
**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): October 22, 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 2.02 Results of Operations and Financial Condition

On October 22, 2020, Investar Holding Corporation (the "Company") issued a press release reporting third quarter 2020 results and posted on its website its third quarter 2020 earnings release and earnings release presentation. The materials contain forward-looking statements regarding the Company and include a cautionary note identifying important factors that could cause actual results to differ materially from those anticipated. Copies of the earnings release and earnings release presentation are furnished as exhibits 99.1 and 99.2 to this Current Report on Form 8-K.

The information contained in Item 2.02, including Exhibits 99.1 and 99.2 of this Current Report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit Number</u> | <u>Description of Exhibit</u> |
|-----------------------|--|
| 99.1 | Earnings release of Investar Holding Corporation dated October 22, 2020 announcing financial results for the quarter ended September 30, 2020. |
| 99.2 | Earnings release presentation dated October 22, 2020. |
| 104 | The cover page of Investar Holding Corporation's Form 8-K is formatted in Inline XBRL. |

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: October 23, 2020

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

Investar Holding Corporation Announces 2020 Third Quarter Results

BATON ROUGE, LA (October 22, 2020) – Investar Holding Corporation (NASDAQ: ISTR) (the “Company”), the holding company for Investar Bank, National Association (the “Bank”), today announced financial results for the quarter ended September 30, 2020. The Company reported net income of \$4.5 million, or \$0.41 per diluted common share, for the third quarter of 2020, compared to \$4.3 million, or \$0.39 per diluted common share, for the quarter ended June 30, 2020, and \$4.7 million, or \$0.46 per diluted common share, for the quarter ended September 30, 2019.

On a non-GAAP basis, core earnings per diluted common share for the third quarter of 2020 were \$0.35 compared to \$0.32 for the quarter ended June 30, 2020 and \$0.48 for the quarter ended September 30, 2019. Core earnings exclude certain non-operating items including, but not limited to, gain on sale of investment securities, net, acquisition expense and severance (refer to the *Reconciliation of Non-GAAP Financial Measures* table for a reconciliation of GAAP to non-GAAP metrics).

Investar Holding Corporation President and Chief Executive Officer John D’Angelo said:

“I am very pleased with our results for the third quarter of 2020, which are a testament to both the overall strength of our organization and our customers that we serve. Since the pandemic began, we have been internally focused on our operations and financial condition. During the first nine months of the year, we have made significant changes to our deposit mix, margin, cost of funds and loan loss reserve. We have worked to develop and strengthen areas that were once weaknesses when compared to our peers. At the same time, we continue to control our expense structure and maintain a strong credit culture. Our customer relationship model of banking and multi-state strategy continue to build franchise value. We believe our geographic revenue diversification will continue to benefit the Bank in future years.

I am amazed at the resiliency of our employees, customers and earnings capacity during the pandemic as we continue to build a strong balance sheet. Our capital levels remain strong and uniquely position Investar for the future. We continue to exhibit our faith in our strategy by repurchasing over 600,000 shares of Investar stock since January of 2020. Our goal will remain to control the things that will create shareholder value as we come to the end of 2020.”

Third Quarter Highlights

- Total revenues, or interest and noninterest income, for the quarter ended September 30, 2020 totaled \$26.8 million, a decrease of \$0.9 million, or 3.4%, compared to the quarter ended June 30, 2020, and an increase of \$2.3 million, or 9.5%, compared to the quarter ended September 30, 2019.
 - Total loans increased \$15.7 million, or 0.9%, to \$1.83 billion at September 30, 2020, compared to \$1.81 billion at June 30, 2020, and increased \$243.3 million, or 15.3%, compared to \$1.59 billion at September 30, 2019. Excluding loans acquired from Bank of York on November 1, 2019 and PlainsCapital Bank on February 21, 2020 with a total balance of \$75.9 million at September 30, 2020, total loans increased \$167.5 million, or 10.6%, compared to September 30, 2019. Beginning in the second quarter of 2020, the Bank participated as a lender in the Small Business Administration’s (“SBA”) and U.S. Department of Treasury’s Paycheck Protection Program (“PPP”) as established by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The PPP loans are generally 100% guaranteed by the SBA. At September 30, 2020, the balance of PPP loans was \$110.3 million compared to \$109.5 million at June 30, 2020.
 - In response to the COVID-19 pandemic, in the first quarter of 2020, the Bank instituted a 90-day loan deferral program for affected customers and continues to offer assistance to those experiencing financial hardships as a result of the pandemic. At September 30, 2020, the Company had \$56.5 million, or 3.1% of the total loan portfolio, on the deferral program. As of October 20, 2020, the balance of loans remaining on the 90-day deferral plan was approximately \$30.7 million, or 1.7% of the total loan portfolio.
 - The allowance for loan losses to total loans increased to 1.04% at September 30, 2020, compared to 0.92% at June 30, 2020 and 0.65% at September 30, 2019, representing a 60% increase in the allowance for loan losses to total loans compared to September 30, 2019.
 - Time deposits as a percentage of total deposits decreased to 32.2% compared to 35.5% at June 30, 2020 and 43.1% at September 30, 2019.
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- The Bank recorded \$2.5 million in provision for loan losses for the quarters ended September 30, 2020 and June 30, 2020 compared to \$0.5 million for the quarter September 30, 2019. The increases in the provision for loan losses in both the second and third quarters of 2020 compared to the quarter ended September 30, 2019 are primarily a result of the deterioration of market conditions which have been adversely affected by the COVID-19 pandemic the related uncertainty regarding the pandemic's future.
 - Cost of deposits decreased 23 basis points to 0.97% for the quarter ended September 30, 2020 compared to 1.20% for the quarter ended June 30, 2020, and decreased 64 basis points compared to 1.61% for the quarter ended September 30, 2019. Our overall cost of funds decreased 20 and 57 basis points to 1.16% compared to 1.36% and 1.73% for the quarters ended June 30, 2020 and September 30, 2019, respectively.
 - Net interest margin remained stable at 3.46% for the quarters ended September 30, 2020 and June 30, 2020.
 - Tangible book value per common share increased to \$19.27 at September 30, 2020, or 2.4% (9.6% annualized), compared to \$18.82 at June 30, 2020. Tangible book value per common share increased 3.8% compared to \$18.56 at September 30, 2019.
 - The Company and Bank remain well capitalized with all capital ratios above the regulatory requirements. The total risk-based capital ratio for the Company and Bank was 14.62% and 13.50%, respectively, at September 30, 2020, compared to 14.61% and 13.25%, respectively, at June 30, 2020.
 - The Company repurchased 211,132 shares of its common stock through its stock repurchase program at an average price of \$13.92 per share during the quarter ended September 30, 2020, leaving 285,729 shares authorized for repurchase under the current stock repurchase plan after the Company's board of directors approved, on August 26, 2020, an additional 300,000 shares for repurchase. The Company has repurchased 640,605 shares of its common stock at an average price of \$16.80 during the nine months ended September 30, 2020.
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Loans

Total loans were \$1.83 billion at September 30, 2020, an increase of \$15.7 million, or 0.9%, compared to June 30, 2020, and an increase of \$243.3 million, or 15.3%, compared to September 30, 2019. Excluding loans acquired from Bank of York on November 1, 2019 and PlainsCapital Bank on February 21, 2020 with a total balance of \$75.9 million at September 30, 2020, total loans increased \$167.5 million, or 10.6%, compared to September 30, 2019.

The following table sets forth the composition of the total loan portfolio as of the dates indicated (dollars in thousands).

| | 9/30/2020 | 6/30/2020 | 9/30/2019 | Linked Quarter Change | | Year/Year Change | | Percentage of Total Loans | |
|--------------------------------------|---------------------|---------------------|---------------------|-----------------------|--------------|-------------------|---------------|---------------------------|--------------|
| | | | | \$ | % | \$ | % | 9/30/2020 | 9/30/2019 |
| Mortgage loans on real estate | | | | | | | | | |
| Construction and development | \$ 206,751 | \$ 199,419 | \$ 176,674 | \$ 7,332 | 3.7 % | \$ 30,077 | 17.0 % | 11.3 % | 11.1 % |
| 1-4 Family | 339,364 | 326,102 | 310,298 | 13,262 | 4.1 | 29,066 | 9.4 | 18.6 | 19.6 |
| Multifamily | 57,734 | 60,617 | 58,243 | (2,883) | (4.8) | (509) | (0.9) | 3.2 | 3.7 |
| Farmland | 26,005 | 28,845 | 24,629 | (2,840) | (9.8) | 1,376 | 5.6 | 1.4 | 1.6 |
| Commercial real estate | | | | | | | | | |
| Owner-occupied | 379,490 | 371,783 | 339,240 | 7,707 | 2.1 | 40,250 | 11.9 | 20.7 | 21.4 |
| Nonowner-occupied | 404,748 | 411,776 | 353,910 | (7,028) | (1.7) | 50,838 | 14.4 | 22.1 | 22.3 |
| Commercial and industrial | 392,955 | 390,085 | 293,152 | 2,870 | 0.7 | 99,803 | 34.0 | 21.5 | 18.4 |
| Consumer | 22,633 | 25,344 | 30,196 | (2,711) | (10.7) | (7,563) | (25.0) | 1.2 | 1.9 |
| Total loans | \$ 1,829,680 | \$ 1,813,971 | \$ 1,586,342 | \$ 15,709 | 0.9 % | \$ 243,338 | 15.3 % | 100 % | 100 % |

