

INVESTAR HOLDING CORP

FORM 8-K (Current report filing)

Filed 08/10/20 for the Period Ending 08/10/20

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): August 10, 2020

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.

Representatives of Investar Holding Corporation (the "Company"), the holding company for Investar Bank, National Association (the "Bank"), will be making presentations to investors during various virtual conferences in the third quarter of 2020. A copy of the presentation materials is furnished as Exhibit 99.1 to this Form 8-K and is incorporated herein solely for purposes of this Item 7.01.

In accordance with General Instruction B.2 of Form 8-K, the information in this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, and shall not be deemed incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except as shall be expressly set forth by specific reference in such filing.

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:

- the ongoing impacts of the COVID-19 pandemic on economic conditions in general and on the Bank's markets in particular, and on the Bank's operations and financial results;
- ongoing disruptions in the oil and gas industry due to the significant decrease in the price of oil;
- business and economic conditions generally and in the financial services industry in particular, whether nationally, regionally or in the markets in which we operate;
- increased cyber and payment fraud risk, as cybercriminals attempt to profit from the disruption, given increased online and remote activity;
- 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;
- possible cessation or market replacement of LIBOR and the related effect on our LIBOR-based financial products and contracts, including, but not limited to, hedging products, debt obligations, investments and loans;
- 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, Texas and Alabama; 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, 2019, filed with the Securities and Exchange Commission.

Item 9.01 **Financial Statements and Exhibits.**

(d) Exhibits

Exhibit Number	Description of Exhibit
99.1	Investor presentation
104	The cover page of Investar Holding Corporation's Form 8-K is formatted in Inline XBRL.



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:

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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, 2020



Market Data	
Shares Outstanding	10,839,977
Market Cap	\$157.2 million
Price per Share	\$14.50
Dividend Yield	1.66%
Price/ Tangible Book Value	77.1%
Price/LTM EPS	\$11.79

Q2 Financial Highlights	
Assets	\$2.4 billion
Net Loans	\$1.8 billion
Deposits	\$1.9 billion
Tangible Equity ⁽¹⁾	\$204.0 million
TE/TA ⁽¹⁾	8.77%
Net Income	\$4.3 million
ROAA	0.75%
Core ROAA ⁽¹⁾	0.62%
ROAE	7.26%
NPAs/Assets	0.56%
Net Interest Margin	3.46%
Cost of Funds	1.36%

(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 1.7%

**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

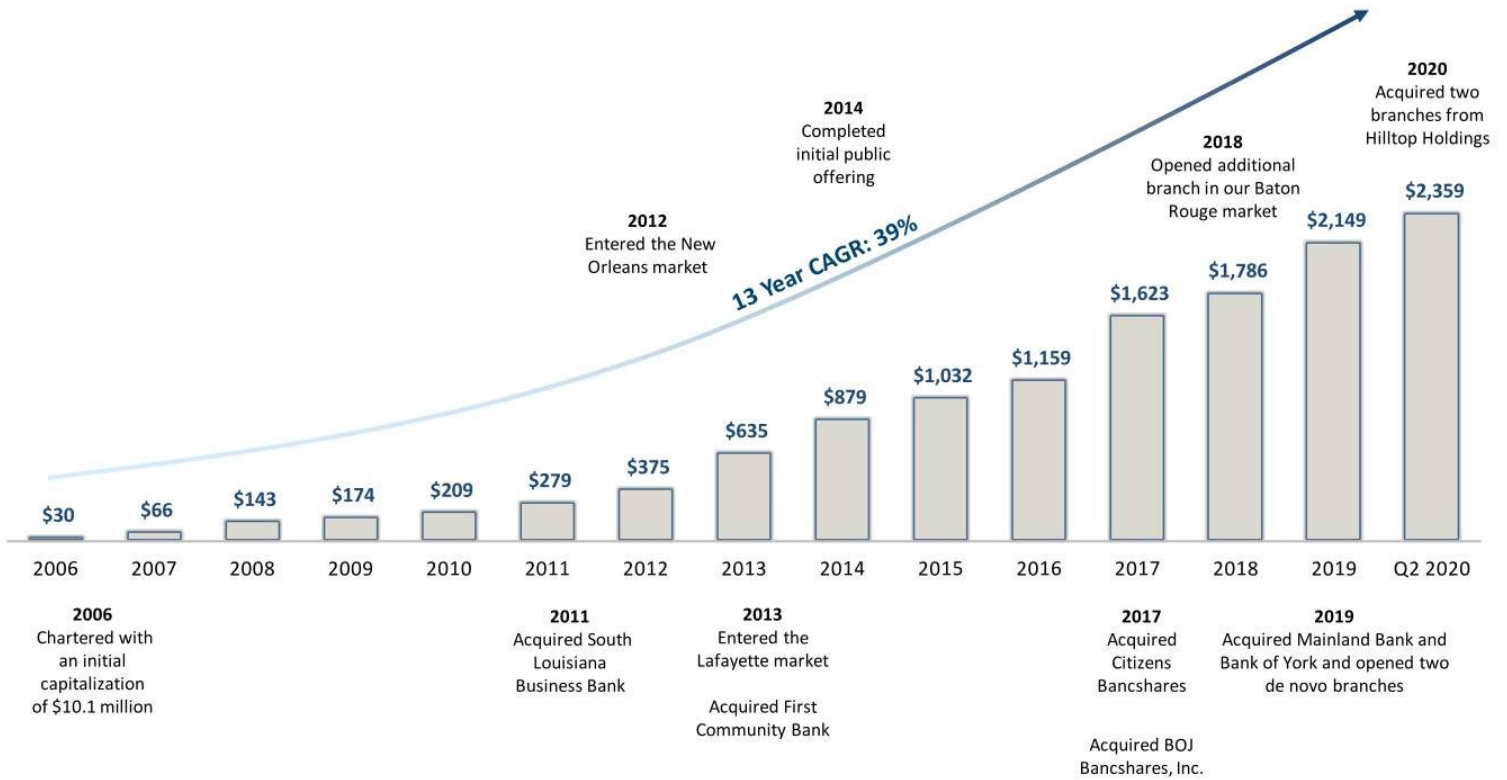
Continued to Add Experienced Bankers in Key Areas

