

INVESTAR HOLDING CORP

FORM 8-K (Current report filing)

Filed 08/14/18 for the Period Ending 08/13/18

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 13, 2018

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.)

7244 Perkins Road
Baton Rouge, Louisiana 70808
(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:

- 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))

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

During August 2018, officers of Investar Holding Corporation (the “Company”) will make presentations regarding the Company at various investor conferences. The slides furnished as Exhibit 99.1 to this Current Report on Form 8-K were prepared for the presentations.

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;
- our ability to integrate and achieve the 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
- 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, 2017, 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 to be used at various investor conferences during August 2018.](#)

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: August 14, 2018

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



INVESTAR[®]
HOLDING CORPORATION



NASDAQ: ISTR

August 2018





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
- 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, 2017, 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, 2018

Market Data		Financial Highlights	
Shares Outstanding	9,581,034	Assets	\$1.7 billion
Market Cap	\$264.9 million	Net Loans	\$1.3 billion
Price per Share	\$27.65	Deposits	\$1.2 billion
Dividend Yield (YTD)	0.56%	Tangible Equity ⁽¹⁾	\$157.3 million
Price/ Tangible Book Value	168.4%	TE/TA ⁽¹⁾	9.38%
Price/LTM EPS	\$24.47	Net Income	\$6.2 million
		ROAA	0.76%
		Core ROAA ⁽¹⁾	0.94%
		ROAE	7.18%
		NPAs/Assets	0.50%
		Net Interest Margin	3.69%
		Cost of Funds	1.14%

(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 1.8%

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

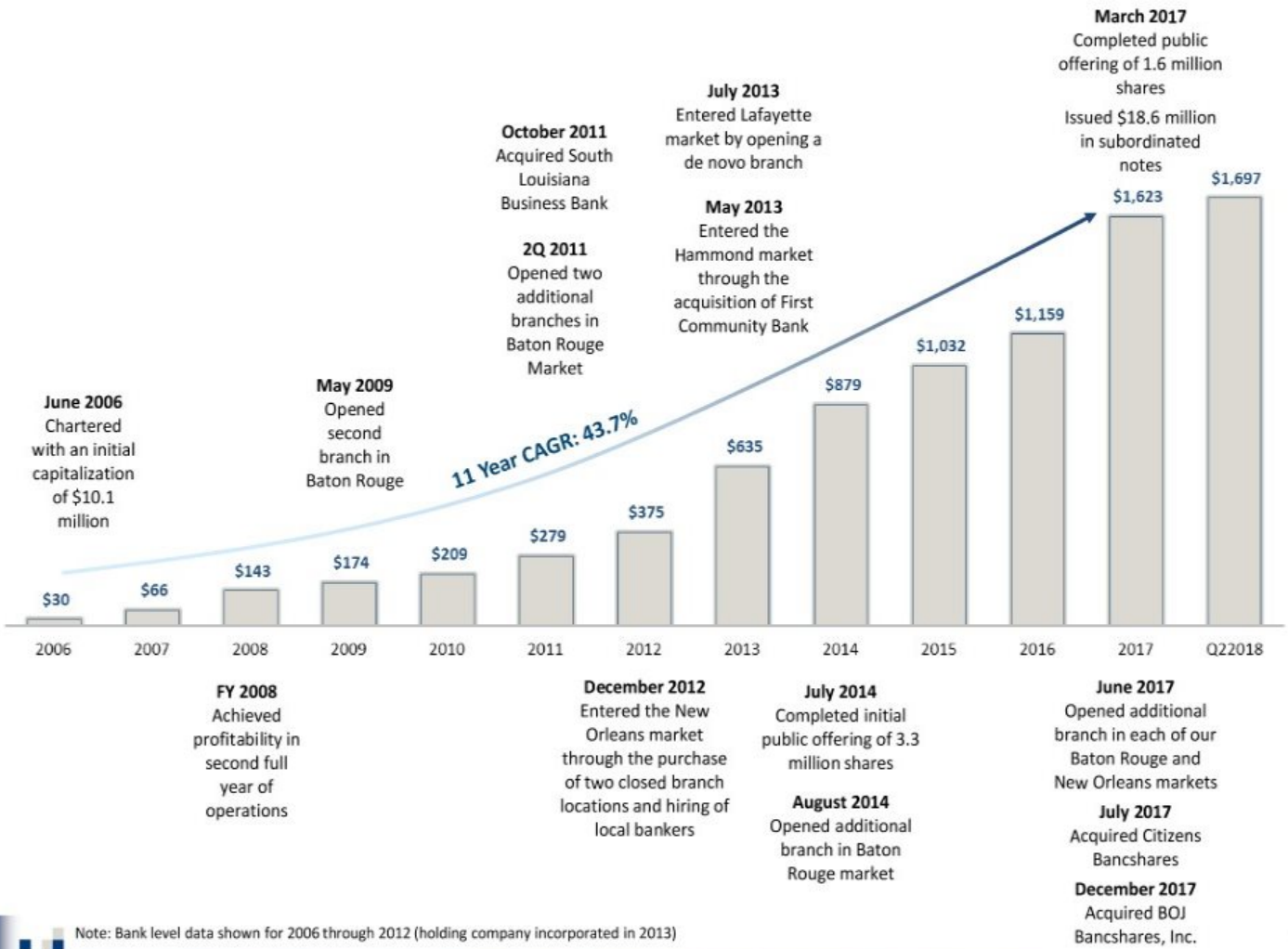
Continued to Add Experienced Bankers in Key Areas