In response to the COVID-19 pandemic, in the first quarter of 2020, the Bank instituted a 90-day loan deferral program for customers who are impacted by the pandemic and is continuing to offer assistance to support customers experiencing financial hardships related to the pandemic. As of September 30, 2020, the balance of loans participating in the 90-day deferral program was approximately \$56.5 million, or 3.1% of the total loan portfolio, compared to \$490.3 million, or 27.0% of the total loan portfolio, at June 30, 2020. Of the loans participating in the deferral program at September 30, 2020, 65% have deferrals of principal and interest, 31% have deferrals of principal only, and 4% have deferrals of interest only. As 90-day loan deferrals have expired, most customers have returned to their regular payment schedules. As of October 20, 2020, the balance of loans participating in the 90-day deferral plan was approximately \$30.7 million, or 1.7% of the total loan portfolio. This balance includes loans with a deferral period that had not yet expired, and is inclusive of \$25.3 million of loans to borrowers who requested a second 90-day deferral period. The Bank continues to support borrowers experiencing financial hardships related to the pandemic and expects to process additional deferrals requested by qualified borrowers. Therefore, we may experience fluctuations in the balance of loans participating in the deferral program.

In addition, in the second quarter of 2020, the Bank began participating as a lender in the PPP as established by the CARES Act. The PPP loans are generally 100% guaranteed by the SBA, have an interest rate of 1%, and are eligible to be forgiven based on certain criteria, with the SBA remitting any applicable forgiveness amount to the lender. At September 30, 2020, the balance of the Bank's PPP loans was \$110.3 million, compared to \$109.5 million at June 30, 2020. Eighty-six percent of the total number of PPP loans we have originated have principal balances of \$150,000 or less. Excluding PPP loans, total loans increased \$15.0 million, or 0.9%, at September 30, 2020 compared to June 30, 2020, and increased \$133.1 million, or 8.4%, compared to September 30, 2019.

At September 30, 2020, the Company's total business lending portfolio, which consists of loans secured by owner-occupied commercial real estate properties and commercial and industrial loans, was \$772.4 million, an increase of \$10.6 million, or 1.4%, compared to the business lending portfolio of \$761.9 million at June 30, 2020, and an increase of \$140.1 million, or 22.1%, compared to the business lending portfolio of \$632.4 million at September 30, 2019. The increase in the business lending portfolio compared to June 30, 2020 was driven by the increase in owner-occupied commercial real estate loans. The origination of PPP loans, which are included in the commercial and industrial loan portfolio, was the primary driver of the increase in the business lending portfolio compared to September 30, 2019.

Consumer loans totaled \$22.6 million at September 30, 2020, a decrease of \$2.7 million, or 10.7%, compared to \$25.3 million at June 30, 2020, and a decrease of \$7.6 million, or 25.0%, compared to \$30.2 million at September 30, 2019. The decrease in consumer loans is mainly attributable to the scheduled paydowns of the indirect auto lending portfolio and is consistent with our business strategy.

Our loan portfolio includes loans to businesses in certain industries that may be more significantly affected by the pandemic than others. These loans, including loans related to oil and gas, food services, hospitality, and entertainment, represent approximately 6.6% of our total portfolio, or 5.6% excluding PPP loans, at September 30, 2020, compared to 6.8% of our total portfolio, or 5.8% excluding PPP loans, at June 30, 2020, as shown in the table below.

| Industry | Percentage of Loan Portfolio September 30, 2020 | | Percentage of Loan Portfolio September 30, 2020 (excluding PPP loans) | | Percentage of Loan Portfolio June 30, 2020 | | Percentage of Loan Portfolio June 30, 2020 (excluding PPP loans) | |
|---------------|--|----------|---|----------|---|----------|--|----------|
| Oil and gas | 3.5 | % | 2.7 | % | 3.5 | % | 2.7 | % |
| Food services | 2.3 | | 2.1 | | 2.4 | | 2.2 | |
| Hospitality | 0.4 | | 0.4 | | 0.4 | | 0.4 | |
| Entertainment | 0.4 | | 0.4 | | 0.5 | | 0.5 | |
| Total | 6.6 | % | 5.6 | % | 6.8 | % | 5.8 | % |

Credit Quality

Nonperforming loans were \$12.4 million, or 0.68% of total loans, at September 30, 2020, a decrease of \$0.7 million compared to \$13.1 million, or 0.72% of total loans, at June 30, 2020, and an increase of \$6.7 million compared to \$5.7 million, or 0.36% of total loans, at September 30, 2019. The increase in nonperforming loans compared to September 30, 2019 is mainly attributable to one commercial and industrial oil and gas loan relationship totaling \$6.0 million at September 30, 2020. Included in nonperforming loans are acquired loans with a balance of \$3.8 million at September 30, 2020, or 31% of nonperforming loans. Under the CARES Act and guidance from regulatory agencies, certain loans modified due to pandemic-related hardships are not accounted for as past due or nonaccrual.

The allowance for loan losses was \$19.0 million, or 153.8% and 1.04% of nonperforming and total loans, respectively, at September 30, 2020, compared to \$16.7 million, or 127.6% and 0.92%, respectively, at June 30, 2020, and \$10.3 million, or 182.4% and 0.65%, respectively, at September 30, 2019.

The provision for loan losses was \$2.5 million for the quarters ended September 30, 2020 and June 30, 2020 compared to \$0.5 million for the quarter ended September 30, 2019. Additional provision for loan losses was recorded in the second and third quarters of 2020 primarily as a result of the deterioration of market conditions which have been adversely affected by the COVID-19 pandemic. Although we have not yet experienced charge-offs directly related to the pandemic, the Company continues to assess the impact the pandemic may have on its loan portfolio to determine the need for additional reserves.

Deposits

Total deposits at September 30, 2020 were \$1.83 billion, a decrease of \$55.1 million, or 2.9%, compared to June 30, 2020, and an increase of \$249.1 million, or 15.7%, compared to September 30, 2019. The decrease in total deposits compared to June 30, 2020 was driven by a \$79.9 million decrease in time deposits. The COVID-19 pandemic has created a significant amount of excess liquidity in the market, and, as a result, we experienced large increases in both noninterest and interest-bearing demand deposits, and savings accounts compared to September 30, 2019. The Company acquired approximately \$37.0 million in deposits from PlainsCapital Bank in the first quarter of 2020 and \$84.8 million in deposits from Bank of York in the fourth quarter of 2019. The remaining increase compared to September 30, 2019 is due to organic growth. Our deposit mix has improved and reflects our consistent focus on relationship banking and growing our commercial relationships, as well as the effects of the pandemic on consumer and business spending.

The following table sets forth the composition of deposits as of the dates indicated (dollars in thousands).

| | | | | Linked Quarter Change | | Year/Year Change | | Percentage of Total Deposits | |
|-------------------------------------|---------------------|---------------------|---------------------|-----------------------|---------------|-------------------|--------------|------------------------------|---------------|
| | 9/30/2020 | 6/30/2020 | 9/30/2019 | \$ | % | \$ | % | 9/30/2020 | 9/30/2019 |
| | | | | | | | | | |
| Noninterest-bearing demand deposits | \$ 452,070 | \$ 469,095 | \$ 291,039 | \$ (17,025) | (3.6)% | \$ 161,031 | 55.3% | 24.6% | 18.4% |
| Interest-bearing demand deposits | 473,819 | 437,821 | 305,361 | 35,998 | 8.2 | 168,458 | 55.2 | 25.8 | 19.2 |
| Money market deposit accounts | 179,133 | 183,371 | 194,757 | (4,238) | (2.3) | (15,624) | (8.0) | 9.8 | 12.3 |
| Savings accounts | 139,153 | 129,157 | 110,636 | 9,996 | 7.7 | 28,517 | 25.8 | 7.6 | 7.0 |
| Time deposits | 590,274 | 670,144 | 683,564 | (79,870) | (11.9) | (93,290) | (13.6) | 32.2 | 43.1 |
| Total deposits | \$ 1,834,449 | \$ 1,889,588 | \$ 1,585,357 | \$ (55,139) | (2.9)% | \$ 249,092 | 15.7% | 100.0% | 100.0% |

Interest-bearing demand deposits experienced the largest increases compared to June 30, 2020 and September 30, 2019. These increases were primarily driven by government stimulus payments, reduced spending by consumer and business customers related to the COVID-19 pandemic, and increases in PPP borrowers' deposit accounts. We believe these factors may be temporary depending on the future economic effects of the COVID-19 pandemic.