Completed four whole-bank acquisitions





INVESTAR TIMELINE



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

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, Investar Holding Corporation offers a wide range of commercial banking products to meet the needs of small to medium-sized businesses
- ISTR currently operates 31 full service banking offices located throughout its primary markets of Baton Rouge, New Orleans, Lafayette, and Lake Charles, Louisiana; Houston, Alice, and Victoria, Texas, and Sumter County, Alabama
- ISTR is ranked 13th in the Louisiana market with \$1,439 million of total deposits as of June 30, 2019, and 8th for those headquartered in Louisiana
- Experienced management team that has experienced strong growth complemented by *six completed* whole bank acquisitions since 2011
- Strong capital position and disciplined credit philosophy
- ISTR had 336 full-time equivalents as of June 30, 2020

Financial highlights

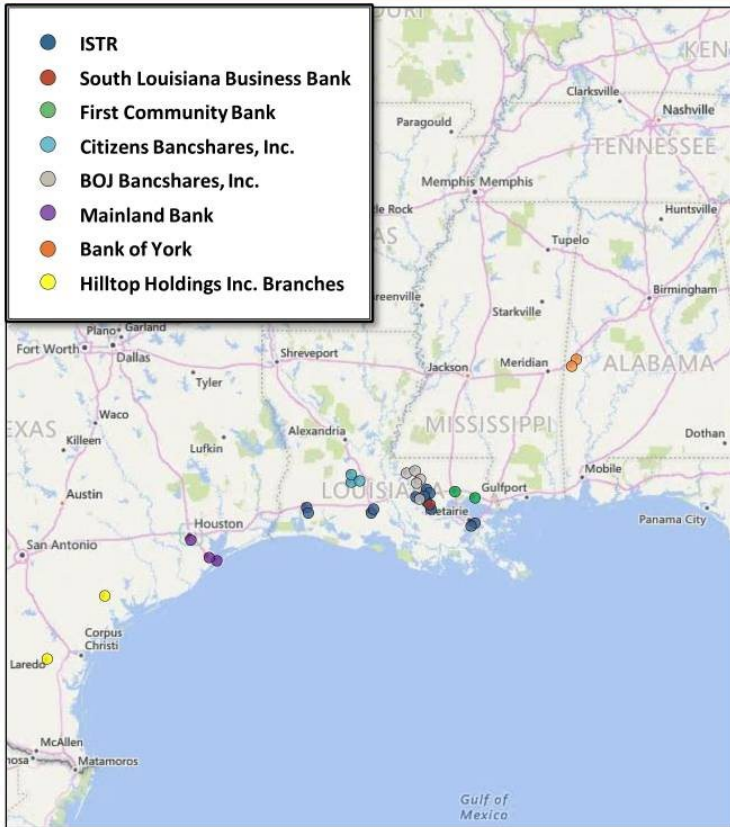
	Year Ended December 31,		
	2018	2019	Q2 2020
<i>Dollars in thousands, except share data</i>			
Financial Highlights			
Total Assets	\$ 1,786,469	\$ 2,148,916	\$ 2,359,363
Gross Loans	1,400,825	1,691,975	1,813,971
Total Deposits	1,361,731	1,707,706	1,889,588
Total Stockholders' Equity	182,262	241,976	236,706
Shares Outstanding	9,484,219	11,228,775	10,839,977
Capital Ratios			
Tangible Equity / Tangible Assets ⁽¹⁾	9.20%	9.96%	8.77%
Tier 1 Leverage Ratio	9.81%	10.45%	9.31%
Total Capital Ratio	13.46%	15.02%	14.61%
Asset Quality Ratios			
NPAs / Total Assets	0.54%	0.30%	0.56%
NPLs / Loans	0.42%	0.37%	0.72%
Loan Loss Reserves / Total Loans	0.67%	0.63%	0.92%
Loan Loss Reserves / NPLs	158.9%	171.1%	127.6%
NCOs / Avg Loans	0.08%	0.04%	0.00%
Performance Ratios			
Net Income	\$ 13,606	\$ 3,331	\$ 4,274
ROAE	7.68%	8.21%	7.26%
ROAA	0.81%	0.85%	0.75%
Core ROAA ⁽¹⁾	0.95%	0.91%	0.62%
Net Interest Margin	3.61%	3.51%	3.46%
Efficiency Ratio ⁽²⁾	67.89%	67.81%	65.02%
Per Share Data			
Tangible Book Value per Share ⁽¹⁾	\$ 17.13	\$ 18.79	\$ 18.82
Diluted Earnings per Share	\$ 1.39	\$ 1.66	\$ 0.39

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

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

OPPORTUNISTIC ACQUISITIONS

Branch map



Six whole bank transactions since 2011

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

- 3 Branches – Evangeline Parish, LA
- \$128.8 million in gross loans and \$216.5 million in deposits¹

BOJ Bancshares, Inc.: Announced August 2017, December 2017

- 5 Branches – East Baton Rouge, East Feliciana, and West Feliciana Parishes, LA
- \$128.8 million in gross loans and \$216.5 million in deposits¹