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





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 acquisition of Citizens Bancshares, Inc. ("Citizens") on July 1, 2017 and completed the acquisition of BOJ Bancshares, Inc. ("BOJ") on December 31, 2017.
- ISTR currently operates 20 full service banking offices, including the 3 branch locations acquired from Citizens and 5 branch locations acquired from BOJ, located throughout its primary markets of Baton Rouge, New Orleans, Lafayette, and Hammond, Louisiana.
- Pro Forma for the Citizens and BOJ acquisitions, ISTR is ranked 13th in the Louisiana market with \$1.2 billion of total deposits as of June 30, 2017, and 8th for those headquartered in Louisiana
- Experienced management team that has generated strong organic growth complemented by three successful acquisitions since 2011
- Strong capital position and disciplined credit philosophy
- ISTR had 269 full-time equivalent employees as of June 30, 2018

Financial highlights

	As of and for the Year Ended		
	2015	2016	2017
Balance Sheet			
Total Assets	\$1,032	\$1,159	\$1,623
Gross Loans	\$826	\$894	\$1,259
Total Deposits	\$737	\$908	\$1,225
Total Equity	\$109	\$113	\$173
Profitability			
ROAA	0.77%	0.71%	0.62%
Net Interest Margin	3.61%	3.32%	3.39%
Efficiency Ratio ⁽¹⁾	68.72%	66.25%	69.80%
Capital			
TCE/TA	10.32%	9.48%	9.53%
Total Risk-Based Ratio	12.72%	12.47%	14.22%
Asset Quality			
NPAs / Loans & OREO	0.42%	0.67%	0.60%
NCOs / Avg Loans	0.05%	0.14%	0.07%
NPLs / Loans	0.32%	0.22%	0.29%



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**
 - Louisiana's second largest market by deposits and the state capital, which includes major industrial, medical, research, motion picture, and growing technology centers
- **Hammond**
 - Commercial hub of a large agricultural segment of Louisiana, bedroom community of New Orleans, and home to Southeastern Louisiana University with 5.24% population growth projected from 2018 to 2023
- **Lafayette**
 - Louisiana's third largest city by population and deposits with 10.16% household income growth projected from 2018 to 2023
- **New Orleans**
 - Louisiana's largest city by population and deposits and a hub of hospitality, healthcare, universities, and energy

Louisiana Deposit Market Share				
2017 Rank	Institution (ST)	Branches	Deposits (\$000)	Market Share (%)
1	Capital One Financial Corp. (VA)	125	18,463,462	17.66
2	JPMorgan Chase & Co. (NY)	141	18,171,467	17.38
3	Hancock Holding Co. (MS)	111	13,725,530	13.13
4	IBERIABANK Corp. (LA)	69	8,071,712	7.72
5	Regions Financial Corp. (AL)	101	7,615,154	7.28
6	Origin Bancorp Inc. (LA)	22	1,683,323	1.61
7	Home Bancorp Inc. (LA)	35	1,668,794	1.60
8	BancorpSouth Bank (MS)	35	1,588,663	1.52
9	Red River Bancshares Inc. (LA)	22	1,524,812	1.46
10	Gulf Coast B&TC (LA)	20	1,443,045	1.38
11	First Guaranty Bancshares Inc. (LA)	22	1,419,738	1.36
12	MidSouth Bancorp Inc. (LA)	35	1,294,066	1.24
13	Investar Holding Corp. (LA)	21	1,233,967	1.18
14	Bus. First Bancshares Inc. (LA)	18	1,231,936	1.18
15	Louisiana Community Bncp Inc. (LA)	24	994,030	0.95
16	CB&T Holding Corp. (LA)	3	908,764	0.87
17	First Trust Corp. (LA)	12	795,002	0.76
18	Citizens National Bancshares (LA)	12	768,234	0.73
19	One American Corp. (LA)	24	746,271	0.71
20	Jeff Davis Bancshares Inc. (LA)	23	724,894	0.69
Total For Institutions in Market		1,480	104,534,633	



Notes: Deposit information pro forma for Citizens and BOJ acquisitions; Large banks defined as having over \$50 billion in assets
 Sources: S&P Global Market Intelligence; FDIC; Deposit data as of June 30, 2017

OPPORTUNISTIC ACQUISITIONS COMPLETED

Branch map



Whole bank acquisitions

- Four whole bank transactions completed since 2011
- Processes and infrastructure established to analyze selective opportunities going forward

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

(1) Based on fair values at time of closing



Total Assets (in millions)



*Represents the compounded annual growth rate for the five years ended December 31, 2017



Total Loans (in millions)



