period Ending 09/18/19

Address	10500 COURSEY BLVD THIRD FLOOR BATON ROUGE, LA, 70816
Telephone	225-227-2222
CIK	0001602658
Symbol	ISTR
SIC Code	6022 - State Commercial Banks
Industry	Banks
Sector	Financials
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of report (Date of earliest event reported): September 18, 2019

Investar Holding Corporation
(Exact name of registrant as specified in its charter)

Louisiana (State or other jurisdiction of incorporation)	001-36522 (Commission File Number)	27-1560715 (I.R.S. Employer Identification No.)
10500 Coursey Blvd. Baton Rouge, Louisiana 70816 (Address of principal executive offices) (Zip Code)		
Registrant's telephone number, including area code: (225) 227-2222		

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$1.00 par value per share	ISTR	The Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Item 7.01. Regulation FD Disclosure

On September 18-19, 2019, officers of Investar Holding Corporation (the “Company”) made presentations regarding the Company at the Janney Montgomery Scott 2019 Community Bank Forum in Atlanta, Georgia. The slides furnished as Exhibit 99.1 to this Current Report on Form 8-K were prepared for the presentation.

The information in this report is being furnished, not filed, pursuant to Regulation FD. Accordingly, the information in Items 7.01 and 9.01 of this report will not be incorporated by reference into any registration statement filed by the Company under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference. The furnishing of the information in this report is not intended to, and does not, constitute a determination or admission by the Company that the information in this report is material or complete, or that investors should consider this information before making an investment decision with respect to any security of the Company.

The exhibit to this report may include certain statements concerning expectations for the future that are forward-looking statements as defined by federal securities law. Any forward-looking statements are based on the historical performance of the Company and its subsidiaries or on the Company’s current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by the Company that the future plans, estimates or expectations by the Company will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to the Company’s operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if the Company’s underlying assumptions prove to be incorrect, the Company’s actual results may vary materially from those indicated in these statements. The Company does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements. These factors include, but are not limited to, the following, any one or more of which could materially affect the outcome of future events:

- business and economic conditions generally and in the financial services industry in particular, whether nationally, regionally or in the markets in which we operate;
- our ability to achieve organic loan and deposit growth, and the composition of that growth;
- changes (or the lack of changes) in interest rates, yield curves and interest rate spread relationships that affect our loan and deposit pricing;
- the extent of continuing client demand for the high level of personalized service that is a key element of our banking approach as well as our ability to execute our strategy generally;
- our dependence on our management team, and our ability to attract and retain qualified personnel;
- changes in the quality or composition of our loan or investment portfolios, including adverse developments in borrower industries or in the repayment ability of individual borrowers;
- inaccuracy of the assumptions and estimates we make in establishing reserves for probable loan losses and other estimates;
- the concentration of our business within our geographic areas of operation in Louisiana and Texas;
- concentration of credit exposure; and
- the satisfaction of the conditions to closing the pending acquisition of Bank of York and the ability to subsequently integrate it effectively.

These factors should not be construed as exhaustive. Additional information on these and other risk factors can be found in Item 1A. “Risk Factors” and Item 7. “Special Note Regarding Forward-Looking Statements” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description of Exhibit
99.1	Presentation slides used at the Janney Montgomery Scott 2019 Community Bank Forum

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INVESTAR HOLDING CORPORATION

Date: September 19, 2019

By: /s/ John J. D'Angelo
John J. D'Angelo
President and Chief Executive Officer



INVESTAR[®]
HOLDING CORPORATION



NASDAQ: ISTR





FORWARD-LOOKING STATEMENTS



This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect the Company's current views with respect to, among other things, future events and financial performance. The Company generally identifies forward-looking statements by terminology such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "could," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates," or the negative version of those words or other comparable words. Any forward-looking statements contained in this presentation are based on the historical performance of the Company and its subsidiaries or on the Company's current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by the Company that the future plans, estimates or expectations by the Company will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to the Company's operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if the Company's underlying assumptions prove to be incorrect, the Company's actual results may vary materially from those indicated in these statements. The Company does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements. These factors include, but are not limited to, the following, any one or more of which could materially affect the outcome of future events:

- business and economic conditions generally and in the financial services industry in particular, whether nationally, regionally or in the markets in which we operate;
- our ability to achieve organic loan and deposit growth, and the composition of that growth;
- our ability to integrate and achieve anticipated cost savings from our acquisitions;
- changes (or the lack of changes) in interest rates, yield curves and interest rate spread relationships that affect our loan and deposit pricing;
- the extent of continuing client demand for the high level of personalized service that is a key element of our banking approach as well as our ability to execute our strategy generally;
- our dependence on our management team, and our ability to attract and retain qualified personnel;
- changes in the quality or composition of our loan or investment portfolios, including adverse developments in borrower industries or in the repayment ability of individual borrowers;
- inaccuracy of the assumptions and estimates we make in establishing reserves for probable loan losses and other estimates;
- the concentration of our business within our geographic areas of operation in Louisiana and Texas; and
- concentration of credit exposure.

These factors should not be construed as exhaustive. Additional information on these and other risk factors can be found in Item 1A. "Risk Factors" and Item 7. "Special Note Regarding Forward-Looking Statements" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission.

www.investarbank.com

NASDAQ: ISTR

We encourage everyone to visit the Investors Section of our website at www.investarbank.com, where we have posted additional important information such as press releases and SEC filings.

We intend to use our website to expedite public access to time-critical information regarding the Company in advance of or in lieu of distributing a press release or a filing with the SEC disclosing the same information.





COMPANY PROFILE AS OF JUNE 30, 2019



Market Data		Q2 Financial Highlights	
Shares Outstanding	9,937,752	Assets	\$2.0 billion
Market Cap	\$237.0 million	Net Loans	\$1.5 billion
Price per Share	\$23.85	Deposits	\$1.6 billion
Dividend Yield	0.91%	Tangible Equity ⁽¹⁾	\$179.1 million
Price/ Tangible Book Value	132.4%	TE/TA ⁽¹⁾	9.09%
Price/LTM EPS	\$14.37	Net Income	\$4.9 million
		ROAA	1.01%
		Core ROAA ⁽¹⁾	0.98%
		ROAE	9.70%
		NPA's/Assets	0.36%
		Net Interest Margin	3.59%
		Cost of Funds	1.67%

(1) Non-GAAP financial measure. See non-GAAP financial measures slides.