As the state of the economy and financial markets deteriorated during the first three quarters of 2020 in response to the global pandemic, some customers desired increased security of funds and transferred holdings into fully-insured checking accounts, or our Assured Checking product, shown in interest-bearing demand deposits in the table above.

Management also made a strategic decision to either reprice or run-off higher yielding time deposits and other interest-bearing deposit products during the nine months ended September 30, 2020, which contributed to our decreased cost of deposits compared to the quarters ended June 30, 2020 and September 30, 2019.

Net Interest Income

Net interest income for the third quarter of 2020 totaled \$18.7 million, an increase of \$0.4 million, or 2.0%, compared to the second quarter of 2020, and an increase of \$2.3 million, or 14.3%, compared to the third quarter of 2019. Included in net interest income for the quarters ended September 30, 2020, June 30, 2020 and September 30, 2019 is \$0.2 million, \$0.4 million and \$0.4 million, respectively, of interest income accretion from the acquisition of loans. Also included in net interest income for the quarters ended September 30, 2020 and September 30, 2019 are interest recoveries of \$16,000 and \$24,000, respectively, on acquired loans.

The Company's net interest margin was 3.46% for the quarters ended September 30, 2020 and June 30, 2020, compared to 3.48% for the quarter ended September 30, 2019. The yield on interest-earning assets was 4.33% for the quarter ended September 30, 2020 compared to 4.49% for the quarter ended June 30, 2020 and 4.86% for the quarter ended September 30, 2019. The decrease in the yield on interest-earning assets compared to the quarter ended June 30, 2020 was driven by lower loan yields, as well as a large decrease in the yield earned on investment securities. In response to the pandemic, during March 2020, the Federal Reserve reduced the federal funds rate 150 basis points to 0 to 0.25 percent, which has affected the yields that we earn on our interest-earning assets. In addition, the PPP loans originated in the second and third quarters of 2020 have a contractual interest rate of 1% and origination fees based on the loan amount, which impacts the yield on our loan portfolio. Exclusive of PPP loans, which had an average balance of \$114.7 million and related interest and fee income of \$0.8 million for the quarter ended September 30, 2020 and an average balance of \$78.9 million and related interest and fee income of \$0.8 million for the quarter ended June 30, 2020, adjusted net interest margin was 3.50% for the quarter ended September 30, 2020, compared to an adjusted net interest margin of 3.44% for the quarter ended June 30, 2020.

The stability in the net interest margin for the quarter ended September 30, 2020 compared to the quarter ended June 30, 2020 was driven by the improvement in our cost of funds. The decrease in net interest margin for the quarter ended September 30, 2020 compared to the quarter ended September 30, 2019 was driven by a 53 basis point decrease in the yield on interest-earning assets.

Exclusive of the interest income accretion from the acquisition of loans, discussed above, as well as interest recoveries of \$16,000 and \$24,000 in the quarters ended September 30, 2020 and September 30, 2019, respectively, adjusted net interest margin increased three basis points to 3.42% for the quarter ended September 30, 2020 compared to 3.39% for the quarters ended June 30, 2020 and September 30, 2019. The adjusted yield on interest-earning assets was 4.29% for the quarter ended September 30, 2020 compared to 4.43% and 4.77% for the quarters ended June 30, 2020 and September 30, 2019, respectively.

The cost of deposits decreased 23 basis points to 0.97% for the quarter ended September 30, 2020 compared to 1.20% for the quarter ended June 30, 2020 and decreased 64 basis points compared to 1.61% for the quarter ended September 30, 2019. The decrease in the cost of deposits compared to the quarters ended June 30, 2020 and September 30, 2019 reflects the decrease in rates paid for all categories of interest-bearing deposits.

The overall costs of funds for the quarter ended September 30, 2020 decreased 20 basis points to 1.16% compared to 1.36% for the quarter ended June 30, 2020 and decreased 57 basis points compared to 1.73% for the quarter ended September 30, 2019. The decrease in the cost of funds for the quarter ended September 30, 2020 compared to the quarters ended June 30, 2020 and September 30, 2019 resulted from both lower cost of deposits and short-term borrowings, the costs of which are driven by the Federal Reserve's federal funds rates.

Noninterest Income

Noninterest income for the third quarter of 2020 totaled \$3.4 million, a decrease of \$0.5 million compared to the second quarter of 2020 and an increase of \$1.8 million compared to the third quarter of 2019. The decrease in noninterest income for the quarter ended September 30, 2020 compared to the quarter ended June 30, 2020 was driven by decreases in the fair value of equity securities and the gain on sale of investments securities. The increase in noninterest income for the quarter ended September 30, 2020 compared to the quarter ended September 30, 2019 is primarily attributable to the large increases in the gain on sale of investment securities and other operating income. Other operating income includes, among other things, credit card and ATM fees, and derivative fee income.

Noninterest Expense

Noninterest expense for the third quarter of 2020 totaled \$14.1 million, a decrease of \$0.4 million, or 3.0%, compared to the second quarter of 2020, and an increase of \$2.4 million, or 20.3%, compared to the third quarter of 2019.

The decrease in noninterest expense for the quarter ended September 30, 2020 compared to the quarter ended June 30, 2020 is mainly attributable to the \$0.3 million decrease in salaries and employee benefits and the \$0.2 million decrease in acquisition expense. The quarter ended June 30, 2020 included a severance charge of \$0.3 million and \$0.3 million in acquisition expenses related to the operational conversion of Bank of York.

The increase in noninterest expense for the third quarter of 2020 compared to the third quarter of 2019 is primarily attributable to the \$0.9 million increases in salaries and employee benefits and other operating expenses. The increase in salaries and employee benefits is mainly attributable to the increased number of employees as a result of our growth, both organically and through acquisition. With the acquisitions of Bank of York and the PlainsCapital Bank branches, which together added four branch locations and related staff, as well as the opening of two de novo branches in the fourth quarter of 2019, the Company had 318 full-time equivalent employees at September 30, 2020, compared to 285 at September 30, 2019. The increase in other operating expenses is also attributable to the Bank's acquisition activity and de novo branches discussed above.

Taxes

The Company recorded income tax expense of \$1.1 million for the quarter ended September 30, 2020, which equates to an effective tax rate of 19.6%, compared to effective tax rates of 19.2% for the quarters ended June 30, 2020 and September 30, 2019. Management expects the Company's effective tax rate to approximate 20% in 2020.

Basic and Diluted Earnings Per Common Share

The Company reported basic and diluted earnings per common share of \$0.41 for the quarter ended September 30, 2020, an increase of \$0.02 compared to basic and diluted earnings per common share of \$0.39 for the quarter ended June 30, 2020, and a decrease of \$0.05 compared to basic and diluted earnings per common share of \$0.46 for the quarter ended September 30, 2019.

Supplemental Report

A supplemental report for the current period is available, with this earning release, in the Investors section of our website.

About Investar Holding Corporation

Investar Holding Corporation, headquartered in Baton Rouge, Louisiana, provides full banking services, excluding trust services, through its wholly-owned banking subsidiary, Investar Bank, National Association. The Bank currently operates 30 branch locations serving south Louisiana, southeast Texas, and southwest Alabama. At September 30, 2020, the Company had 318 full-time equivalent employees and total assets of \$2.3 billion.

Non-GAAP Financial Measures

This press release contains financial information determined by methods other than in accordance with generally accepted accounting principles in the United States of America, or GAAP. These measures and ratios include “tangible common equity,” “tangible assets,” “tangible equity to tangible assets,” “tangible book value per common share,” “core noninterest income,” “core earnings before noninterest expense,” “core noninterest expense,” “core earnings before income tax expense,” “core income tax expense,” “core earnings,” “core efficiency ratio,” “core return on average assets,” “core return on average equity,” “core basic earnings per share,” and “core diluted earnings per share.” Management believes these non-GAAP financial measures provide information useful to investors in understanding the Company’s financial results, and the Company believes that its presentation, together with the accompanying reconciliations, provide a more complete understanding of factors and trends affecting the Company’s business and allow investors to view performance in a manner similar to management, the entire financial services sector, bank stock analysts and bank regulators. These non-GAAP measures should not be considered a substitute for GAAP basis measures and results, and the Company strongly encourages investors to review its consolidated financial statements in their entirety and not to rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies’ non-GAAP financial measures having the same or similar names. A reconciliation of the non-GAAP financial measures disclosed in this press release to the comparable GAAP financial measures is included at the end of the financial statement tables.

Forward-Looking and Cautionary Statements

This press release contains 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. In addition, any of the following matters related to the pandemic may impact our financial results in future periods, and such impacts may be material depending on the length and severity of the pandemic and government and societal responses to it:

- borrowers may default on loans and economic conditions could deteriorate requiring further increases to the allowance for loan losses;
- demand for our loans and other banking services, and related income and fees, may be reduced;
- the value of collateral securing our loans may deteriorate; and
- lower market interest rates will have an adverse impact on our variable rate loans and reduce our income.