* Growth % excludes Loans HFS





LOAN COMPOSITION

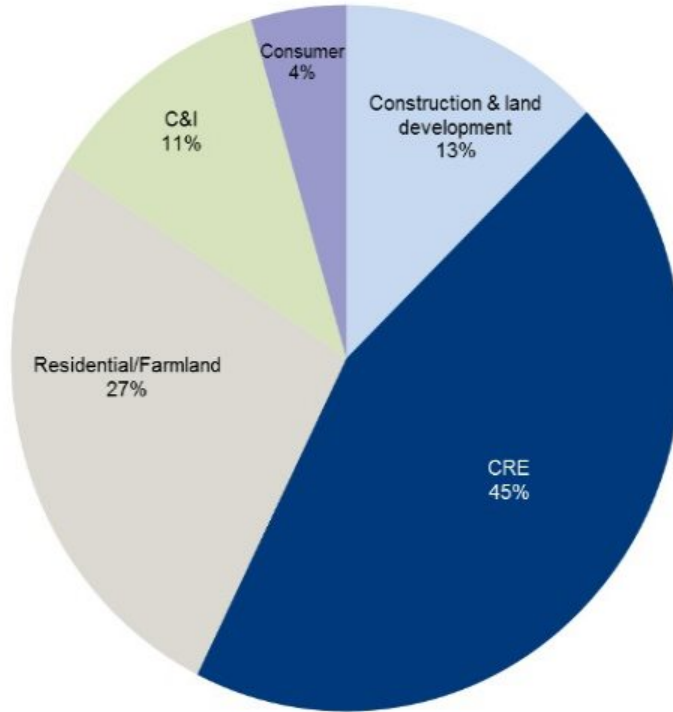


<i>(dollars in thousands)</i>	2016		2017		Q2 2018		Increase/(Decrease)	
	Amount	%	Amount	%	Amount	%	Amount	%
Mortgage loans on real estate								
Construction and land development	\$ 90,737	10.2%	\$ 157,667	12.5%	\$ 165,395	12.7%	\$ 7,728	4.9%
1-4 Family	177,205	19.8	276,922	22.0	280,335	21.6	3,413	1.2
Multifamily	42,759	4.8	51,283	4.1	48,838	3.8	(2,445)	(4.8)
Farmland	8,207	0.9	23,838	1.9	20,144	1.5	(3,694)	(15.5)
Commercial real estate								
Owner-occupied	180,458	20.2	272,433	21.6	287,320	22.1	14,887	5.5
Nonowner-occupied	200,258	22.4	264,931	21.0	292,946	22.5	28,015	10.6
Commercial and industrial	85,377	9.6	135,392	10.8	145,554	11.2	10,162	7.5
Consumer	108,425	12.1	76,313	6.1	59,779	4.6	(16,534)	(21.7)
Total loans	\$ 893,426	100.0%	\$ 1,258,779	100.0%	\$ 1,300,311	100.0%	\$ 41,532	3.3%