SENIOR MANAGEMENT



John J. D'Angelo, President & CEO

- Founding President and Chief Executive Officer
- New Orleans native; graduate of Louisiana State University
- Prior to founding Investar, Mr. D'Angelo was president and director of Aegis Lending Corporation, a mortgage lending company with operations in 46 states and the District of Columbia
- Previously, Mr. D'Angelo held various senior positions at Hibernia National Bank (the predecessor to Capital One Bank, N.A.), focusing on the East Baton Rouge Parish, Louisiana, market
- Current ownership of 1.9%

Christopher L. Hufft, Chief Financial Officer

- Joined the Bank in February 2014 as Chief Accounting Officer, and assumed the role of Chief Financial Officer in October of 2015.
- Prior to joining the Bank, Mr. Hufft served for 9 years as the Vice President of Accounting at Amedisys, Inc., a publicly-traded home health and hospice company
- Mr. Hufft, a licensed certified public accountant, also spent seven years in public accounting, serving both public and privately-held clients in the banking, healthcare and manufacturing sectors
- B.S. Accounting – Louisiana State University

Travis M. Lavergne, Chief Credit Officer

- Served as Executive Vice President and Chief Credit Officer since March, 2013 and Chief Risk Management Officer since joining in July 2012
- Prior to joining the Bank, Mr. Lavergne was a Senior Examiner at the Louisiana Office of Financial Institutions from September 2005 to July 2012
- B.S. Finance – Louisiana State University
- M.B.A. Southeastern Louisiana University





ACCOMPLISHMENTS SINCE IPO



Since IPO in June 2014, Investar has experienced significant progress:

Further Established in Four Key Louisiana Markets

Shifted from Consumer Loans to C&I and CRE Focus

Maintained High Quality Organic Loan Growth

Transitioned from Transactional Banking to Relationship Banking

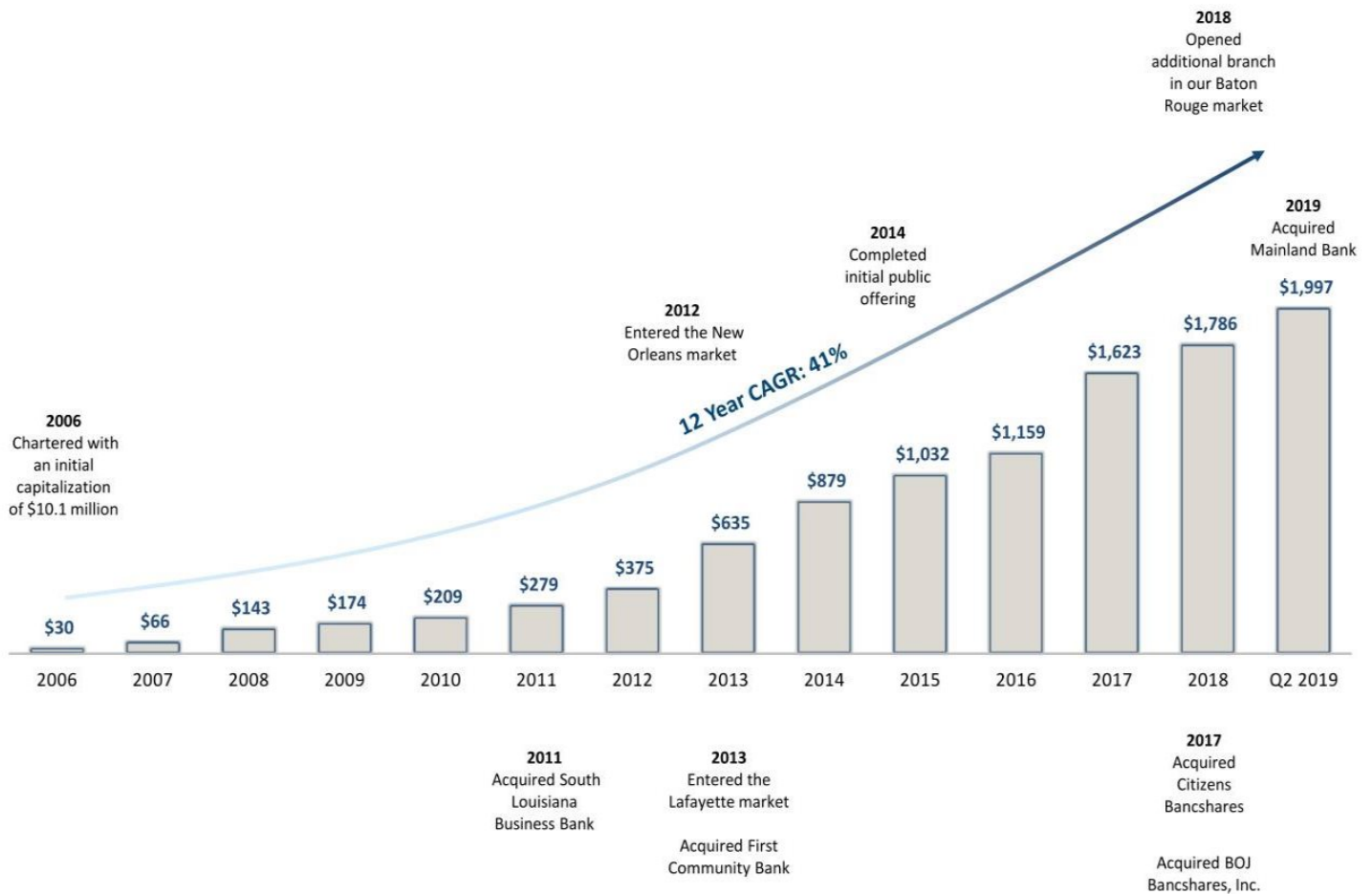
Continued to Add Experienced Bankers in Key Areas

Completed Acquisitions on July 1, 2017, December 1, 2017, and March 1, 2019





INVESTAR TIMELINE



Note: Bank level data shown for 2006 through 2012 (holding company incorporated in 2013)



INVESTAR SNAPSHOT

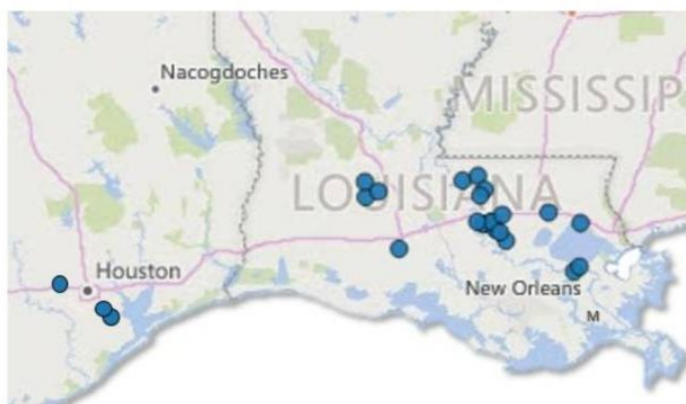


Company overview

- Chartered as a de novo commercial bank in June 2006 by John J. D'Angelo, the current President and Chief Executive Officer
- Completed initial public offering of 3.3 million shares in July 2014, generating net proceeds of \$41.7 million
- Headquartered in Baton Rouge, LA, ISTR offers a wide range of commercial banking products to meet the needs of small to medium-sized businesses
- Completed acquisitions of Citizens Bancshares, Inc. ("Citizens") on July 1, 2017, BOJ Bancshares, Inc. ("BOJ") on December 31, 2017, and Mainland Bank on March 1, 2019
- ISTR currently operates 24 full service banking offices, including the 3 branch locations acquired from Citizens, 5 branch locations acquired from BOJ, and 3 branch locations acquired from Mainland Bank located throughout its primary markets in south Louisiana and Texas
- Experienced management team that has generated strong organic growth complemented by four successful acquisitions since 2011
- Strong capital position and disciplined credit philosophy
- ISTR had 283 full-time equivalent employees as of June 30, 2019

Financial highlights

	As of and for the Year Ended			
(dollars in millions)	2016	2017	2018	Q2 2019
Balance Sheet				
Total Assets	\$ 1,159	\$ 1,623	\$ 1,786	\$ 1,997
Gross Loans	894	1,259	1,401	1,543
Total Deposits	908	1,225	1,362	1,552
Total Equity	113	173	182	205
Profitability				
ROAA	0.71 %	0.62 %	0.81 %	1.01 %
Net Interest Margin	3.32	3.39	3.61	3.59
Efficiency Ratio ⁽¹⁾	66.25	69.80	67.89	63.93
Capital				
TCE/TA	9.48 %	9.53 %	9.20 %	9.09 %
Total Risk-Based Ratio	12.47	14.22	13.46	12.56
Asset Quality				
NPAs / Loans & OREO	0.67 %	0.60 %	0.68 %	0.47 %
NCOs / Avg Loans	0.14	0.07	0.08	0.01
NPLs / Loans	0.22	0.29	0.42	0.37