Any forward-looking statements contained in this press release 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 revise 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 identify and enter into agreements to combine with attractive acquisition candidates, finance acquisitions, complete acquisitions after definitive agreements are entered into, and successfully integrate acquired operations;
- changes (or the lack of changes) in interest rates, yield curves and interest rate spread relationships that affect our loan and deposit pricing;
- 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 in the "Special Note Regarding Forward-Looking Statements" in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, in Part II Item 1A. "Risk Factors" and in the "Cautionary Note Regarding Forward-Looking Statements" in Part I. Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and in Part II Item 1A. "Risk Factors" and in the "Cautionary Note Regarding Forward-Looking Statements" in Part I. Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, filed with the Securities and Exchange Commission (the "SEC").

For further information contact:

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INVESTAR HOLDING CORPORATION
SUMMARY FINANCIAL INFORMATION
(Amounts in thousands, except share data)
(Unaudited)

| | As of and for the three months ended | | | | |
|---|--------------------------------------|--------------|--------------|----------------|-----------|
| | 9/30/2020 | 6/30/2020 | 9/30/2019 | Linked Quarter | Year/Year |
| EARNINGS DATA | | | | | |
| Total interest income | \$ 23,394 | \$ 23,802 | \$ 22,854 | (1.7)% | 2.4 % |
| Total interest expense | 4,688 | 5,463 | 6,488 | (14.2) | (27.7) |
| Net interest income | 18,706 | 18,339 | 16,366 | 2.0 | 14.3 |
| Provision for loan losses | 2,500 | 2,500 | 538 | — | 364.7 |
| Total noninterest income | 3,401 | 3,931 | 1,618 | (13.5) | 110.2 |
| Total noninterest expense | 14,051 | 14,480 | 11,682 | (3.0) | 20.3 |
| Income before income taxes | 5,556 | 5,290 | 5,764 | 5.0 | (3.6) |
| Income tax expense | 1,089 | 1,016 | 1,107 | 7.2 | (1.6) |
| Net income | \$ 4,467 | \$ 4,274 | \$ 4,657 | 4.5 | (4.1) |
| AVERAGE BALANCE SHEET DATA | | | | | |
| Total assets | \$ 2,320,501 | \$ 2,296,082 | \$ 1,999,240 | 1.1 % | 16.1 % |
| Total interest-earning assets | 2,149,946 | 2,130,236 | 1,864,218 | 0.9 | 15.3 |
| Total loans | 1,816,014 | 1,789,863 | 1,560,841 | 1.5 | 16.3 |
| Total interest-bearing deposits | 1,390,443 | 1,403,168 | 1,284,646 | (0.9) | 8.2 |
| Total interest-bearing liabilities | 1,613,049 | 1,615,422 | 1,488,776 | (0.1) | 8.3 |
| Total deposits | 1,836,168 | 1,827,512 | 1,570,289 | 0.5 | 16.9 |
| Total stockholders' equity | 239,822 | 236,651 | 208,957 | 1.3 | 14.8 |
| PER SHARE DATA | | | | | |
| Earnings: | | | | | |
| Basic earnings per common share | \$ 0.41 | \$ 0.39 | \$ 0.46 | 5.1 % | (10.9) % |
| Diluted earnings per common share | 0.41 | 0.39 | 0.46 | 5.1 | (10.9) |
| Core Earnings ⁽¹⁾ : | | | | | |
| Core basic earnings per common share ⁽¹⁾ | 0.35 | 0.32 | 0.48 | 9.4 | (27.1) |
| Core diluted earnings per common share ⁽¹⁾ | 0.35 | 0.32 | 0.48 | 9.4 | (27.1) |
| Book value per common share | 22.32 | 21.84 | 21.19 | 2.2 | 5.3 |
| Tangible book value per common share ⁽¹⁾ | 19.27 | 18.82 | 18.56 | 2.4 | 3.8 |
| Common shares outstanding | 10,629,586 | 10,839,977 | 9,929,860 | (1.9) | 7.0 |
| Weighted average common shares outstanding - basic | 10,759,791 | 10,882,084 | 9,935,221 | (1.1) | 8.3 |
| Weighted average common shares outstanding - diluted | 10,761,617 | 10,882,084 | 10,037,934 | (1.1) | 7.2 |
| PERFORMANCE RATIOS | | | | | |
| Return on average assets | 0.77 % | 0.75 % | 0.92 % | 2.7 % | (16.3) % |
| Core return on average assets ⁽¹⁾ | 0.65 | 0.62 | 0.95 | 4.8 | (31.6) |
| Return on average equity | 7.41 | 7.26 | 8.84 | 2.1 | (16.2) |
| Core return on average equity ⁽¹⁾ | 6.29 | 6.00 | 9.13 | 4.8 | (31.1) |
| Net interest margin | 3.46 | 3.46 | 3.48 | — | (0.6) |
| Net interest income to average assets | 3.21 | 3.21 | 3.25 | — | (1.2) |
| Noninterest expense to average assets | 2.41 | 2.54 | 2.32 | (5.1) | 3.9 |
| Efficiency ratio ⁽²⁾ | 63.56 | 65.02 | 64.96 | (2.2) | (2.2) |
| Core efficiency ratio ⁽¹⁾ | 65.97 | 67.03 | 63.95 | (1.6) | 3.2 |
| Dividend payout ratio | 15.85 | 15.38 | 13.04 | 3.1 | 21.5 |
| Net charge-offs to average loans | 0.01 | — | 0.01 | 100.0 | — |

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

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

INVESTAR HOLDING CORPORATION
SUMMARY FINANCIAL INFORMATION
(Amounts in thousands, except share data)
(Unaudited)

| | As of and for the three months ended | | | | |
|---|--------------------------------------|-----------|-----------|----------------|-----------|
| | 9/30/2020 | 6/30/2020 | 9/30/2019 | Linked Quarter | Year/Year |
| ASSET QUALITY RATIOS | | | | | |
| Nonperforming assets to total assets | 0.54 % | 0.56 % | 0.29 % | (3.6) % | 86.2 % |
| Nonperforming loans to total loans | 0.68 | 0.72 | 0.36 | (5.6) | 88.9 |
| Allowance for loan losses to total loans | 1.04 | 0.92 | 0.65 | 13.0 | 60.0 |
| Allowance for loan losses to nonperforming loans | 153.80 | 127.62 | 182.40 | 20.5 | (15.7) |
| CAPITAL RATIOS | | | | | |
| Investar Holding Corporation: | | | | | |
| Total equity to total assets | 10.21 % | 10.03 % | 10.43 % | 1.8 % | (2.1) % |
| Tangible equity to tangible assets ⁽¹⁾ | 8.94 | 8.77 | 9.25 | 1.9 | (3.4) |
| Tier 1 leverage ratio | 9.29 | 9.31 | 9.60 | (0.2) | (3.2) |
| Common equity tier 1 capital ratio ⁽²⁾ | 10.95 | 11.02 | 10.93 | (0.6) | 0.2 |
| Tier 1 capital ratio ⁽²⁾ | 11.30 | 11.37 | 11.32 | (0.6) | (0.2) |
| Total capital ratio ⁽²⁾ | 14.62 | 14.61 | 13.04 | 0.1 | 12.1 |
| Investar Bank: | | | | | |
| Tier 1 leverage ratio | 10.23 | 10.09 | 10.58 | 1.4 | (3.3) |
| Common equity tier 1 capital ratio ⁽²⁾ | 12.46 | 12.33 | 12.47 | 1.1 | (0.1) |
| Tier 1 capital ratio ⁽²⁾ | 12.46 | 12.33 | 12.47 | 1.1 | (0.1) |
| Total capital ratio ⁽²⁾ | 13.50 | 13.25 | 13.09 | 1.9 | 3.1 |

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

⁽²⁾ Estimated for September 30, 2020.