Mainland Bank: Announced October 2018, Closed March 2019

- 3 Branches – Galveston County and Harris County, Texas
- \$81.3 million in gross loans and \$107.6 million in deposits¹

Bank of York: Announced July 2019, Closed November 2019

- 2 Branches – Sumter County, Alabama
- \$46.1 million in gross loans and \$85.0 million in deposits¹

Hilltop Holdings Branches: Announced August 2019, Closed February 2020

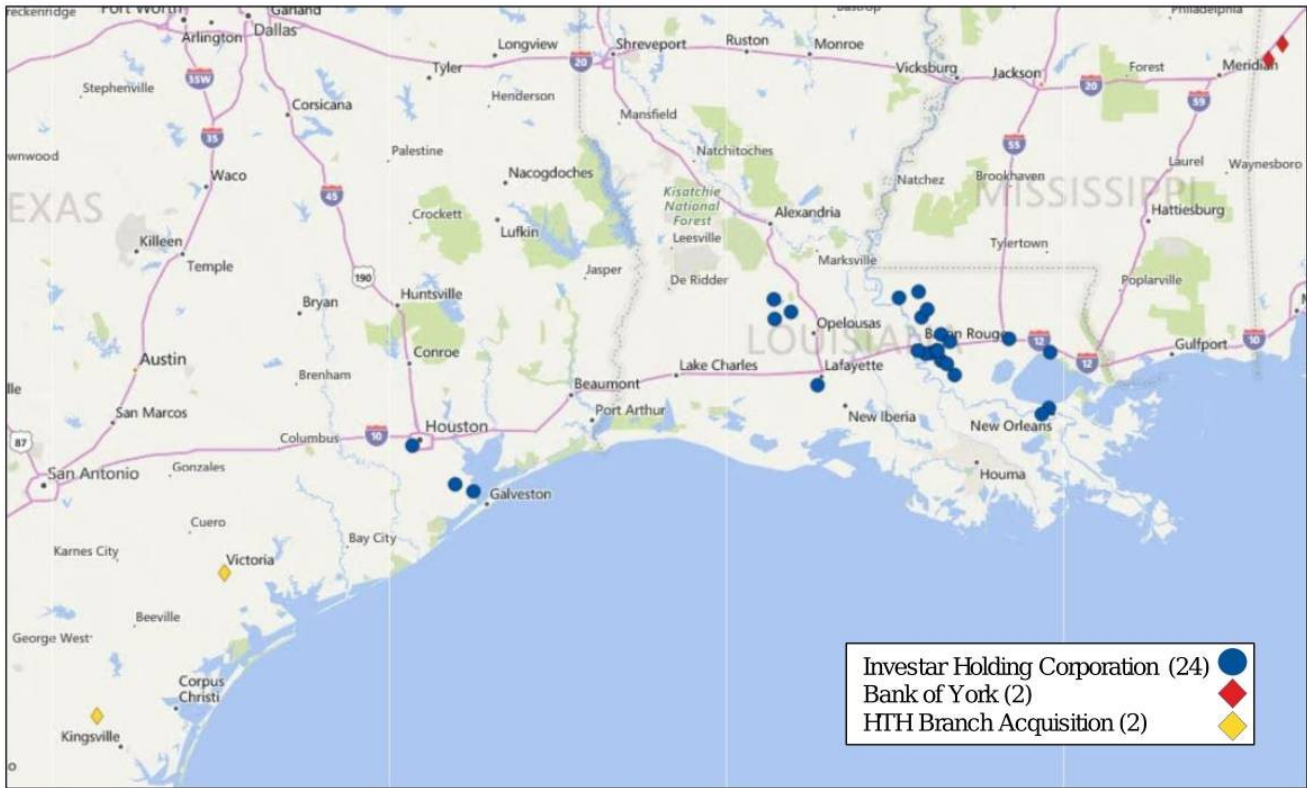
- 2 Branches – Alice and Victoria, Texas
- \$45.3 million in gross loans and \$37.0 million in deposits¹

(1) Based on fair values at time of closing

(2) Based on fair values at time of announcement



RECENT ACQUISITIONS



HTH branches in Alice and Victoria, Texas

- Closed on February 21, 2020
- 2 Branches – Alice and Victoria, TX
- Pricing – 100% cash
- \$45.3 million in gross loans and \$37.0 million in deposits¹

Bank of York, York, Alabama

- Closed on November 1, 2019
- \$15 million cash
- 2 Branches – York and Livingston, AL and an LPO in Tuscaloosa, AL
- \$46.1 million in gross loans and \$85.0 million in deposits¹

(1) Based on estimates at June 30, 2020

Total Assets

(in millions)



*Represents the compounded annual growth rate for the five years ended December 31, 2019

Total Loans

(in millions)