Note: Dollars in millions, unless noted otherwise

(1) Efficiency ratio represents noninterest expenses divided by the sum of net interest income (before provision for loan losses) and noninterest income



ATTRACTIVE MARKETS

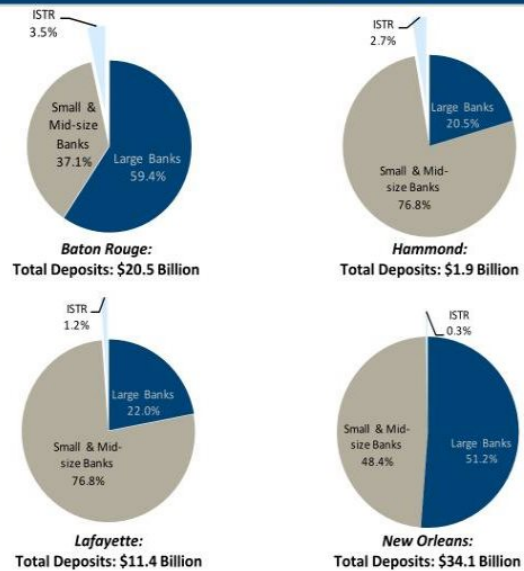
- **Baton Rouge MSA**
 - Louisiana's second largest market by deposits and the state capital, which includes major industrial, medical, research, motion picture, and growing technology centers
- **Hammond MSA**
 - Commercial hub of a large agricultural segment of Louisiana, bedroom community of New Orleans, and home to Southeastern Louisiana University with 8.24% household income growth projected from 2019 to 2024
- **Lafayette MSA**
 - Louisiana's third largest city by population and deposits with 2.79% population growth projected from 2019 to 2024
- **New Orleans MSA**
 - Louisiana's largest city by population and deposits and a hub of hospitality, healthcare, universities, and energy

Louisiana Deposit Market Share

Rank	Institution (ST)	Branches	Deposits in Market (\$000)	Market Share (%)
1	Capital One Financial Corp.	121	17,319,189	16.98
2	JPMorgan Chase & Co.	128	17,047,173	16.71
3	Hancock Whitney Corp.	111	12,903,568	12.65
4	IBERIABANK Corp.	63	7,841,287	7.69
5	Regions Financial Corp.	99	7,285,163	7.14
6	Origin Bancorp Inc.	21	1,840,250	1.80
7	Home Bancorp Inc.	35	1,642,421	1.61
8	Business First Bancshares Inc.	24	1,593,684	1.56
9	Red River Bancshares Inc.	23	1,576,929	1.55
10	BancorpSouth Bank	29	1,490,853	1.46
11	Gulf Coast Bank and Trust Co.	20	1,465,117	1.44
12	First Guaranty Bancshares Inc.	22	1,418,590	1.39
13	MidSouth Bancorp Inc.	32	1,330,361	1.30
14	Investar Holding Corp.	22	1,231,743	1.21
15	Pedestal Bancshares Inc.	24	1,010,447	0.99
16	CB&T Holding Corp.	3	865,175	0.85
17	First Trust Corp.	12	801,265	0.79
18	Citizens National Bancshares Bossier Inc.	12	792,334	0.78
19	One American Corp.	25	765,099	0.75
20	Sabine Bancshares Inc.	47	737,071	0.72
Total For Institutions In Market		1,451	102,022,809	

Notes: Large banks defined as having over \$50 billion in assets
Sources: S&P Global Market Intelligence; FDIC; Deposit data as of June 30, 2018

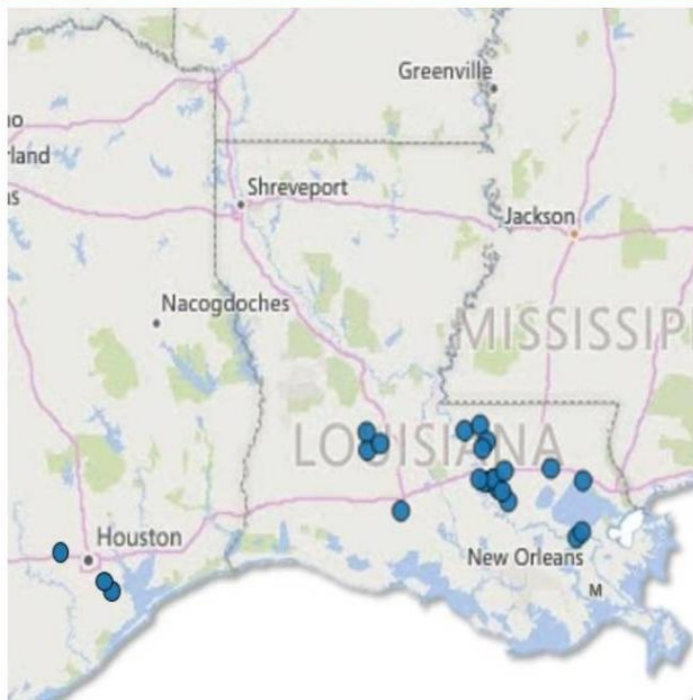
Market Share Opportunity





OPPORTUNISTIC ACQUISITIONS COMPLETED

Branch map



South Louisiana Business Bank

- Announced: June 2011
- Closed: October 2011
- 1 Branch in Prairieville, LA
- \$31.5 million in gross loans and \$38.6 million in deposits¹

First Community Bank

- Announced: January 2013
- Closed: May 2013
- 2 Branches – Hammond and Mandeville, LA
- \$77.5 million in gross loans and \$86.5 million in deposits¹

Citizens Bancshares, Inc.

- Announced: March 2017
- Closed: July 2017
- Pricing: 128% of TBV, 100% cash
- 3 Branches – Evangeline Parish, LA
- \$129.2 million in gross loans and \$212.2 million in deposits¹

BOJ Bancshares, Inc.