LOAN COMPOSITION

June 30, 2018

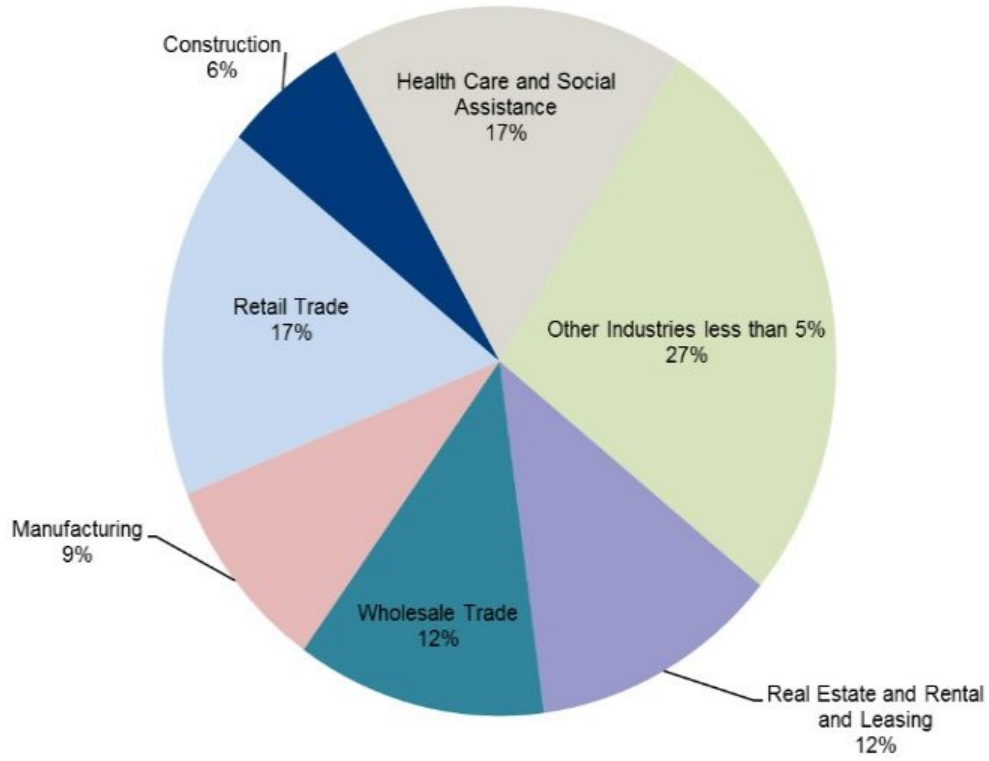


Total Loans: \$1.3 billion
Yield on loans: 5.08%
50% of CRE is owner-occupied



LOAN COMPOSITION

Business Lending Portfolio¹



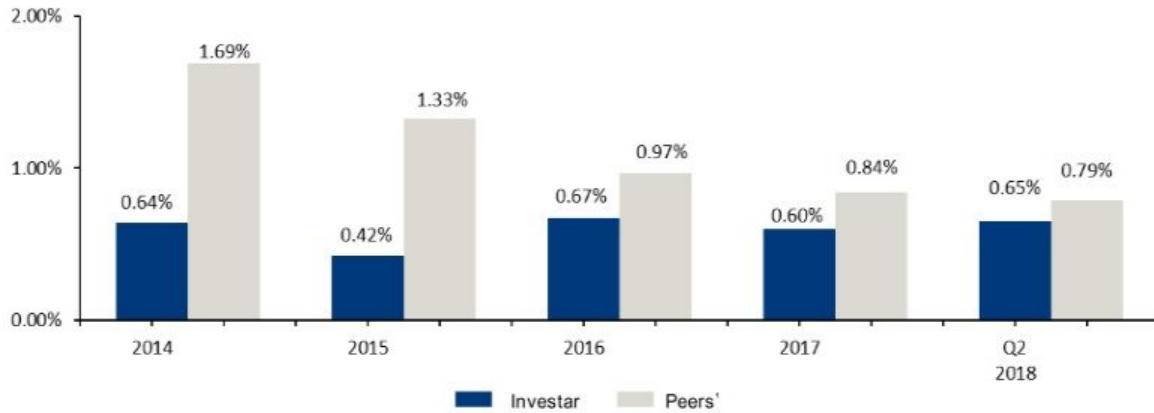
Total Business Lending Portfolio¹:
\$432.9 million

(1) Business lending portfolio includes owner-occupied CRE and C&I loans as of June 30, 2018

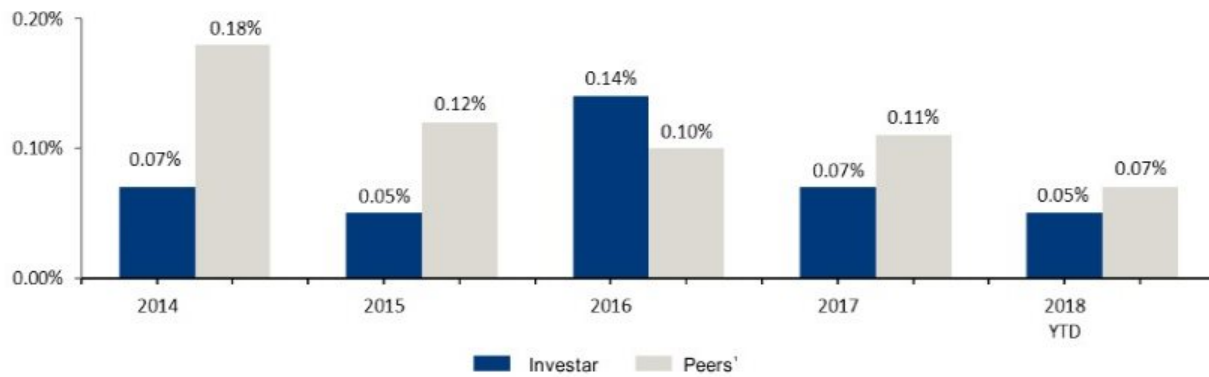


CREDIT METRICS

NPAs / Total Loans + OREO



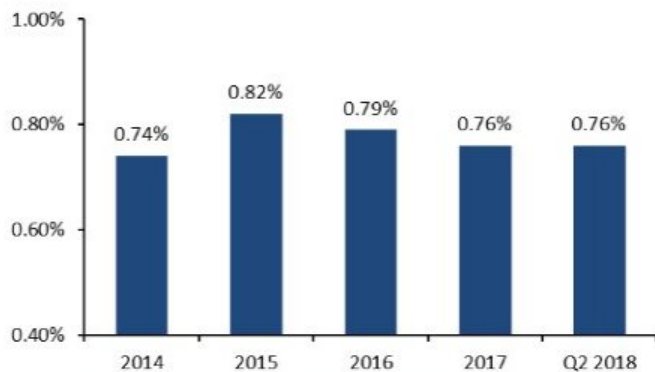
NCOs / Average Loans



(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

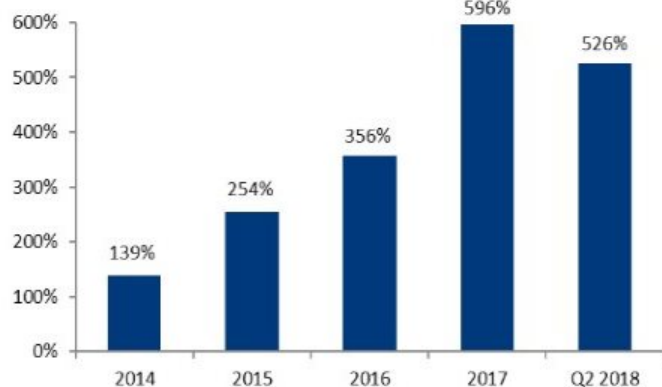
Reserves / Total Loans¹



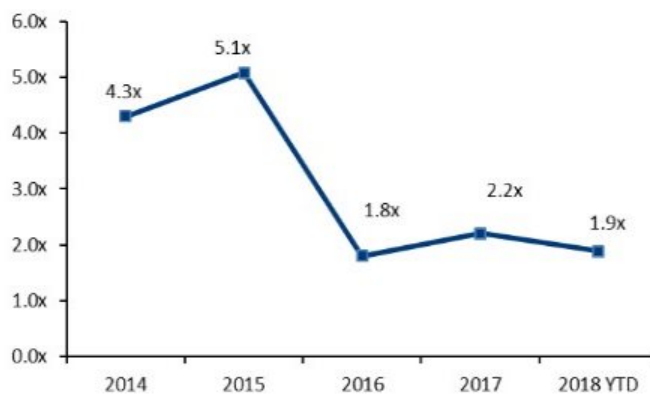
At June 30, 2018:

- Reserves / Total Loans¹: 0.76%

Reserves / NPLs²



Provision Expense / NCOs



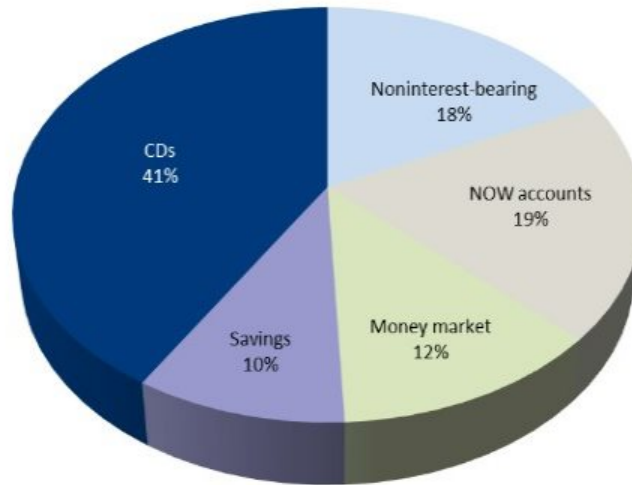
(1) Total loans excludes loans held for sale, if applicable, allowance for loan losses, and loans acquired in 2017

(2) Nonperforming loans exclude loans acquired in 2017



DEPOSIT COMPOSITION AND GROWTH

Deposit Composition ¹
(\$1.2 billion)



Cost of interest-bearing deposits: 0.94%
Growth in noninterest-bearing deposits

YTD 2018: 2.8%
2017: 99.8%
2016: 19.9%

Target: 20% of total deposits are noninterest-bearing

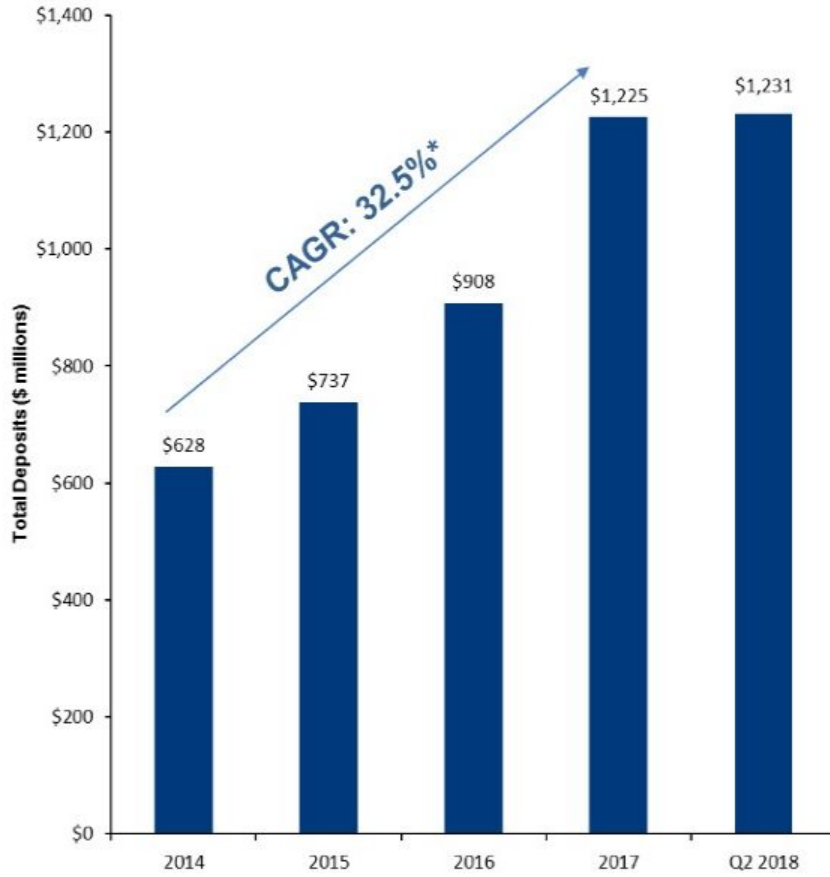
- Treasury Management
- Small Business Banking
- Focus on Relationship Banking
- Strategic Acquisitions