* Growth % excludes Loans HFS



LOAN COMPOSITION



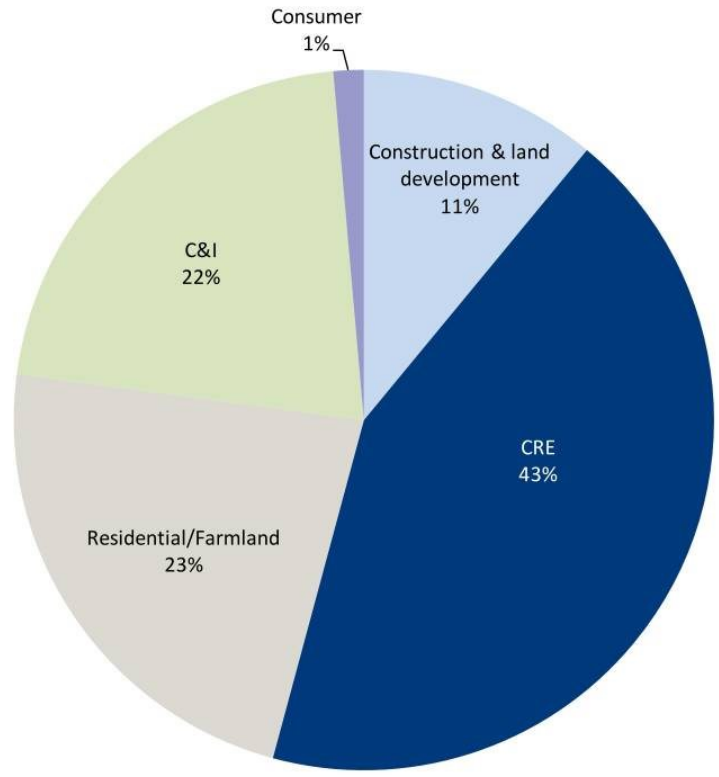
<i>(dollars in thousands)</i>	2018		2019		Q2 2020		Increase/(Decrease)	
	Amount	%	Amount	%	Amount	%	Amount	%
Mortgage loans on real estate								
Construction and land development	\$ 157,946	11.3%	\$ 197,797	11.7%	\$ 199,419	11.0%	\$ 1,622	0.8%
1-4 Family	287,137	20.5	321,489	19.0%	326,102	18.0	4,613	1.4
Multifamily	50,501	3.6	60,617	3.6%	60,617	3.3	-	0.0
Farmland	21,356	1.5	27,780	1.6%	28,845	1.6	1,065	3.8
Commercial real estate								
Owner-occupied	298,222	21.3	352,324	20.8%	371,783	20.5	19,459	5.5
Nonowner-occupied	328,782	23.5	378,736	22.4%	411,776	22.7	33,040	8.7
Commercial and industrial	210,924	15.1	323,786	19.1%	390,085	21.5	66,299	20.5
Consumer	45,957	3.3	29,446	1.7%	25,344	1.4	(4,102)	(13.9)
Total loans	\$ 1,400,825	100.0%	\$ 1,691,975	100.0%	\$ 1,813,971	100.0%	\$ 121,996	7.2%





LOAN COMPOSITION

June 30, 2020



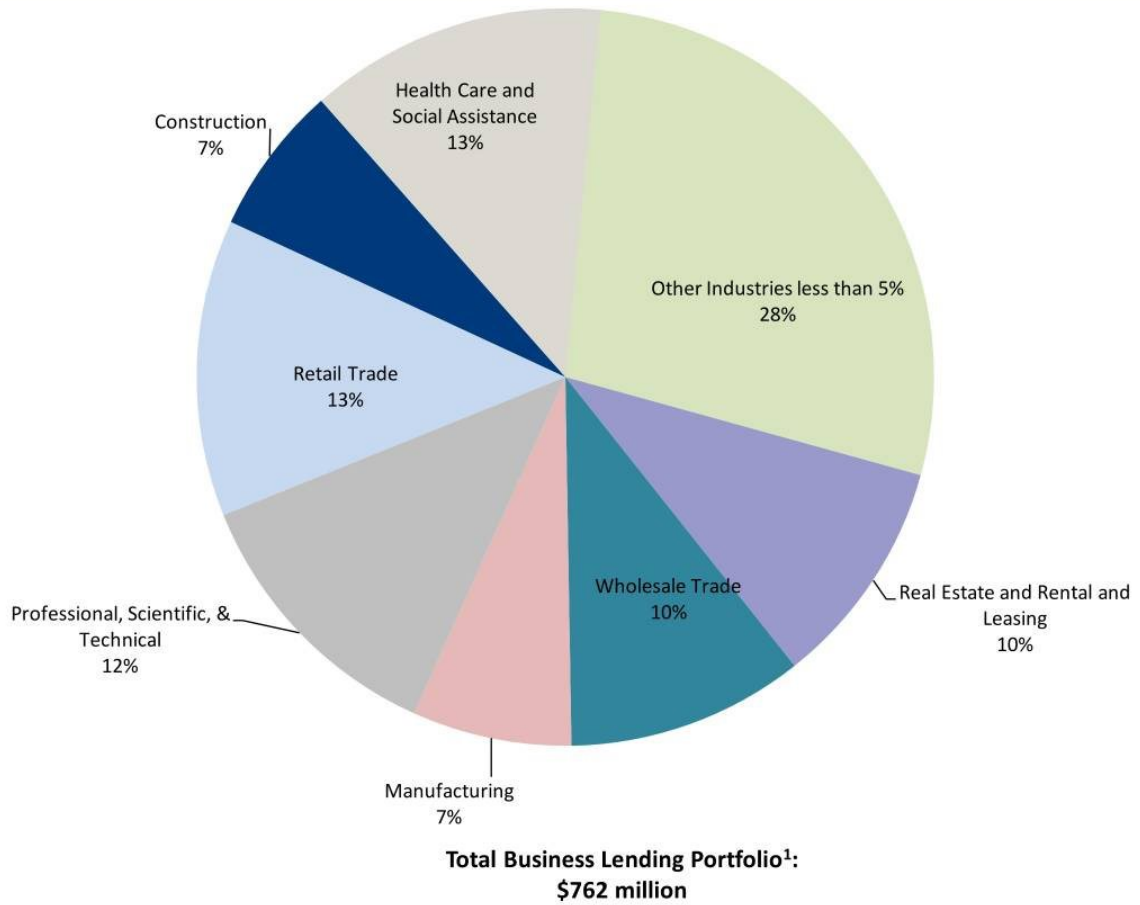
Total Loans: \$1.8 billion
YTD Yield on loans: 5.05%
47% of CRE is owner-occupied