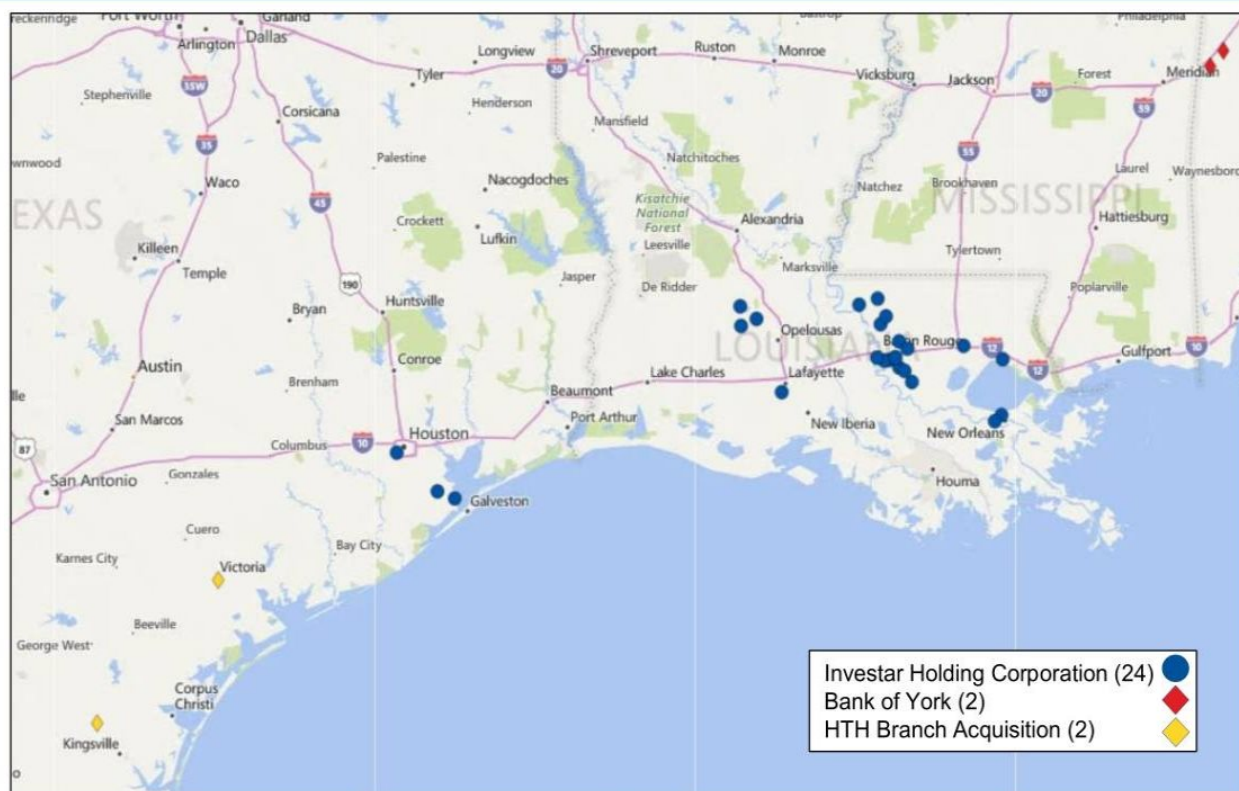
- Announced: August 2017
- Closed: December 2017
- Pricing: 132% of TBV; 80% stock, 20% cash
- 5 Branches – East Baton Rouge Parishes, East Feliciana Parishes, and West Feliciana Parishes, LA
- \$102.4 million in gross loans and \$125.8 million in deposits¹

Mainland Bank

- Announced: October 2018
- Closed: March 2019
- 3 Branches – Texas City, Houston, and Dickinson, TX
- Pricing – 100% stock
- \$82.4 million in gross loans and \$107.6 million in deposits¹

(1) Based on fair values at time of closing

OPPORTUNISTIC ACQUISITIONS ANNOUNCED



HTH branches in Alice and Victoria, Texas

- Announced: August 2019
- Target closing date in Q1 2020
- 2 Branches – Alice and Victoria, TX
- Pricing – 100% stock
- \$52 million in gross loans and \$42 million in deposits¹

Bank of York, York, Alabama

- Announced: July 2019
- Target closing date in Q4 2019
- \$15 million cash
- 2 Branches – York and Livingston, AL and an LPO in Tuscaloosa, AL
- \$46 million in gross loans and \$82 million in deposits¹

(1) Based on estimates at June 30, 2019



Total Assets

(in millions)



*Represents the compounded annual growth rate for the five years ended December 31, 2018



Total Loans (in millions)



* Growth % excludes Loans HFS



LOAN COMPOSITION

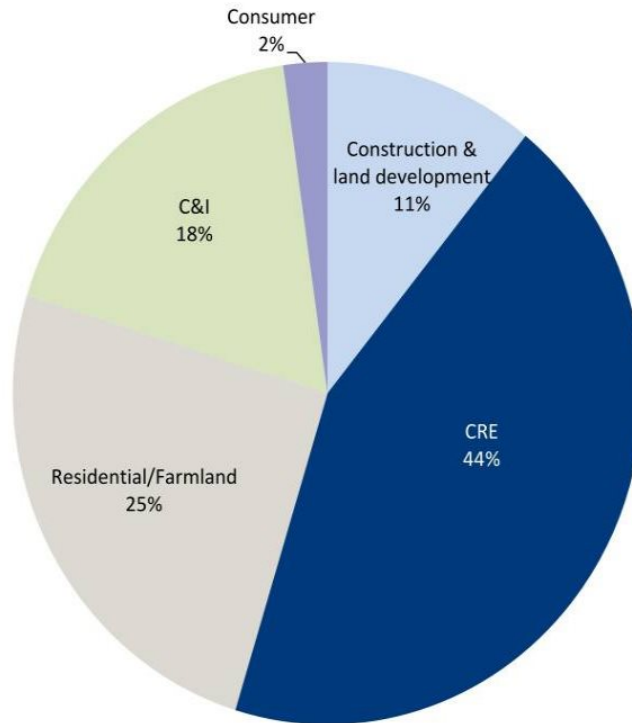
<i>(dollars in thousands)</i>	2017		2018		Q2 2019		Increase/(Decrease)	
	Amount	%	Amount	%	Amount	%	Amount	%
Mortgage loans on real estate								
Construction and land development	\$ 157,667	12.5%	\$ 157,946	11.3%	\$ 167,232	10.8%	\$ 9,286	5.9%
1-4 Family	276,922	22.0	287,137	20.5	305,512	19.8	18,375	6.4
Multifamily	51,283	4.1	50,501	3.6	56,081	3.6	5,580	11.0
Farmland	23,838	1.9	21,356	1.5	25,203	1.6	3,847	18.0
Commercial real estate								
Owner-occupied	272,433	21.6	298,222	21.3	339,130	22.0	40,908	13.7
Nonowner-occupied	264,931	21.0	328,782	23.5	338,426	21.9	9,644	2.9
Commercial and industrial	135,392	10.8	210,924	15.1	276,902	17.9	65,978	31.3
Consumer	76,313	6.1	45,957	3.3	34,855	2.3	(11,102)	(24.2)
Total loans	\$ 1,258,779	100.0%	\$ 1,400,825	100.0%	\$ 1,543,341	100.0%	\$ 142,516	10.2%