(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, 2017

FINANCIAL HIGHLIGHTS



Amounts in thousands, except share data	Year Ended December 31,			
	2018 YTD	2017	2016	2015
Financial Highlights				
Total Assets	\$1,697,471	\$1,622,734	\$1,158,960	\$1,031,555
Gross Loans ⁽¹⁾	\$1,300,311	\$1,258,779	\$893,846	\$825,950
Total Deposits	\$1,230,930	\$1,225,237	\$907,787	\$737,406
Total Stockholders' Equity	\$177,230	\$172,729	\$112,757	\$109,350
Shares Outstanding	9,581,034	9,514,926	7,101,851	7,264,282
Capital Ratios				
Tangible Equity / Tangible Assets ⁽²⁾	9.38%	9.53%	9.48%	10.32%
Tier 1 Leverage Ratio	10.22%	10.66%	10.10%	11.39%
Total Capital Ratio	14.04%	14.22%	12.47%	12.72%
Asset Quality Ratios				
NPAs / Total Assets	0.50%	0.46%	0.52%	0.30%
NPLs / Loans	0.33%	0.29%	0.22%	0.32%
Loan Loss Reserves / Total Loans	0.65%	0.63%	0.79%	0.82%
Loan Loss Reserves / NPLs	199.0%	214.4%	356.2%	254.2%
NCOs / Avg Loans	0.05%	0.07%	0.14%	0.05%
Performance Ratios				
Net Income	\$6,222	\$8,202	\$7,880	\$7,073
ROAE	7.18%	5.65%	6.99%	6.60%
ROAA	0.76%	0.62%	0.71%	0.77%
Core ROAA ⁽²⁾	0.94%	0.69%	0.64%	0.76%
Net Interest Margin	3.69%	3.39%	3.32%	3.61%
Efficiency Ratio ⁽³⁾	68.07%	69.80%	66.25%	68.72%
Per Share Data				
Tangible Book Value per Share ⁽²⁾	\$16.42	\$16.06	\$15.42	\$14.62
Diluted Earnings per Share	\$0.64	\$0.96	\$1.10	\$0.97

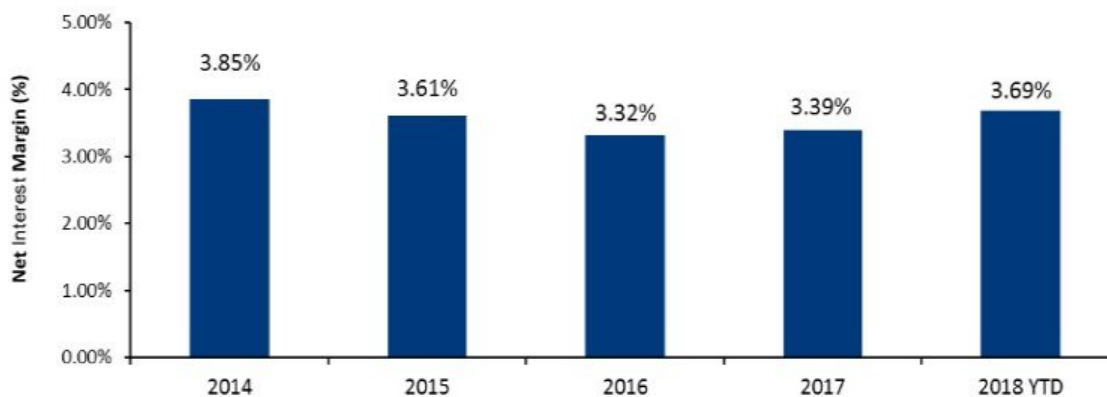
(1) Gross loans includes loans held for sale (HFS)

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

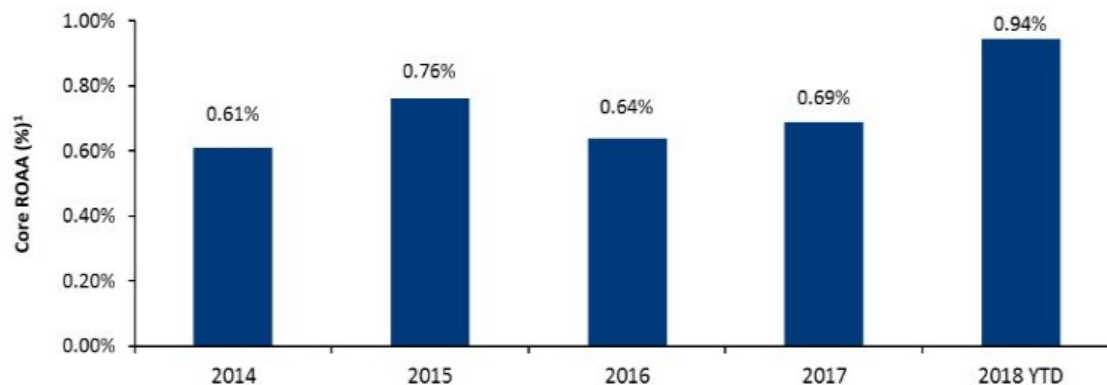
(3) Efficiency ratio represents noninterest expense divided by the sum of net interest income (before provision for loan losses) and noninterest income.