LOAN COMPOSITION

Business Lending Portfolio¹



(1) Business lending portfolio includes owner-occupied CRE and C&I loans as of June 30, 2020



CREDIT METRICS

NPAs / Total Loans + OREO



NCOs / Average Loans

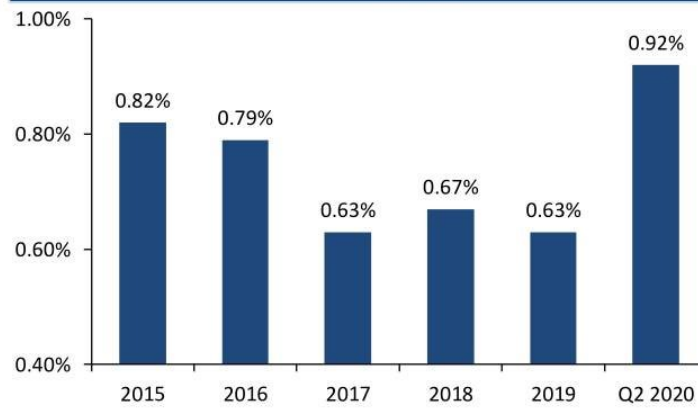


(1) Peer group consists of UBPR peers produced by the FFIEC and defined by a combination of asset size, number of branches and location in a Metropolitan Statistical Area.

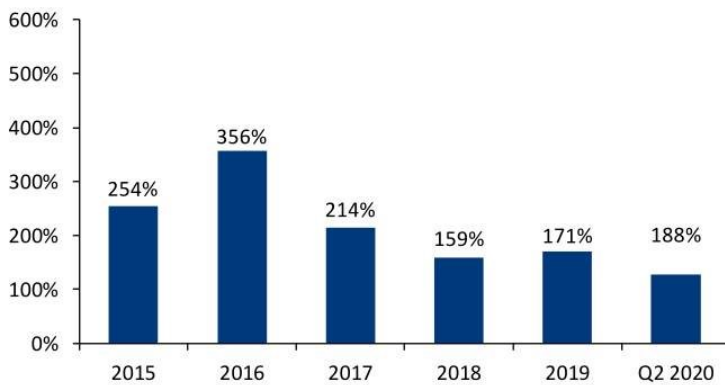


DISCIPLINED LENDING

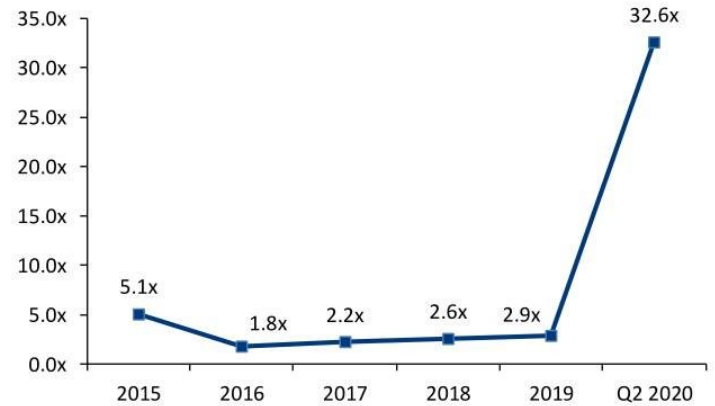
Reserves / Total Loans



Reserves / NPLs



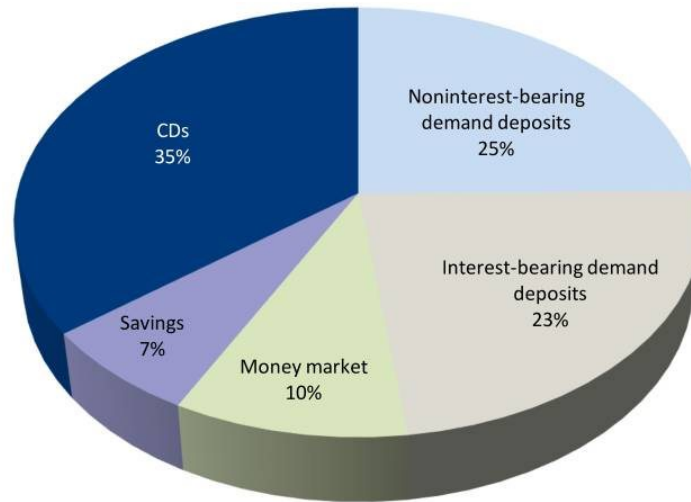
Provision Expense / NCOs





DEPOSIT COMPOSITION AND GROWTH

Deposit Composition ¹ (\$1.9 billion)