LOAN COMPOSITION

June 30, 2019



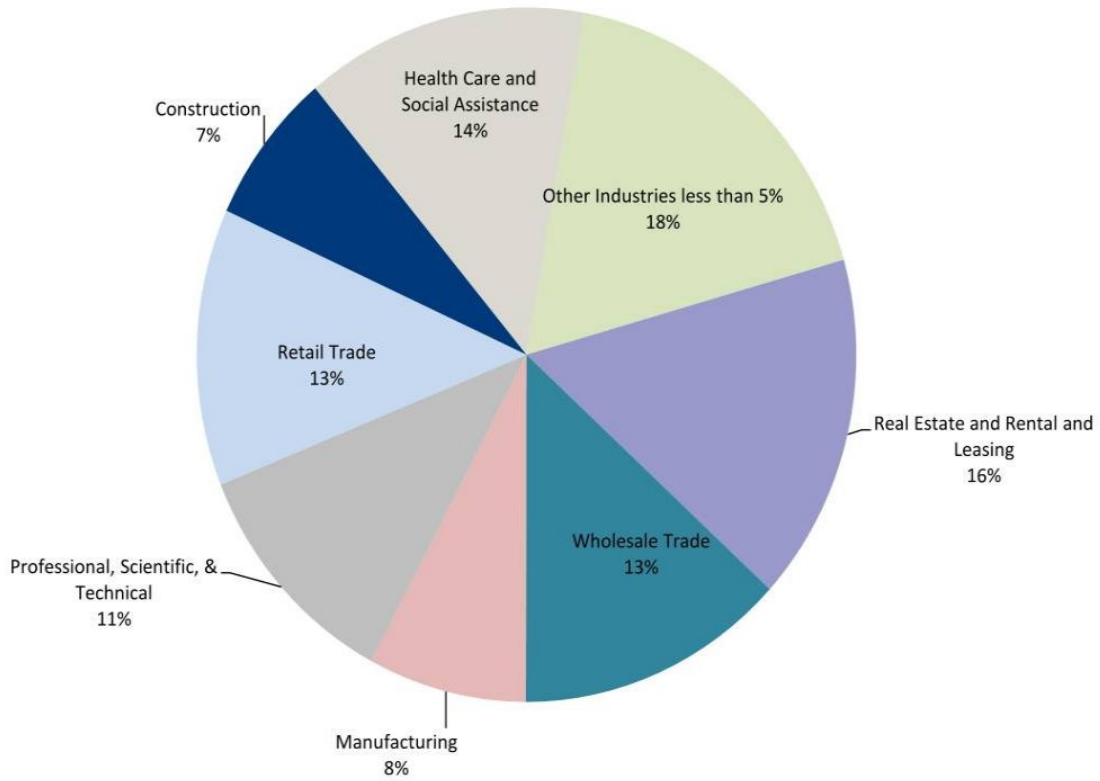
Total Loans: \$1.5 billion
YTD Yield on loans: 5.28%
50% of CRE is owner-occupied





LOAN COMPOSITION

Business Lending Portfolio¹



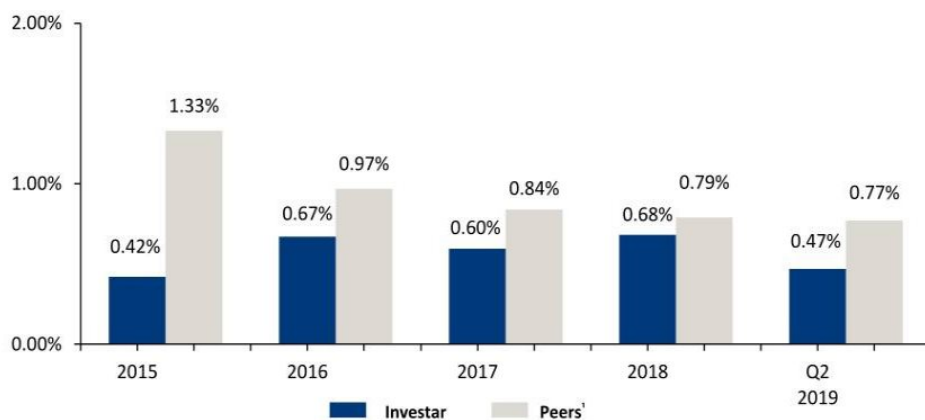
Total Business Lending Portfolio¹:
\$616 million

(1) Business lending portfolio includes owner-occupied CRE and C&I loans as of June 30, 2019

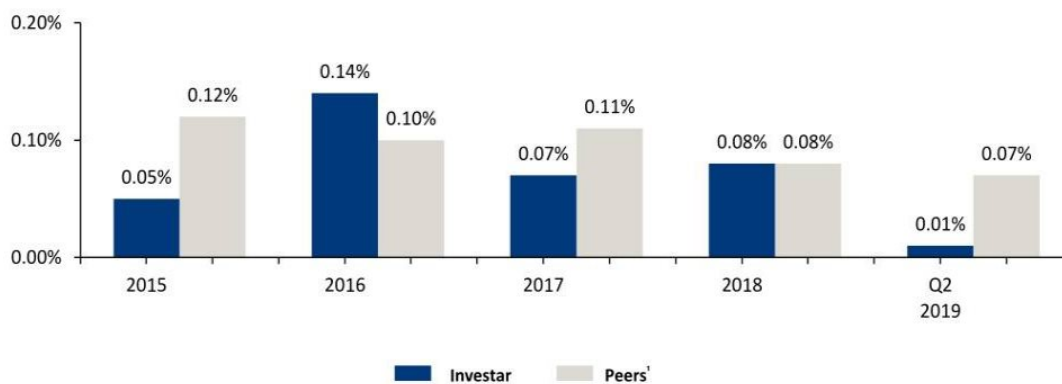


CREDIT METRICS

NPAs / Total Loans + OREO



NCOs / Average Loans

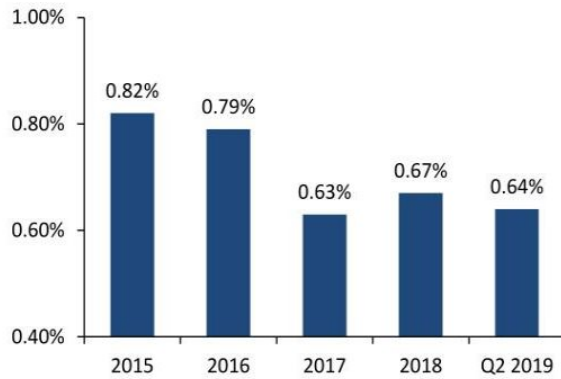


(1) Peer group consists of UBPR peers produced by the FFIEC and defined by a combination of asset size, number of branches and location in a Metropolitan Statistical Area.



DISCIPLINED LENDING

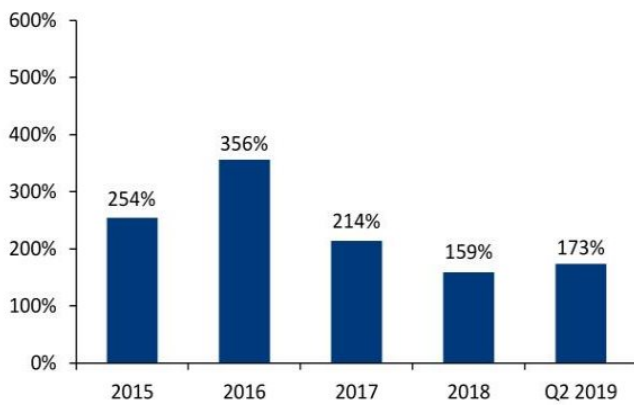
Reserves / Total Loans



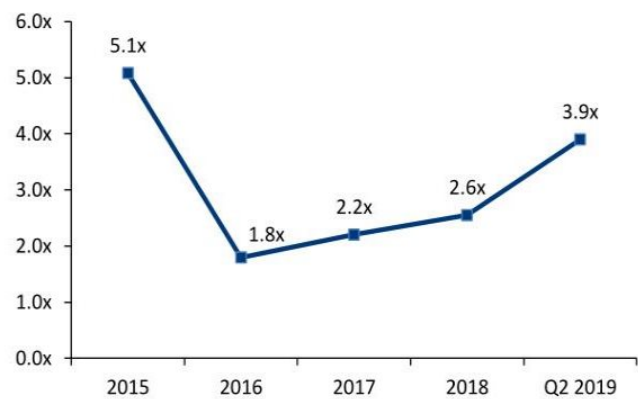
At June 30, 2019:

- Reserves / Total Loans: 0.64%

Reserves / NPLs



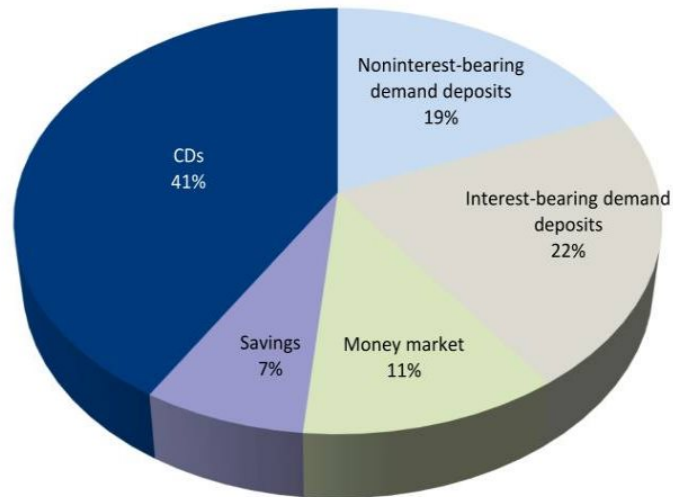
Provision Expense / NCOs





DEPOSIT COMPOSITION AND GROWTH

Deposit Composition ¹
(\$1.6 billion)



Cost of interest-bearing deposits: 1.46%

Growth in noninterest-bearing deposits

2019: 33.1%

2018: 0.4%

2017: 99.8%

2016: 19.9%

Target: 20% of total deposits are noninterest-bearing

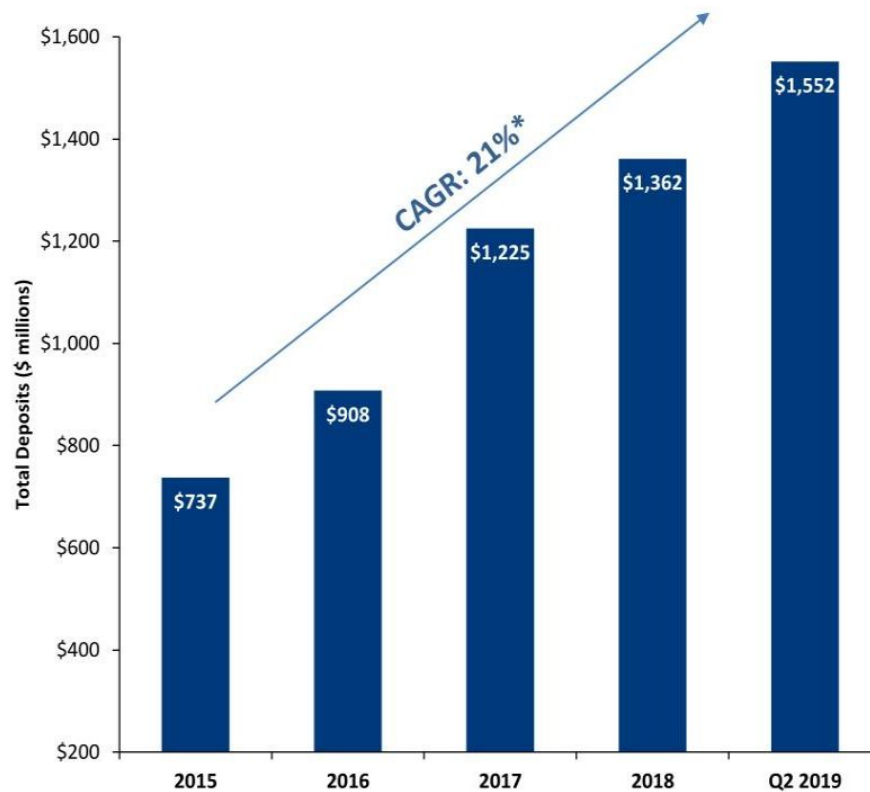
- Treasury Management
- Small Business Banking
- Focus on Relationship Banking
- Strategic Acquisitions

(1) As of June 30, 2018



DEPOSIT COMPOSITION AND GROWTH

Total Deposits



*Represents the compounded annual growth rate for the five years ended December 31, 2018



FINANCIAL HIGHLIGHTS

Amounts in thousands, except share data	Year Ended December 31,			
	2016	2017	2018	Q2 2019
Financial Highlights				
Total Assets	\$ 1,158,960	\$ 1,622,734	\$ 1,786,469	\$ 1,996,641
Gross Loans	893,846	1,258,779	1,400,825	1,543,308
Total Deposits	907,787	1,225,237	1,361,731	1,552,218
Total Stockholders' Equity	112,757	172,729	182,262	205,499
Shares Outstanding	7,101,851	9,514,926	9,484,219	9,937,752
Capital Ratios				
Tangible Equity / Tangible Assets ⁽²⁾	9.48%	9.53%	9.20%	9.09%
Tier 1 Leverage Ratio	10.10%	10.66%	9.81%	9.59%
Total Capital Ratio	12.47%	14.22%	13.46%	12.57%
Asset Quality Ratios				
NPA's / Total Assets	0.52%	0.46%	0.54%	0.39%
NPLs / Loans	0.22%	0.29%	0.42%	0.40%
Loan Loss Reserves / Total Loans	0.79%	0.63%	0.67%	0.64%
Loan Loss Reserves / NPLs	356.2%	214.4%	158.9%	173.4%
NCOs / Avg Loans	0.14%	0.07%	0.08%	0.01%
Performance Ratios				
Net Income	\$ 7,880	\$ 8,202	\$ 13,606	\$ 4,934
ROAE	6.99%	5.65%	7.68%	9.70%
ROAA	0.71%	0.62%	0.81%	1.01%
Core ROAA ⁽²⁾	0.64%	0.69%	0.95%	0.98%
Net Interest Margin	3.32%	3.39%	3.61%	3.59%
Efficiency Ratio ⁽³⁾	66.25%	69.80%	67.89%	63.93%
Per Share Data				
Tangible Book Value per Share ⁽²⁾	\$ 15.42	\$ 16.06	\$ 17.13	\$ 18.02
Diluted Earnings per Share	\$ 1.10	\$ 0.96	\$ 1.39	\$ 0.48

(1) Gross loans includes loans held for sale (HFS)

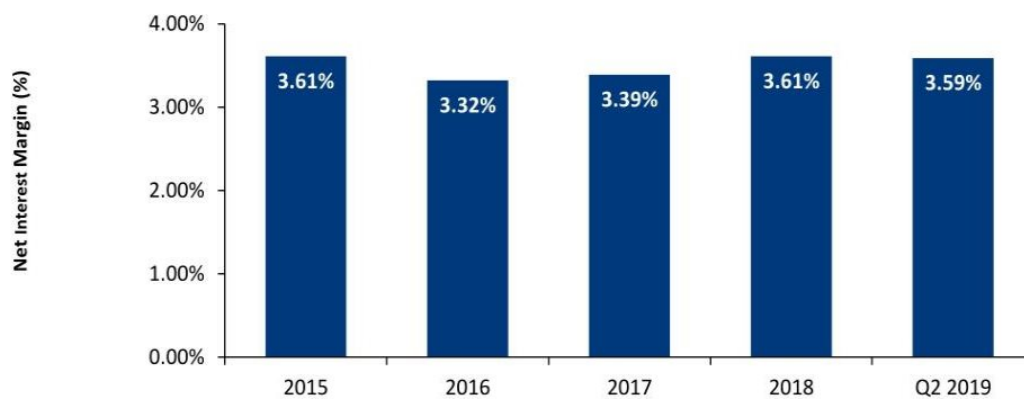
(2) Non-GAAP financial measure. See non-GAAP financial measures slides.