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



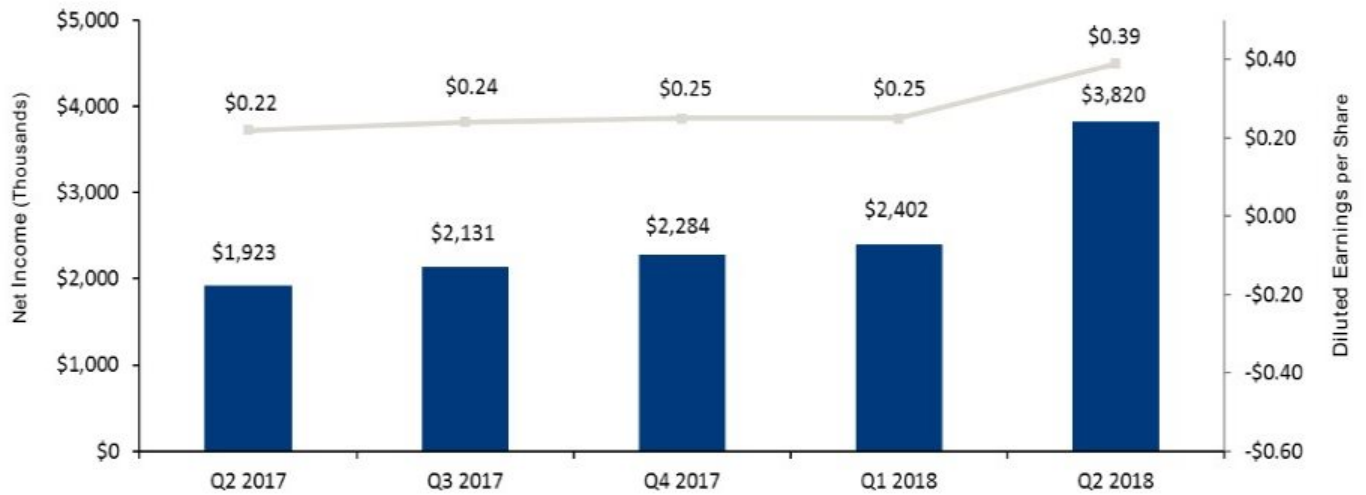
	December 31,				June 30,
	2014	2015	2016	2017	2018
Employees	179	165	152	258	269
Locations	11	11	10	20	20

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



PROFITABILITY

Net Income and Diluted Earnings Per Share



Core Diluted Earnings Per Share¹

Quarter	Core Diluted Earnings Per Share ¹
Q2 2017	\$0.22
Q3 2017	\$0.29
Q4 2017	\$0.34
Q1 2018	\$0.40
Q2 2018	\$0.40

(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,				June 30,
	2014	2015	2016	2017	2018
Total Stockholders' Equity - GAAP	\$ 103,384	\$ 109,350	\$ 112,757	\$ 172,729	\$ 177,230
Adjustments					
Goodwill	2,684	2,684	2,684	17,086	17,358
Other Intangibles	532	491	550	2,840	2,594
Tangible Equity	<u>\$ 100,168</u>	<u>\$ 106,175</u>	<u>\$ 109,523</u>	<u>\$ 152,803</u>	<u>\$ 157,278</u>
Total Assets - GAAP	\$ 879,354	\$ 1,031,555	\$ 1,158,960	\$ 1,622,734	\$ 1,697,471
Adjustments					
Goodwill	2,684	2,684	2,684	17,086	17,358
Other Intangibles	532	491	550	2,840	2,594
Tangible Assets	<u>\$ 876,138</u>	<u>\$ 1,028,380</u>	<u>\$ 1,155,726</u>	<u>\$ 1,602,808</u>	<u>\$ 1,677,519</u>
Total Shares Outstanding					
Book Value Per Share	\$ 14.24	\$ 15.05	\$ 15.88	\$ 18.15	\$ 18.50
Effect of Adjustment	(0.45)	(0.43)	(0.46)	(2.09)	(2.08)
Tangible Book Value Per Share	<u>\$ 13.79</u>	<u>\$ 14.62</u>	<u>\$ 15.42</u>	<u>\$ 16.06</u>	<u>\$ 16.42</u>
Total Equity to Total Assets	11.76%	10.60%	9.73%	10.64%	10.44%
Effect of Adjustment	(0.33)	(0.28)	(0.25)	(1.11)	(1.06)
Tangible Equity to Tangible Assets	11.43%	10.32%	9.48%	9.53%	9.38%

NON-GAAP FINANCIAL MEASURES



		December 31,				June 30,
		2014	2015	2016	2017	2018
<i>Dollar values in thousands except per share amounts</i>						
Net interest income	(x)	\$ 26,694	\$ 31,458	\$ 34,739	\$ 42,517	\$ 28,178
Provision for loan losses		1,628	1,865	2,079	1,540	1,192
Adjusted net interest income after provision for loan losses		25,066	29,593	32,660	40,977	26,986
Noninterest income	(v)	5,860	8,344	5,468	3,815	2,265
Gain on sale of investment securities		(340)	(489)	(443)	(292)	(22)
Gain on sale of fixed assets		(3)	(15)	(1,266)	(127)	(89)
Gain (loss) on sale of other real estate owned		(230)	105	(13)	(27)	4
Core noninterest income	(y)	5,287	7,945	3,746	3,369	2,158
Noninterest expense	(w)	24,384	27,353	26,639	32,342	20,722
Severance		-	(226)	(26)	(82)	-
Acquisition expense		-	-	-	(1,868)	(1,104)
Non-routine legal expense		-	-	-	-	(89)
Impairment on investment in tax credit entity		(690)	(54)	-	-	-
Customer reimbursements		-	-	(584)	-	-
Core noninterest expense	(z)	23,694	27,073	26,029	30,392	19,529
Core earnings before income tax expense		6,659	10,411	10,377	13,954	9,615
Core income tax expense		2,184	3,456	3,258	4,758	1,931
Core earnings		<u>\$ 4,475</u>	<u>\$ 6,955</u>	<u>\$ 7,119</u>	<u>\$ 9,196</u>	<u>\$ 7,684</u>
Efficiency ratio	(w)/(x+v)	74.90%	68.72%	66.25%	69.80%	68.07%
Core Efficiency ratio	(z)/(x+y)	74.09%	68.85%	67.63%	66.23%	64.38%
Core ROAA		0.61%	0.76%	0.64%	0.69%	0.94%