Cost of interest-bearing deposits¹: 1.34%

Growth in noninterest-bearing deposits

2019: 61.8%
2018: 0.4%
2017: 99.8%
2016: 19.9%

Target: 20% of total deposits are noninterest-bearing

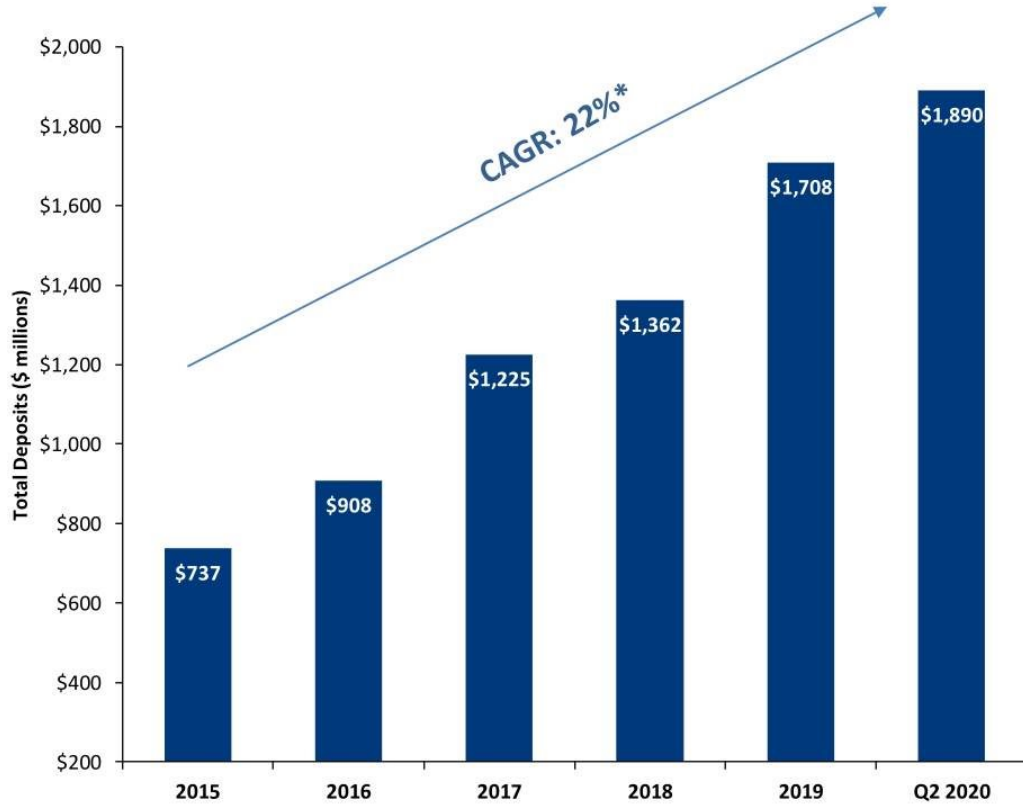
- Treasury Management
- Small Business Banking
- Focus on Relationship Banking
- Strategic Acquisitions

(1) YTD as of June 30, 2020



DEPOSIT COMPOSITION AND GROWTH

Total Deposits



*Represents the compounded annual growth rate for the five years ended December 31, 2019

FINANCIAL HIGHLIGHTS

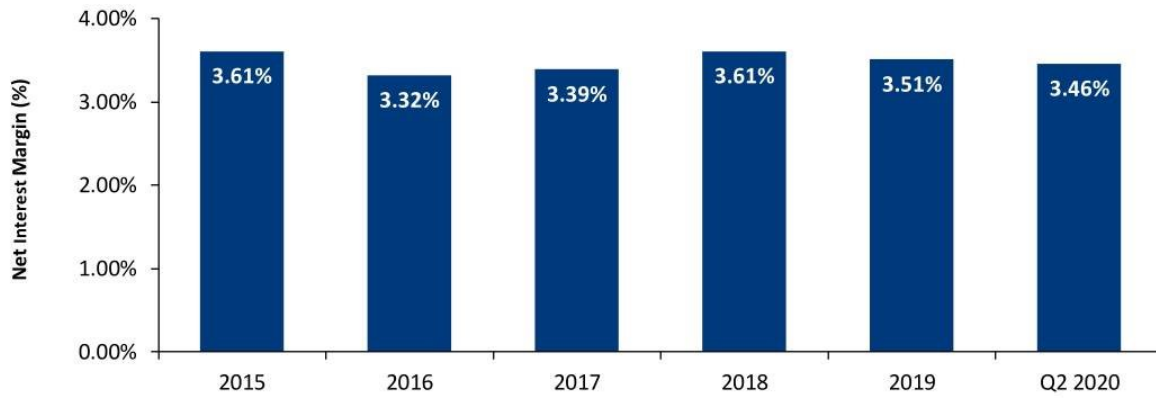
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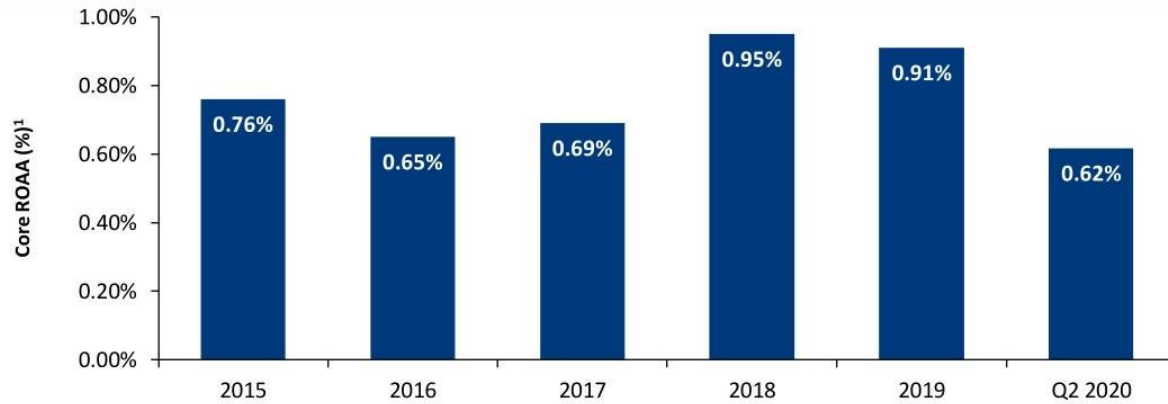
(2) Efficiency ratio represents noninterest expense divided by the sum of net interest income (before provision for loan losses) and noninterest income.