INVESTAR HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)
(Unaudited)

| | September 30, 2020 | June 30, 2020 | September 30, 2019 |
|--|---------------------|---------------------|---------------------|
| ASSETS | | | |
| Cash and due from banks | \$ 32,856 | \$ 31,725 | \$ 26,442 |
| Interest-bearing balances due from other banks | 17,697 | 99,239 | 2,559 |
| Cash and cash equivalents | 50,553 | 130,964 | 29,001 |
| Available for sale securities at fair value (amortized cost of \$275,288, \$242,175, and \$258,811, respectively) | 278,906 | 246,886 | 261,179 |
| Held to maturity securities at amortized cost (estimated fair value of \$13,737, \$14,265, and \$15,386, respectively) | 13,542 | 14,053 | 15,318 |
| Loans, net of allowance for loan losses of \$19,044, \$16,657, and \$10,339, respectively | 1,810,636 | 1,797,314 | 1,576,003 |
| Equity securities | 20,927 | 19,398 | 18,767 |
| Bank premises and equipment, net of accumulated depreciation of \$14,971, \$14,022, and \$11,741, respectively | 57,074 | 56,767 | 49,088 |
| Other real estate owned, net | 69 | 69 | 126 |
| Accrued interest receivable | 13,057 | 13,701 | 7,130 |
| Deferred tax asset | 2,160 | 1,515 | — |
| Goodwill and other intangible assets, net | 32,471 | 32,715 | 26,117 |
| Bank-owned life insurance | 38,672 | 38,437 | 29,390 |
| Other assets | 5,178 | 7,544 | 5,895 |
| Total assets | \$ 2,323,245 | \$ 2,359,363 | \$ 2,018,014 |
| LIABILITIES | | | |
| Deposits: | | | |
| Noninterest-bearing | \$ 452,070 | \$ 469,095 | \$ 291,039 |
| Interest-bearing | 1,382,379 | 1,420,493 | 1,294,318 |
| Total deposits | 1,834,449 | 1,889,588 | 1,585,357 |
| Advances from Federal Home Loan Bank | 178,500 | 158,500 | 181,725 |
| Repurchase agreements | 5,923 | 4,908 | 2,143 |
| Subordinated debt | 42,874 | 42,854 | 18,250 |
| Junior subordinated debt | 5,936 | 5,923 | 5,884 |
| Accrued taxes and other liabilities | 18,296 | 20,884 | 14,198 |
| Total liabilities | 2,085,978 | 2,122,657 | 1,807,557 |
| STOCKHOLDERS' EQUITY | | | |
| Preferred stock, no par value per share; 5,000,000 shares authorized | — | — | — |
| Common stock, \$1.00 par value per share; 40,000,000 shares authorized; 10,629,586, 10,839,977, and 9,929,860 shares outstanding, respectively | 10,630 | 10,840 | 9,930 |
| Surplus | 159,410 | 161,729 | 140,944 |
| Retained earnings | 67,536 | 63,767 | 57,547 |
| Accumulated other comprehensive (loss) income | (309) | 370 | 2,036 |
| Total stockholders' equity | 237,267 | 236,706 | 210,457 |
| Total liabilities and stockholders' equity | \$ 2,323,245 | \$ 2,359,363 | \$ 2,018,014 |

INVESTAR HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except share data)
(Unaudited)

| | For the three months ended | | |
|---|----------------------------|-----------------|--------------------|
| | September 30, 2020 | June 30, 2020 | September 30, 2019 |
| INTEREST INCOME | | | |
| Interest and fees on loans | \$ 21,866 | \$ 22,118 | \$ 20,844 |
| Interest on investment securities | 1,356 | 1,455 | 1,848 |
| Other interest income | 172 | 229 | 162 |
| Total interest income | <u>23,394</u> | <u>23,802</u> | <u>22,854</u> |
| INTEREST EXPENSE | | | |
| Interest on deposits | 3,404 | 4,190 | 5,198 |
| Interest on borrowings | 1,284 | 1,273 | 1,290 |
| Total interest expense | <u>4,688</u> | <u>5,463</u> | <u>6,488</u> |
| Net interest income | <u>18,706</u> | <u>18,339</u> | <u>16,366</u> |
| Provision for loan losses | 2,500 | 2,500 | 538 |
| Net interest income after provision for loan losses | <u>16,206</u> | <u>15,839</u> | <u>15,828</u> |
| NONINTEREST INCOME | | | |
| Service charges on deposit accounts | 441 | 405 | 462 |
| Gain on sale of investment securities, net | 939 | 1,178 | — |
| Loss on sale of fixed assets, net | (5) | — | — |
| Gain on sale of other real estate owned, net | — | — | 1 |
| Servicing fees and fee income on serviced loans | 85 | 96 | 142 |
| Interchange fees | 387 | 347 | 294 |
| Income from bank owned life insurance | 234 | 233 | 186 |
| Change in the fair value of equity securities | (31) | 248 | (9) |
| Other operating income | 1,351 | 1,424 | 542 |
| Total noninterest income | <u>3,401</u> | <u>3,931</u> | <u>1,618</u> |
| Income before noninterest expense | <u>19,607</u> | <u>19,770</u> | <u>17,446</u> |
| NONINTEREST EXPENSE | | | |
| Depreciation and amortization | 1,203 | 1,149 | 882 |
| Salaries and employee benefits | 8,228 | 8,572 | 7,325 |
| Occupancy | 604 | 536 | 445 |
| Data processing | 816 | 786 | 675 |
| Marketing | 88 | 78 | 86 |
| Professional fees | 343 | 429 | 326 |
| Acquisition expenses | 52 | 255 | 177 |
| Other operating expenses | 2,717 | 2,675 | 1,766 |
| Total noninterest expense | <u>14,051</u> | <u>14,480</u> | <u>11,682</u> |
| Income before income tax expense | <u>5,556</u> | <u>5,290</u> | <u>5,764</u> |
| Income tax expense | 1,089 | 1,016 | 1,107 |
| Net income | <u>\$ 4,467</u> | <u>\$ 4,274</u> | <u>\$ 4,657</u> |
| EARNINGS PER SHARE | | | |
| Basic earnings per common share | \$ 0.41 | \$ 0.39 | \$ 0.46 |
| Diluted earnings per common share | \$ 0.41 | \$ 0.39 | \$ 0.46 |
| Cash dividends declared per common share | \$ 0.07 | \$ 0.06 | \$ 0.06 |

INVESTAR HOLDING CORPORATION
CONSOLIDATED AVERAGE BALANCE SHEET, INTEREST EARNED AND YIELD ANALYSIS
(Amounts in thousands)
(Unaudited)

| | For the three months ended | | | | | | | | |
|---|----------------------------|--------------------------------|---------------|---------------------|--------------------------------|---------------|---------------------|--------------------------------|---------------|
| | September 30, 2020 | | | June 30, 2020 | | | September 30, 2019 | | |
| | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate | Average Balance | Interest Income/ Expense | Yield/ Rate |
| Assets | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Loans | \$ 1,816,014 | \$ 21,866 | 4.79 % | \$ 1,789,863 | \$ 22,118 | 4.97 % | \$ 1,560,841 | \$ 20,844 | 5.30 % |
| Securities: | | | | | | | | | |
| Taxable | 262,088 | 1,199 | 1.82 | 244,703 | 1,253 | 2.06 | 240,339 | 1,649 | 2.72 |
| Tax-exempt | 22,504 | 157 | 2.77 | 29,150 | 202 | 2.79 | 31,688 | 199 | 2.49 |
| Interest-bearing balances with banks | 49,340 | 172 | 1.39 | 66,520 | 229 | 1.38 | 31,350 | 162 | 2.05 |
| Total interest-earning assets | 2,149,946 | 23,394 | 4.33 | 2,130,236 | 23,802 | 4.49 | 1,864,218 | 22,854 | 4.86 |
| Cash and due from banks | 28,225 | | | 25,900 | | | 23,395 | | |
| Intangible assets | 32,563 | | | 32,561 | | | 26,233 | | |
| Other assets | 126,581 | | | 121,706 | | | 95,436 | | |
| Allowance for loan losses | (16,814) | | | (14,321) | | | (10,042) | | |
| Total assets | <u>\$ 2,320,501</u> | | | <u>\$ 2,296,082</u> | | | <u>\$ 1,999,240</u> | | |
| Liabilities and stockholders' equity | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Deposits: | | | | | | | | | |
| Interest-bearing demand deposits | \$ 627,715 | \$ 755 | 0.48 | \$ 597,022 | \$ 827 | 0.56 | \$ 507,293 | \$ 1,358 | 1.06 |
| Savings deposits | 133,701 | 91 | 0.27 | 125,680 | 94 | 0.30 | 111,279 | 127 | 0.45 |
| Time deposits | 629,027 | 2,558 | 1.62 | 680,466 | 3,269 | 1.93 | 666,074 | 3,713 | 2.21 |
| Total interest-bearing deposits | 1,390,443 | 3,404 | 0.97 | 1,403,168 | 4,190 | 1.20 | 1,284,646 | 5,198 | 1.61 |
| Short-term borrowings | 95,316 | 248 | 1.03 | 84,447 | 233 | 1.11 | 117,345 | 624 | 2.11 |
| Long-term debt | 127,290 | 1,036 | 3.24 | 127,807 | 1,040 | 3.27 | 86,785 | 666 | 3.04 |
| Total interest-bearing liabilities | 1,613,049 | 4,688 | 1.16 | 1,615,422 | 5,463 | 1.36 | 1,488,776 | 6,488 | 1.73 |
| Noninterest-bearing deposits | 445,725 | | | 424,344 | | | 285,643 | | |
| Other liabilities | 21,905 | | | 19,665 | | | 15,864 | | |
| Stockholders' equity | 239,822 | | | 236,651 | | | 208,957 | | |
| Total liability and stockholders' equity | <u>\$ 2,320,501</u> | | | <u>\$ 2,296,082</u> | | | <u>\$ 1,999,240</u> | | |
| Net interest income/net interest margin | | <u>\$ 18,706</u> | <u>3.46 %</u> | | <u>\$ 18,339</u> | <u>3.46 %</u> | | <u>\$ 16,366</u> | <u>3.48 %</u> |