NON-GAAP FINANCIAL MEASURES



Dollar values in thousands except per share amounts

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Net interest income	9,302	11,538	12,817	13,858	14,320
Provision for loan losses	375	420	395	625	567
Net interest income after provision for loan losses	8,927	11,118	12,422	13,233	13,753
Noninterest income	801	1,167	962	1,072	1,193
Gain on sale of investment securities, net	(109)	(27)	(50)	-	(22)
(Loss) gain on sale of other real estate owned, net	10	(37)	5	-	4
Gain on sale of fixed assets, net	(1)	(160)	57	(90)	1
Core noninterest income	701	943	974	982	1,176
Core earnings before noninterest expense	9,628	12,061	13,396	14,215	14,929
Noninterest expense	6,928	9,122	9,608	10,562	10,160
Acquisition expense	(80)	(824)	(819)	(1,104)	-
Non-routine legal expense	-	-	-	-	(89)
Core noninterest expense	6,848	8,298	8,789	9,458	10,071
Core earnings before income tax expense	2,780	3,763	4,607	4,757	4,858
Core income tax expense	871	1,228	1,462	950	981
Core earnings before income tax expense	1,909	2,535	3,145	3,807	3,877
Core basic earnings per share	0.22	0.29	0.35	0.40	0.40
Diluted earnings per share (GAAP)	0.22	0.24	0.25	0.25	0.39
Gain on sale of investment securities, net	(0.01)	-	-	-	-
Gain on sale of fixed assets, net	-	(0.01)	-	(0.01)	-
Acquisition expense	0.01	0.06	0.06	0.09	-
Non-routine legal expense	-	-	-	-	0.01
Tax reform related re-measurement charges to income tax expense	-	-	0.03	0.07	-
Core diluted earnings per share	0.22	0.29	0.34	0.40	0.40

INCOME STATEMENT



	December 31,				June 30,
	2014	2015	2016	2017	2018
<i>(dollars in thousands, except share data)</i>					
INTEREST INCOME					
Interest and fees on loans	\$ 29,979	\$ 35,076	\$ 39,380	\$ 47,863	\$ 31,849
Interest on investment securities	1,339	2,189	3,565	5,055	3,103
Other interest income	50	75	207	428	235
TOTAL INTEREST INCOME	<u>31,368</u>	<u>37,340</u>	<u>43,152</u>	<u>53,346</u>	<u>35,187</u>
INTEREST EXPENSE					
Interest on deposits	4,273	5,250	7,182	8,050	4,679
Interest on borrowings	402	632	1,231	2,779	2,330
TOTAL INTEREST EXPENSE	<u>4,675</u>	<u>5,882</u>	<u>8,413</u>	<u>10,829</u>	<u>7,009</u>
NET INTEREST INCOME	<u>26,694</u>	<u>31,458</u>	<u>34,739</u>	<u>42,517</u>	<u>28,178</u>
PROVISION FOR LOAN LOSSES	<u>1,628</u>	<u>1,865</u>	<u>2,079</u>	<u>1,540</u>	<u>1,192</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>25,066</u>	<u>29,593</u>	<u>32,660</u>	<u>40,977</u>	<u>26,986</u>
NON-INTEREST INCOME					
Service charges on deposit accounts	305	380	343	767	686
Gain on sale of investment securities, net	340	489	443	292	22
Gain on sale of assets, net	3,682	4,278	1,684	154	85
Servicing fees and fee income on serviced loans	885	2,543	2,087	1,482	541
Other operating income	648	654	911	1,120	931
TOTAL NON-INTEREST INCOME	<u>5,860</u>	<u>8,344</u>	<u>5,468</u>	<u>3,815</u>	<u>2,265</u>
INCOME BEFORE NON-INTEREST EXPENSE	<u>30,926</u>	<u>37,937</u>	<u>38,128</u>	<u>44,792</u>	<u>29,251</u>
NON-INTEREST EXPENSE					
Salaries and employee benefits	14,565	16,398	15,609	18,681	12,543
Impairment on investment in tax credit entity	690	54	11	-	-
Operating expenses	9,129	10,901	11,019	13,661	8,179
TOTAL NON-INTEREST EXPENSE	<u>24,384</u>	<u>27,353</u>	<u>26,639</u>	<u>32,342</u>	<u>20,722</u>
INCOME BEFORE INCOME TAX EXPENSE	<u>6,542</u>	<u>10,584</u>	<u>11,489</u>	<u>12,450</u>	<u>8,529</u>
INCOME TAX EXPENSE	<u>1,145</u>	<u>3,511</u>	<u>3,609</u>	<u>4,248</u>	<u>2,307</u>
NET INCOME	<u>\$ 5,397</u>	<u>\$ 7,073</u>	<u>\$ 7,880</u>	<u>\$ 8,202</u>	<u>\$ 6,222</u>
Basic earnings per share	\$ 0.98	\$ 0.98	\$ 1.11	\$ 0.96	\$ 0.64
Diluted earnings per share	\$ 0.93	\$ 0.97	\$ 1.10	\$ 0.96	\$ 0.64