PERFORMANCE METRICS

Net Interest Margin



Core Return on Average Assets

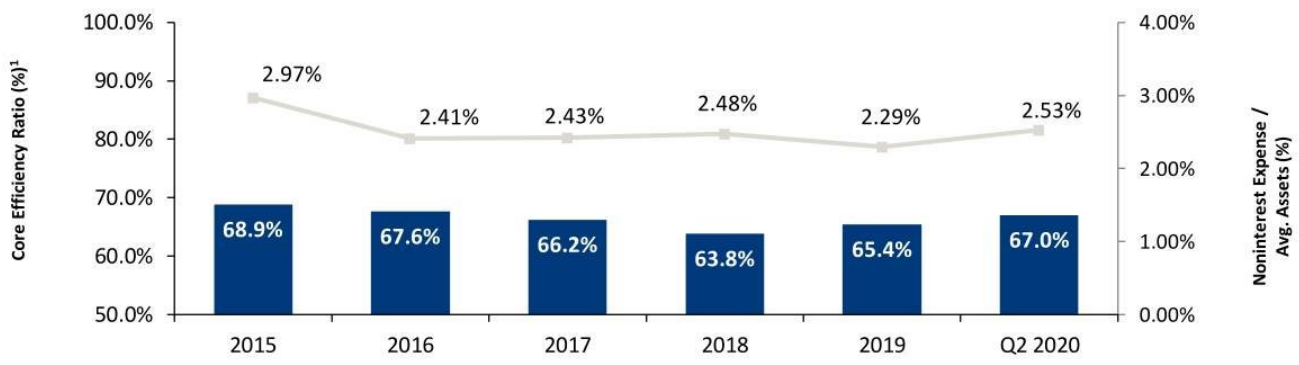


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PERFORMANCE METRICS



Expense Ratios



	December 31,					
	2015	2016	2017	2018	2019	Q2 2020
Employees	165	152	258	255	324	336
Locations	11	10	20	21	28	31

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

PROFITABILITY

Net Income and Diluted Earnings Per Share



Core Diluted Earnings Per Share ¹				
Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
\$0.47	\$0.48	\$0.39	\$0.15	\$0.32

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



INVESTAR STRATEGY

1 Management

- 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
- Focus on improving efficiency through leveraging technology





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	2019	Q2 2020
Total Stockholders' Equity - GAAP	\$ 109,350	\$ 112,757	\$ 172,729	\$ 182,262	\$ 241,976	\$ 236,706
Adjustments						
Goodwill	2,684	2,684	17,086	17,424	26,132	28,144
Other Intangibles	491	550	2,840	2,363	4,903	4,571
Tangible Equity	\$ 106,175	\$ 109,523	\$ 152,803	\$ 162,475	\$ 210,941	\$ 203,991
Total Assets - GAAP	\$ 1,031,555	\$ 1,158,960	\$ 1,622,734	\$ 1,786,469	\$ 2,148,916	\$ 2,359,363
Adjustments						
Goodwill	2,684	2,684	17,086	17,424	26,132	28,144
Other Intangibles	491	550	2,840	2,363	4,903	4,571
Tangible Assets	\$ 1,028,380	\$ 1,155,726	\$ 1,602,808	\$ 1,766,682	\$ 2,117,881	\$ 2,326,648
Total Shares Outstanding						
Book Value Per Share	\$ 15.05	\$ 15.88	\$ 18.15	\$ 19.22	\$ 21.55	\$ 21.84
Effect of Adjustment	(0.43)	(0.46)	(2.09)	(2.09)	(2.76)	(3.02)
Tangible Book Value Per Share	\$ 14.62	\$ 15.42	\$ 16.06	\$ 17.13	\$ 18.79	\$ 18.82
Total Equity to Total Assets	10.60%	9.73%	10.64%	10.20%	11.26%	10.03%
Effect of Adjustment	(0.28)	(0.25)	(1.11)	(1.00)	(1.30)	(1.27)
Tangible Equity to Tangible Assets	10.32%	9.48%	9.53%	9.20%	9.96%	8.77%



NON-GAAP FINANCIAL MEASURES



<i>Dollar values in thousands except per share amounts</i>	December 31,					
	2015	2016	2017	2018	2019	Q2 2020
Net interest income	(x) \$ 31,458	\$ 34,739	\$ 42,517	\$ 57,370	\$ 64,818	\$ 18,339
Provision for loan losses	1,865	2,079	1,540	2,570	1,908	2,500
Adjusted net interest income after provision for loan losses	29,593	32,660	40,977	54,800	62,910	15,839
Noninterest income	(v) 8,344	5,468	3,815	4,318	6,216	3,931
Gain on sale of investment securities, net	(489)	(443)	(292)	(14)	(262)	(1,178)
Loss (gain) on sale of other real estate owned, net	105	(13)	(27)	24	11	-
Gain on sale of fixed assets, net	(15)	(1,266)	(127)	(98)	(2)	-
Change in the fair value of equity securities	-	-	-	267	(341)	(248)
Core noninterest income	(y) 7,945	3,746	3,369	4,497	5,622	2,505
Noninterest expense	(w) 27,353	26,639	32,342	41,882	48,168	14,480
Severance	(226)	(26)	(82)	(293)	-	(253)
Acquisition expense	-	-	(1,868)	(1,445)	(2,090)	(255)
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	46,078	13,972
Core earnings before income tax expense	10,465	10,377	13,954	19,809	22,454	4,372
Core income tax expense	3,456	3,258	4,758	3,809	4,423	840
Core earnings	\$ 7,009	\$ 7,119	\$ 9,196	\$ 16,000	\$ 18,031	\$ 3,532
Efficiency ratio	(w)/(x+v) 68.72%	66.25%	69.80%	67.89%	67.81%	65.02%
Core Efficiency ratio	(z)/(x+y) 68.85%	67.63%	66.23%	63.83%	65.41%	67.03%
Core ROAA	0.76%	0.65%	0.69%	0.95%	0.91%	0.62%