INVESTAR HOLDING CORPORATION
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(Amounts in thousands, except share data)
(Unaudited)

| | September 30, 2020 | June 30, 2020 | September 30, 2019 |
|--------------------------------------|---------------------|---------------------|---------------------|
| Tangible common equity | | | |
| Total stockholders' equity | \$ 237,267 | \$ 236,706 | \$ 210,457 |
| Adjustments: | | | |
| Goodwill | 28,144 | 28,144 | 21,902 |
| Core deposit intangible | 4,227 | 4,471 | 4,115 |
| Trademark intangible | 100 | 100 | 100 |
| Tangible common equity | <u>\$ 204,796</u> | <u>\$ 203,991</u> | <u>\$ 184,340</u> |
| Tangible assets | | | |
| Total assets | \$ 2,323,245 | \$ 2,359,363 | \$ 2,018,014 |
| Adjustments: | | | |
| Goodwill | 28,144 | 28,144 | 21,902 |
| Core deposit intangible | 4,227 | 4,471 | 4,115 |
| Trademark intangible | 100 | 100 | 100 |
| Tangible assets | <u>\$ 2,290,774</u> | <u>\$ 2,326,648</u> | <u>\$ 1,991,897</u> |
| Common shares outstanding | 10,629,586 | 10,839,977 | 9,929,860 |
| Tangible equity to tangible assets | 8.94 % | 8.77 % | 9.25 % |
| Book value per common share | \$ 22.32 | \$ 21.84 | \$ 21.19 |
| Tangible book value per common share | 19.27 | 18.82 | 18.56 |

INVESTAR HOLDING CORPORATION
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(Amounts in thousands, except share data)
(Unaudited)

| | | Three months ended | | |
|---|-------------|--------------------|--------------|--------------|
| | | 9/30/2020 | 6/30/2020 | 9/30/2019 |
| Net interest income | (a) | \$ 18,706 | \$ 18,339 | \$ 16,366 |
| Provision for loan losses | | 2,500 | 2,500 | 538 |
| Net interest income after provision for loan losses | | 16,206 | 15,839 | 15,828 |
| Noninterest income | (b) | 3,401 | 3,931 | 1,618 |
| Gain on sale of investment securities, net | | (939) | (1,178) | — |
| Gain on sale of other real estate owned, net | | — | — | (1) |
| Loss on sale of fixed assets, net | | 5 | — | — |
| Change in the fair value of equity securities | | 31 | (248) | 9 |
| Core noninterest income | (d) | 2,498 | 2,505 | 1,626 |
| Core earnings before noninterest expense | | 18,704 | 18,344 | 17,454 |
| Total noninterest expense | (c) | 14,051 | 14,480 | 11,682 |
| Acquisition expense | | (52) | (255) | (177) |
| Severance | | (10) | (253) | — |
| Core noninterest expense | (f) | 13,989 | 13,972 | 11,505 |
| Core earnings before income tax expense | | 4,715 | 4,372 | 5,949 |
| Core income tax expense ⁽¹⁾ | | 924 | 840 | 1,143 |
| Core earnings | | \$ 3,791 | \$ 3,532 | \$ 4,806 |
| Core basic earnings per common share | | 0.35 | 0.32 | 0.48 |
| Diluted earnings per common share (GAAP) | | \$ 0.41 | \$ 0.39 | \$ 0.46 |
| Gain on sale of investment securities, net | | (0.07) | (0.09) | — |
| Gain on sale of other real estate owned, net | | — | — | — |
| Loss on sale of fixed assets, net | | — | — | — |
| Change in the fair value of equity securities | | — | (0.02) | — |
| Acquisition expense | | 0.01 | 0.02 | 0.02 |
| Severance | | — | 0.02 | — |
| Core diluted earnings per common share | | \$ 0.35 | \$ 0.32 | \$ 0.48 |
| Efficiency ratio | (c) / (a+b) | 63.56 % | 65.02 % | 64.96 % |
| Core efficiency ratio | (f) / (a+d) | 65.97 % | 67.03 % | 63.95 % |
| Core return on average assets ⁽²⁾ | | 0.65 % | 0.62 % | 0.95 % |
| Core return on average equity ⁽²⁾ | | 6.29 % | 6.00 % | 9.13 % |
| Total average assets | | \$ 2,320,501 | \$ 2,296,082 | \$ 1,999,240 |
| Total average stockholders' equity | | 239,822 | 236,651 | 208,957 |

⁽¹⁾Core income tax expense is calculated using the effective tax rates of 19.6% for the quarter ended September 30, 2020 and 19.2% for the quarters ended June 30, 2020 and September 30, 2019.

⁽²⁾Core earnings used in calculation. No adjustments were made to average assets or average equity.



NASDAQ: ISTR

Earnings Release Presentation | 3rd Quarter 2020

Disclosures and Disclaimers

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect current views of Investar Holding Corporation (the "Company") 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:

- the ongoing impacts of the COVID-19 pandemic;
- business and economic conditions generally and in the financial services industry in particular, whether nationally, regionally or in the markets in which the Company operates;
- increased cyber and payment fraud risk;
- 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 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 its strategy generally;
- the 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 the Company's 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 ("SEC") and in the "Risk Factors" section of subsequent reports filed with the SEC.

Our Company



Investar Holding Corp. is the Bank Holding Company for Investar Bank

- Headquartered in Baton Rouge, LA
- Founded in 2006
- Full service, commercially-oriented community bank
- 31 branches and 1 loan production office across Alabama, Louisiana and Texas
- Initial public offering and Nasdaq listing in 2014
- Completed 6 whole bank acquisitions and 1 branch transaction
- 27 consecutive quarters of dividends paid; 5 consecutive years of dividend growth

Mission

Investar is a dynamic full service community bank focused on relationships that create value and opportunities for our customers, employees, shareholders and the community served



Financial Highlights – 3rd Quarter 2020



Tangible Book Value² Growth

- Increased by \$0.45 during the quarter to \$19.27 per share, the highest level in the Company's history
- Repurchased 211,132 shares in the quarter at an average price of \$13.92 and 640,605 shares at an average price of \$16.80 year to date

Profitability

- Pre-Tax, Pre-Provision Net Income² increased by 3.4% quarter-over-quarter and 12.0% year-over-year
- Net Interest Margin remained stable at 3.46% quarter-over-quarter; decrease of 2 basis points year-over-year

Loan Deferrals

- \$56.5 million, or 3.1% of the total loan portfolio, was in the Company's deferral program as of September 30, 2020; down from \$490.3 million as of June 30, 2020
- 6.5% of original deferrals have requested a second 90-day deferral period

Deposits Transformation

- 3Q Total Deposit Interest Rate² was 0.74%; a reduction of 57 basis points on a year-over-year basis
- Noninterest-bearing deposits accounted for 24.6% of total deposits as of September 30, 2020; an increase from 18.4% as of September 30, 2019
- Time deposits accounted for 32.2% of total deposits as of September 30, 2020; a decrease from 43.1% as of September 30, 2019

¹ Estimated

² Non-GAAP financial measure; please see appendix for additional details

3rd Quarter Results

Balance Sheet (in thousands)

| | |
|-----------|-------------|
| Assets | \$2,323,245 |
| Net Loans | \$1,810,636 |
| Deposits | \$1,834,449 |
| Equity | \$237,267 |

Holding Company Capital

| | |
|---|--------|
| TCE / TA | 8.94% |
| Leverage Ratio ¹ | 9.29% |
| Common Equity Tier 1 Ratio ¹ | 10.95% |
| Tier 1 Ratio ¹ | 11.30% |
| Total Risk Weighted Ratio ¹ | 14.62% |

Profitability (3rd quarter)

| | |
|--|---------|
| Net Interest Margin | 3.46% |
| ROAA | 0.77% |
| ROAE | 7.41% |
| Net Income | \$4,467 |
| Pre-Tax, Pre-Provision Income ² | \$8,056 |