(3) Efficiency ratio represents noninterest expense divided by the sum of net interest income (before provision for loan losses) and noninterest income.

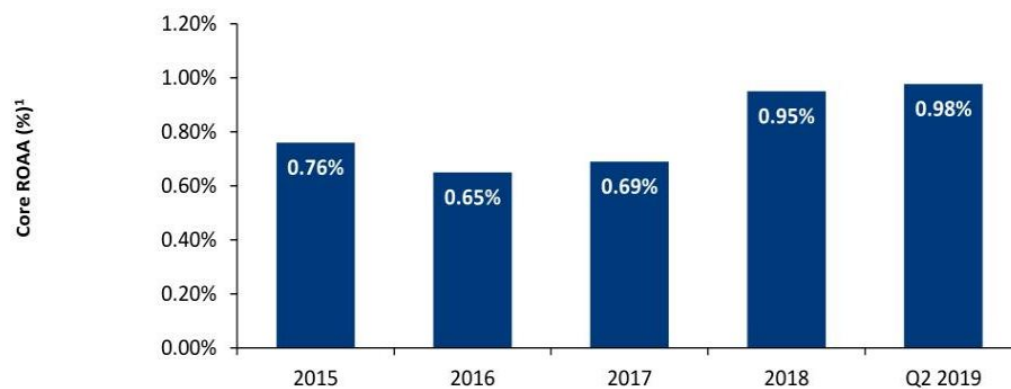


PERFORMANCE METRICS

Net Interest Margin



Core Return on Average Assets

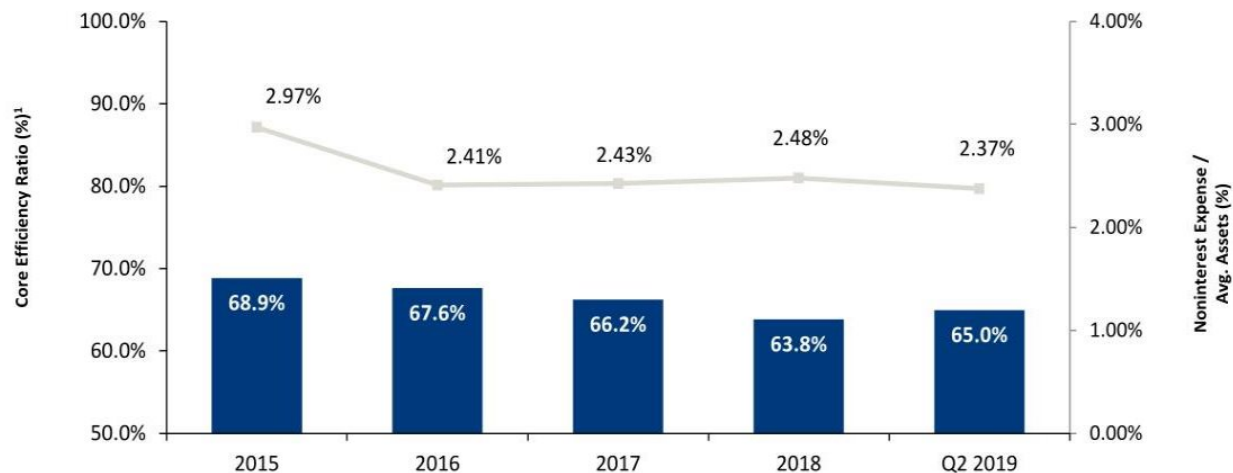


(1) Non-GAAP financial measure. See non-GAAP financial measures slides.



PERFORMANCE METRICS

Expense Ratios



	December 31,				
	2015	2016	2017	2018	Q2 2019
Employees	165	152	258	255	283
Locations	11	10	20	21	24

(1) Non-GAAP financial measure. See non-GAAP financial measures slides.



PROFITABILITY

Net Income and Diluted Earnings Per Share



Core Diluted Earnings Per Share¹

Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
\$0.40	\$0.41	\$0.45	\$0.46	\$0.47

(1) Non-GAAP financial measure. See non-GAAP financial measures slides.



INVESTMENT OPPORTUNITY

1 Management

- Legacy team with proven industry expertise tied to the Southern Louisiana region
- Continue to add experienced bankers in new and existing markets

2 Market

- Southern Louisiana focus with complementary new market expansion

3 Growth

- Leverage existing infrastructure in core markets
- Limited de novo branching
- Opportunistic, disciplined acquisition strategy
- Focus on relationship banking

4 Asset Quality

- Loan portfolio diversity
- Disciplined credit philosophy – legacy delinquencies less than 1%

5 Profitability

- Expected to increase as investment in infrastructure has already been made





APPENDIX





NON-GAAP FINANCIAL MEASURES

Tangible equity, tangible book value per share, and the ratio of tangible equity to tangible assets are not financial measures recognized under GAAP and, therefore, are considered non-GAAP financial measures. Our management, banking regulators, many financial analysts and other investors use these non-GAAP financial measures to compare the capital adequacy of banking organizations with significant amounts of preferred equity and/or goodwill or other intangible assets, which typically stem from the use of the purchase accounting method of accounting for mergers and acquisitions. Tangible equity, tangible assets, tangible book value per share or related measures should not be considered in isolation or as a substitute for total stockholders' equity, total assets, book value per share or any other measure calculated in accordance with GAAP. Moreover, the manner in which we calculate tangible equity, tangible assets, tangible book value per share and any other related measures may differ from that of other companies reporting measures with similar names. The following table reconciles, as of the dates set forth below, stockholders' equity (on a GAAP basis) to tangible equity and total assets (on a GAAP basis) to tangible assets and calculates our tangible book value per share.

<i>Dollar values in thousands except per share amounts</i>	December 31,				
	2015	2016	2017	2018	Q2 2019
Total Stockholders' Equity - GAAP	\$ 109,350	\$ 112,757	\$ 172,729	\$ 182,262	\$ 205,499
Adjustments					
Goodwill	2,684	2,684	17,086	17,424	21,978
Other Intangibles	491	550	2,840	2,363	4,431
Tangible Equity	\$ 106,175	\$ 109,523	\$ 152,803	\$ 162,475	\$ 179,090
Total Assets - GAAP	\$ 1,031,555	\$ 1,158,960	\$ 1,622,734	\$ 1,786,469	\$ 1,996,642
Adjustments					
Goodwill	2,684	2,684	17,086	17,424	21,978
Other Intangibles	491	550	2,840	2,363	4,431
Tangible Assets	\$ 1,028,380	\$ 1,155,726	\$ 1,602,808	\$ 1,766,682	\$ 1,970,233
Total Shares Outstanding					
Book Value Per Share	\$ 15.05	\$ 15.88	\$ 18.15	\$ 19.22	\$ 20.04
Effect of Adjustment	(0.43)	(0.46)	(2.09)	(2.09)	(2.02)
Tangible Book Value Per Share	\$ 14.62	\$ 15.42	\$ 16.06	\$ 17.13	\$ 18.02
Total Equity to Total Assets	10.60%	9.73%	10.64%	10.20%	10.29%
Effect of Adjustment	(0.28)	(0.25)	(1.11)	(1.00)	(1.19)
Tangible Equity to Tangible Assets	10.32%	9.48%	9.53%	9.20%	9.09%