NON-GAAP FINANCIAL MEASURES



<i>Dollar values in thousands except per share amounts</i>		Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Net interest income	(a)	\$ 16,331	\$ 16,366	\$ 16,965	\$ 17,335	\$ 18,339
Provision for loan losses		369	538	736	3,760	2,500
Net interest income after provision for loan losses		15,962	15,828	16,229	13,575	15,839
Noninterest income	(b)	1,742	1,618	1,575	1,089	3,931
(Gain) loss on sale of investment securities, net		(227)	-	(33)	(172)	(1,178)
(Gain) loss on sale of other real estate owned, net		(13)	(1)	17	(26)	-
Loss on sale of fixed assets, net		11	-	-	-	-
Change in the fair value of equity securities		(57)	9	(121)	826	(248)
Core noninterest income	(d)	1,456	1,626	1,438	1,717	2,505
Core earnings before noninterest expense		17,418	17,454	17,667	15,292	18,344
Noninterest expense	(c)	11,554	11,682	13,629	13,907	14,480
Severance		-	-	-	-	(253)
Acquisition expense		-	(177)	(1,007)	(751)	(255)
Write down of other real estate owned		-	-	-	-	-
Core noninterest expense	(e)	11,554	11,505	12,622	13,156	13,972
Core earnings before income tax expense		5,864	5,949	5,045	2,136	4,372
Core income tax expense		1,161	1,143	1,019	421	840
Core earnings before income tax expense		\$ 4,703	\$ 4,806	\$ 4,026	\$ 1,715	\$ 3,532
Core basic earnings per share		0.47	0.48	0.40	0.15	0.32
Diluted earnings per share (GAAP)		\$ 0.48	\$ 0.46	\$ 0.32	\$ 0.05	\$ 0.39
Gain on sale of investment securities, net		(0.01)	-	-	(0.01)	(0.09)
Change in the fair value of equity securities		-	-	(0.01)	0.06	(0.02)
Severance		-	-	-	-	0.02
Acquisition expense		-	0.02	0.08	0.05	0.02
Write down of other real estate owned		-	-	-	-	-
Discrete tax benefit related to return-to-provision-adjustments		-	-	-	-	-
Core diluted earnings per share		\$ 0.47	\$ 0.48	\$ 0.39	\$ 0.15	\$ 0.32
Efficiency ratio	(c)/(a+b)	63.93%	64.96%	73.51%	75.48%	65.02%
Core efficiency ratio	(e)/(a+d)	64.96%	63.95%	68.59%	69.05%	67.03%
Core return on average assets		0.98%	0.95%	0.76%	0.32%	0.62%
Core return on average equity		9.35%	9.12%	7.35%	2.82%	6.00%
Total average assets		\$ 1,951,559	\$ 1,999,240	\$ 2,101,562	\$ 2,164,516	\$ 2,296,082
Total average stockholders' equity		203,911	208,957	217,433	243,614	236,651



INCOME STATEMENT

(dollars in thousands, except share data)	December 31,					
	2015	2016	2017	2018	2019	Q2 2020
INTEREST INCOME						
Interest and fees on loans	\$ 35,076	\$ 39,380	\$ 47,863	\$ 66,750	\$ 80,954	\$ 22,118
Interest on investment securities	2,189	3,565	5,055	6,608	7,440	1,455
Other interest income	75	207	428	533	1,049	229
TOTAL INTEREST INCOME	37,340	43,152	53,346	73,891	89,443	23,802
INTEREST EXPENSE						
Interest on deposits	5,250	7,182	8,050	11,394	19,307	4,190
Interest on borrowings	632	1,231	2,779	5,127	5,318	1,273
TOTAL INTEREST EXPENSE	5,882	8,413	10,829	16,521	24,625	5,463
NET INTEREST INCOME	31,458	34,739	42,517	57,370	64,818	18,339
PROVISION FOR LOAN LOSSES	1,865	2,079	1,540	2,570	1,908	2,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	29,593	32,660	40,977	54,800	62,910	15,839
NON-INTEREST INCOME						
Service charges on deposit accounts	380	343	767	1,453	1,840	405
Gain on sale of investment securities, net	489	443	292	14	262	1,178
Gain (loss) on sale of assets, net	4,278	1,684	154	74	(9)	-
Servicing fees and fee income on serviced loans	2,543	2,087	1,482	963	593	96
Other operating income	654	911	1,120	1,814	3,530	2,252
TOTAL NON-INTEREST INCOME	8,344	5,468	3,815	4,318	6,216	3,931
INCOME BEFORE NON-INTEREST EXPENSE	37,937	38,128	44,792	59,118	69,126	19,770
NON-INTEREST EXPENSE						
Salaries and employee benefits	16,398	15,609	18,681	25,469	28,643	8,572
Impairment on investment in tax credit entity	54	11	-	-	-	-
Operating expenses	10,901	11,019	13,661	16,413	19,525	5,908
TOTAL NON-INTEREST EXPENSE	27,353	26,639	32,342	41,882	48,168	14,480
INCOME BEFORE INCOME TAX EXPENSE	10,584	11,489	12,450	17,236	20,958	5,290
INCOME TAX EXPENSE	3,511	3,609	4,248	3,630	4,119	1,016
NET INCOME	\$ 7,073	\$ 7,880	\$ 8,202	\$ 13,606	\$ 16,839	\$ 4,274
Basic earnings per share	\$ 0.98	\$ 1.11	\$ 0.96	\$ 1.41	\$ 1.68	\$ 0.39
Diluted earnings per share	\$ 0.97	\$ 1.10	\$ 0.96	\$ 1.39	\$ 1.66	\$ 0.39