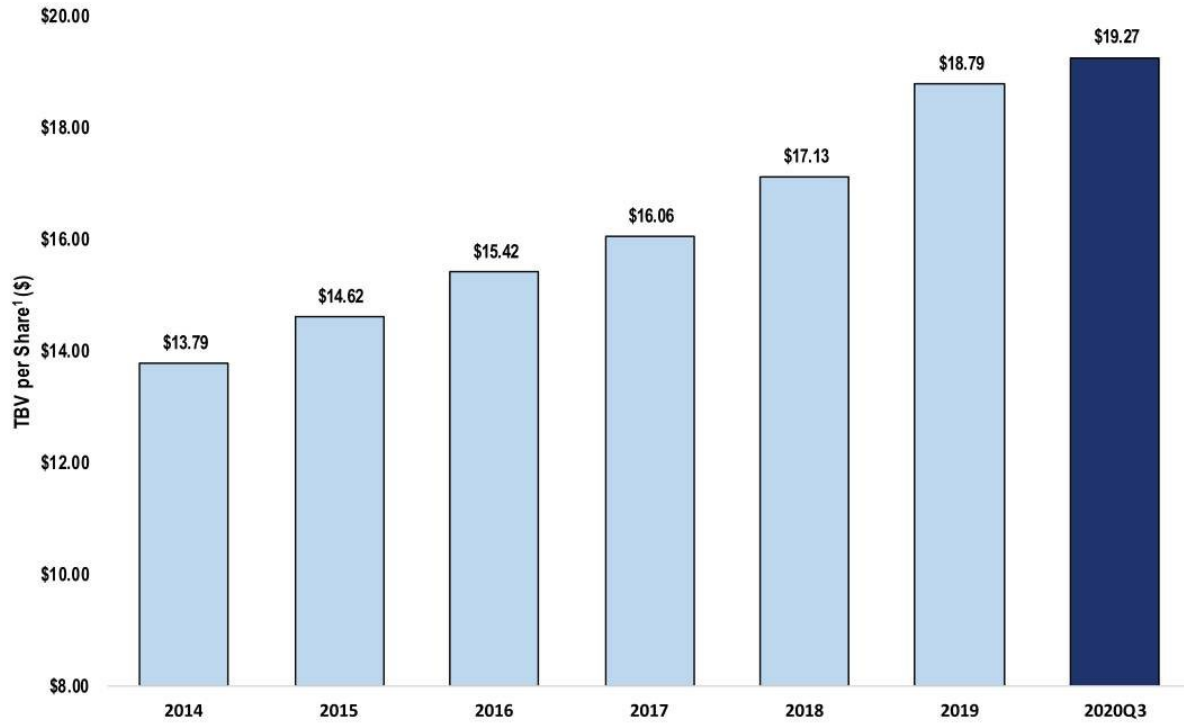
Per Share Information

| | |
|----------------------------------|---------|
| Tangible Book Value ² | \$19.27 |
| Earnings | \$0.41 |
| Dividends | \$0.07 |

Creating Shareholder Value

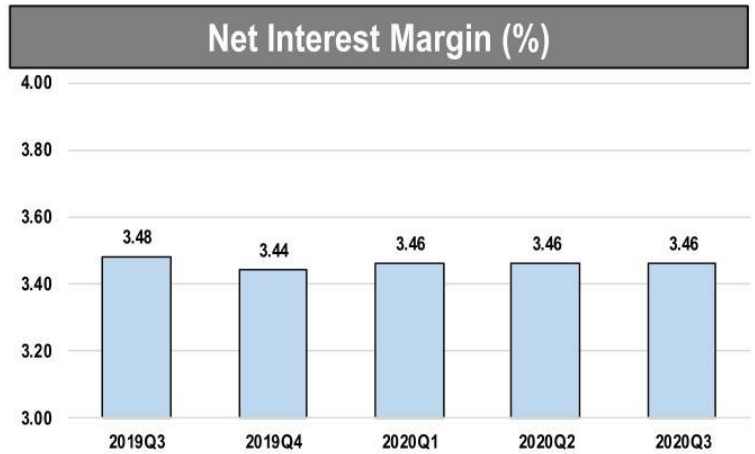
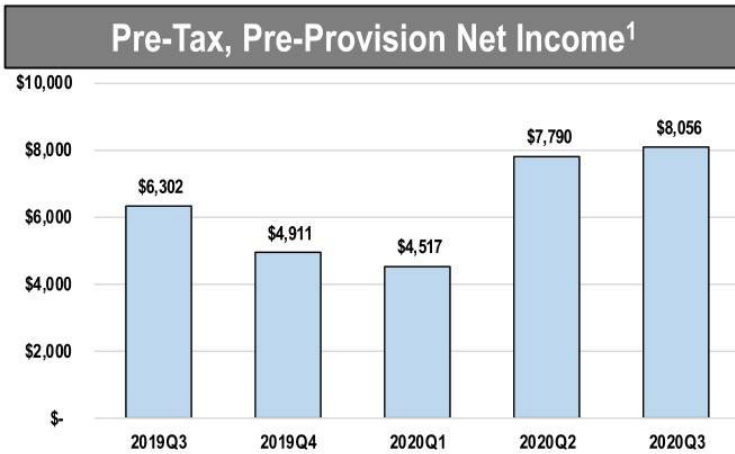
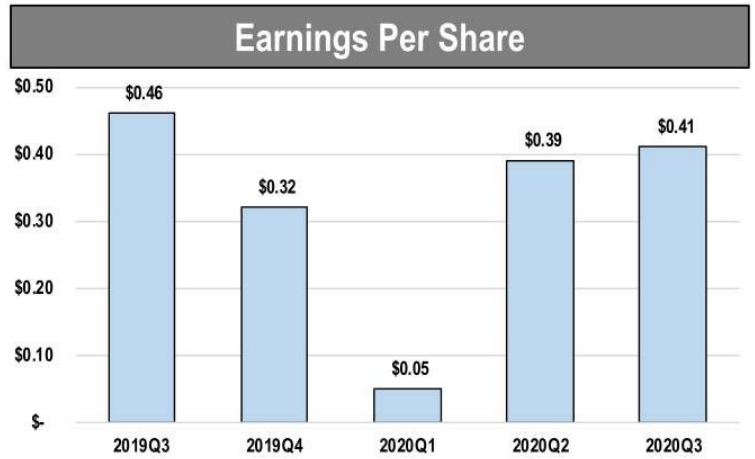
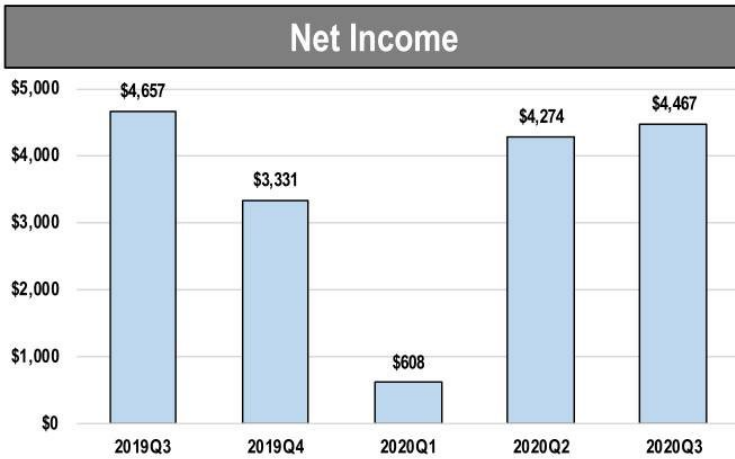