NON-GAAP FINANCIAL MEASURES

		December 31,				
		2015	2016	2017	2018	Q2 2019
Dollar values in thousands except per share amounts						
Net interest income	(x)	\$ 31,458	\$ 34,739	\$ 42,517	\$ 57,370	\$ 16,331
Provision for loan losses		1,865	2,079	1,540	2,570	369
Adjusted net interest income after provision for loan losses		29,593	32,660	40,977	54,800	15,962
Noninterest income	(v)	8,344	5,468	3,815	4,318	1,742
Gain on sale of investment securities, net		(489)	(443)	(292)	(14)	(227)
Loss (gain) on sale of other real estate owned, net		105	(13)	(27)	24	(13)
Gain on sale of fixed assets, net		(15)	(1,266)	(127)	(98)	11
Change in the fair value of equity securities		-	-	-	267	(57)
Core noninterest income	(y)	7,945	3,746	3,369	4,497	1,456
Noninterest expense	(w)	27,353	26,639	32,342	41,882	11,554
Severance		(226)	(26)	(82)	(293)	-
Acquisition expense		-	-	(1,868)	(1,445)	-
Non-routine legal expense		-	-	-	(89)	-
Impairment on investment in tax credit entity		(54)	-	-	-	-
Customer reimbursements		-	(584)	-	-	-
Write down of other real estate owned		-	-	-	(567)	-
Core noninterest expense	(z)	27,073	26,029	30,392	39,488	11,554
Core earnings before income tax expense		10,465	10,377	13,954	19,809	5,864
Core income tax expense		3,456	3,258	4,758	3,809	1,161
Core earnings		\$ 7,009	\$ 7,119	\$ 9,196	\$ 16,000	\$ 4,703
Efficiency ratio	(w)/(x+v)	68.72%	66.25%	69.80%	67.89%	63.93%
Core Efficiency ratio	(z)/(x+y)	68.85%	67.63%	66.23%	63.83%	64.96%
Core ROAA		0.76%	0.65%	0.69%	0.95%	0.98%

NON-GAAP FINANCIAL MEASURES

Dollar values in thousands except per share amounts		Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Net interest income	(a)	\$ 14,320	\$ 14,385	\$ 14,807	\$ 15,156	\$ 16,331
Provision for loan losses		567	785	593	265	369
Net interest income after provision for loan losses		13,753	13,600	14,214	14,891	15,962
Noninterest income	(b)	1,193	1,217	836	1,281	1,742
(Gain) loss on sale of investment securities, net		(22)	(15)	23	(2)	(227)
Loss (gain) on sale of other real estate owned, net		4	-	20	(5)	(13)
(Gain) loss on sale of fixed assets, net		1	(9)	-	-	11
Change in the fair value of equity securities		(3)	(36)	306	(172)	(57)
Core noninterest income	(d)	1,173	1,157	1,185	1,102	1,456
Core earnings before noninterest expense		14,926	14,757	15,399	15,993	17,418
Noninterest expense	(c)	10,160	10,254	10,906	11,303	11,554
Severance		-	(293)	-	-	-
Acquisition expense		-	-	(341)	(905)	-
Non-routine legal expense		(89)	-	-	-	-
Write down of other real estate owned		-	-	(567)	-	-
Core noninterest expense	(e)	10,071	9,961	9,998	10,398	11,554
Core earnings before income tax expense		4,855	4,796	5,401	5,595	5,864
Core income tax expense		981	825	1,053	1,094	1,161
Core earnings before income tax expense		<u>\$ 3,874</u>	<u>\$ 3,971</u>	<u>\$ 4,348</u>	<u>\$ 4,501</u>	<u>\$ 4,703</u>
Core basic earnings per share		0.40	0.42	0.46	0.47	0.47
Diluted earnings per share (GAAP)		\$ 0.39	\$ 0.41	\$ 0.34	\$ 0.40	\$ 0.48
Gain on sale of investment securities, net		-	-	-	-	(0.01)
Change in the fair value of equity securities		-	-	0.03	(0.01)	-
Severance		-	0.03	-	-	-
Acquisition expense		-	-	0.03	0.07	-
Write down of other real estate owned		-	-	0.05	-	-
Non-routine legal expense		0.01	-	-	-	-
Discrete tax benefit related to return-to-provision-adjustments		-	(0.03)	-	-	-
Core diluted earnings per share		<u>\$ 0.40</u>	<u>\$ 0.41</u>	<u>\$ 0.45</u>	<u>\$ 0.46</u>	<u>\$ 0.47</u>
Efficiency ratio	(c)/(a+b)	65.49%	65.72%	69.72%	68.76%	63.93%
Core efficiency ratio	(e)/(a+d)	65.00%	64.09%	62.52%	63.96%	64.96%
Core return on average assets		0.94%	0.92%	0.98%	0.98%	0.98%
Core return on average equity		8.85%	8.81%	9.55%	9.62%	9.35%
Total average assets		\$ 1,655,709	\$ 1,705,733	\$ 1,766,094	\$ 1,854,191	\$ 1,951,559
Total average stockholders' equity		175,801	178,735	180,682	189,822	203,911



INCOME STATEMENT

(dollars in thousands, except share data)	December 31,				
	2015	2016	2017	2018	Q2 2019
INTEREST INCOME					
Interest and fees on loans	\$ 35,076	\$ 39,380	\$ 47,863	\$ 66,750	\$ 20,233
Interest on investment securities	2,189	3,565	5,055	6,608	1,923
Other interest income	75	207	428	533	232
TOTAL INTEREST INCOME	37,340	43,152	53,346	73,891	22,388
INTEREST EXPENSE					
Interest on deposits	5,250	7,182	8,050	11,394	4,684
Interest on borrowings	632	1,231	2,779	5,127	1,373
TOTAL INTEREST EXPENSE	5,882	8,413	10,829	16,521	6,057
NET INTEREST INCOME	31,458	34,739	42,517	57,370	16,331
PROVISION FOR LOAN LOSSES	1,865	2,079	1,540	2,570	369
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	29,593	32,660	40,977	54,800	15,962
NON-INTEREST INCOME					
Service charges on deposit accounts	380	343	767	1,453	434
Gain on sale of investment securities, net	489	443	292	14	227
Gain on sale of assets, net	4,278	1,684	154	74	(11)
Servicing fees and fee income on serviced loans	2,543	2,087	1,482	963	150
Other operating income	654	911	1,120	1,814	942
TOTAL NON-INTEREST INCOME	8,344	5,468	3,815	4,318	1,742
INCOME BEFORE NON-INTEREST EXPENSE	37,937	38,128	44,792	59,118	17,704
NON-INTEREST EXPENSE					
Salaries and employee benefits	16,398	15,609	18,681	25,469	7,077
Impairment on investment in tax credit entity	54	11	-	-	-
Operating expenses	10,901	11,019	13,661	16,413	4,477
TOTAL NON-INTEREST EXPENSE	27,353	26,639	32,342	41,882	11,554
INCOME BEFORE INCOME TAX EXPENSE	10,584	11,489	12,450	17,236	6,150
INCOME TAX EXPENSE	3,511	3,609	4,248	3,630	1,216
NET INCOME	\$ 7,073	\$ 7,880	\$ 8,202	\$ 13,606	\$ 4,934
Basic earnings per share	\$ 0.98	\$ 1.11	\$ 0.96	\$ 1.41	\$ 0.49
Diluted earnings per share	\$ 0.97	\$ 1.10	\$ 0.96	\$ 1.39	\$ 0.48