Tangible Book Value Per Share¹



¹ Non-GAAP financial measure; please see appendix for additional details

Recent Earnings Performance



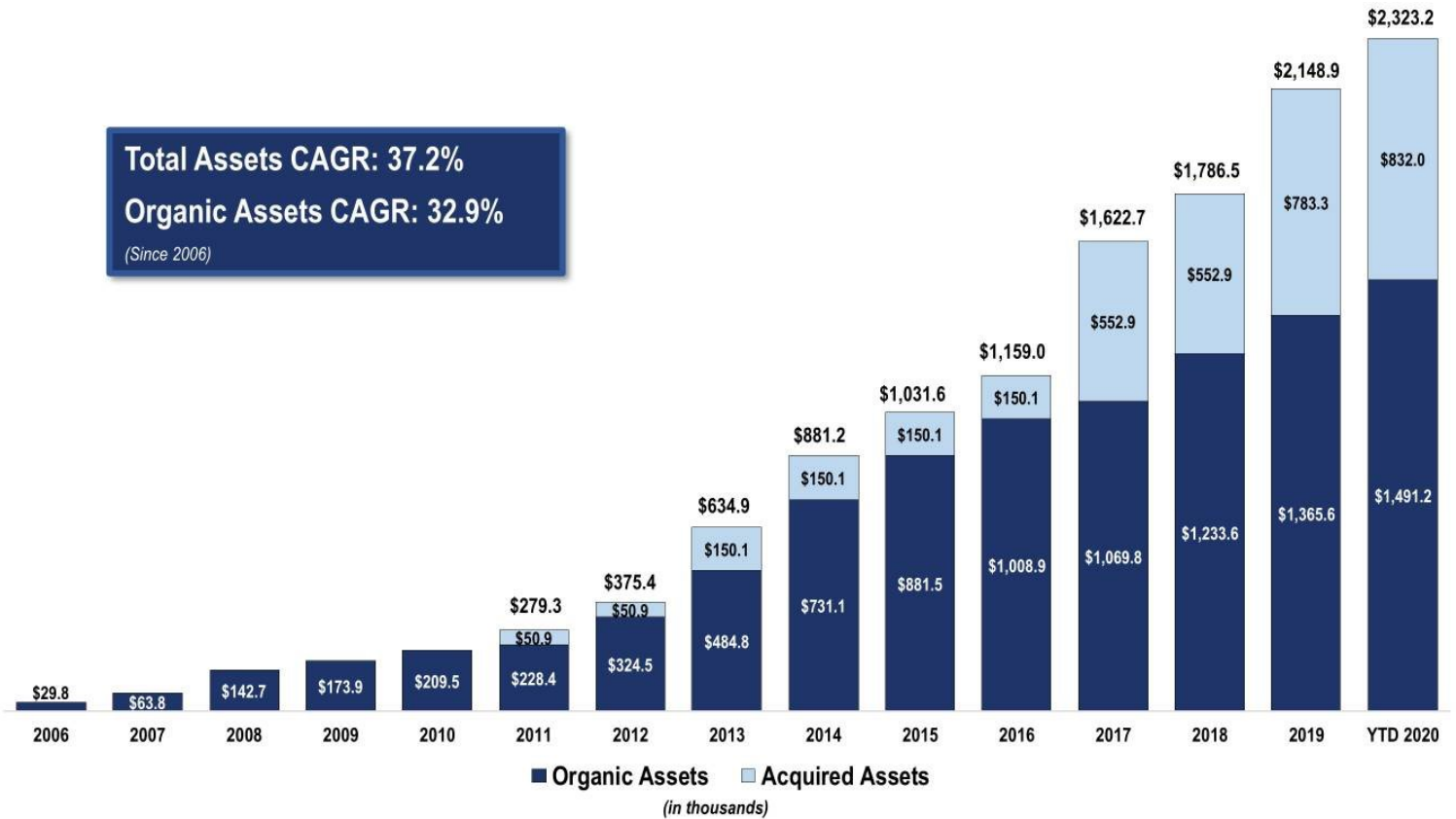
¹ Non-GAAP financial measure; please see appendix for additional details
 Note: Net Income and Pre-Tax, Pre-Provision Net Revenue in thousands

Total Assets



Investar Has Completed 6 Whole Bank Acquisitions and 1 Branch Transaction

Total Assets CAGR: 37.2%
Organic Assets CAGR: 32.9%
(Since 2006)



Note: 2020 YTD information as of September 30, 2020

Pandemic Response



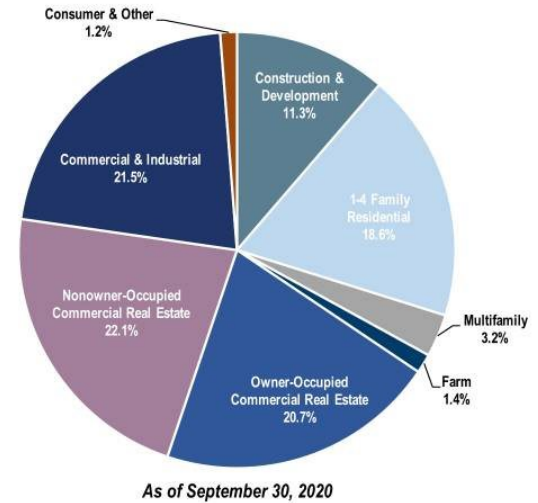
- Enacted business continuity plans to continue to serve customers while protecting the health of our employees
- Branches remain open, offering both drive-thru services and limited appointments
- In response to the pandemic, in the first quarter of 2020, the Company instituted a 90-day deferral program for affected customers and continues to offer assistance to those experiencing financial hardships as a result of the pandemic
- Beginning in the second quarter of 2020, the Company participated as a lender in the SBA and U.S. Department of Treasury's Paycheck Protection Program ("PPP") as established by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")

| PPP Loans | Loan Balance (\$000s) | Number of Loans | Avg. Loan Balance (\$000s) |
|------------------------------|--------------------------|--------------------|-------------------------------|
| Loans: | | | |
| \$0 - \$150,000 | \$28,955 | 901 | \$32 |
| \$150,000 - \$500,000 | 27,212 | 104 | 262 |
| \$500,000+ | 57,050 | 51 | 1,119 |
| Total | \$113,217 | 1,056 | \$107 |
| Principal Payments | - | | |
| Gross PPP Loans | \$113,217 | | |
| Deferred Loan Fees and Costs | 2,943 | | |
| Net PPP Loans | \$110,274 | | |

Loan Portfolio Update



- Loan deferrals of 3.1% of total loan portfolio as of the most recent quarter; down from 27.0% as of June 30, 2020
- As of September 30, 2020, of the total number of loans on deferral, 73% have deferrals on principal and interest, 17% have deferrals on principal only, and 10% have deferrals on interest only
- 6.5% of loan deferral customers have requested a second 90-day deferral period as of September 30, 2020
- Excluding PPP loans, Oil & Gas loans made up 2.7% of the total loan portfolio as of the most recent quarter
- Food Services, Hospitality and Entertainment loans represented equaled 3.1% of the total loan portfolio as of the most recent quarter, excluding PPP loans

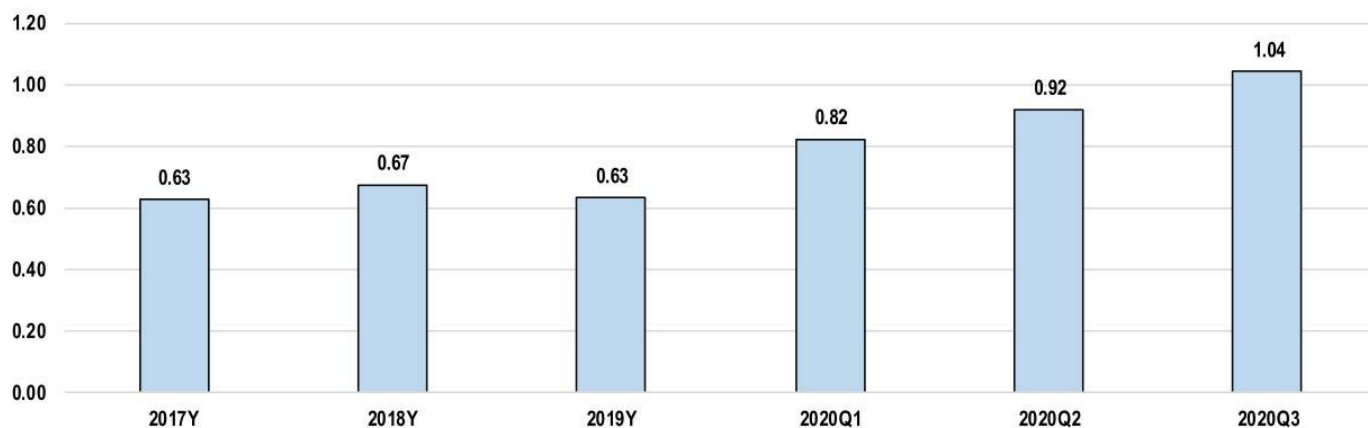


| Loan Type | As of 3/31/20 | | | As of 6/30/20 | | | As of 9/30/20 | | |
|--|--------------------|-----------------|------------------|--------------------|------------------|------------------|--------------------|-----------------|------------------|
| | Total Loans | Amount Deferred | Percent Deferred | Total Loans | Amount Deferred | Percent Deferred | Total Loans | Amount Deferred | Percent Deferred |
| Construction & Development | \$191,597 | \$3,882 | 2.0% | \$199,149 | \$50,711 | 25.5% | \$206,751 | \$1,427 | 0.7% |
| 1-4 Family Residential | 328,730 | 14,294 | 4.3% | 326,102 | 73,784 | 22.6% | 339,364 | 9,755 | 2.9% |
| Multifamily | 61,709 | - | 0.0% | 60,617 | 39,567 | 65.3% | 57,734 | 3,484 | 6.0% |
| Farm | 29,373 | - | 0.0% | 28,845 | 2,506 | 8.7% | 26,005 | 357 | 1.4% |
| Owner-Occupied Commercial Real Estate | 370,209 | 13,363 | 3.6% | 371,783 | 98,181 | 26.4% | 379,490 | 10,928 | 2.9% |
| Nonowner-Occupied Commercial Real Estate | 406,145 | 10,334 | 2.5% | 411,776 | 178,091 | 43.2% | 404,748 | 12,161 | 3.0% |
| Commercial & Industrial | 313,850 | 12,506 | 4.0% | 390,085 | 45,567 | 11.7% | 392,955 | 18,150 | 4.6% |
| Consumer & Other | 28,181 | 613 | 2.2% | 25,344 | 1,891 | 7.5% | 22,633 | 257 | 1.1% |
| Total | \$1,729,794 | \$54,992 | 3.2% | \$1,813,701 | \$490,298 | 27.0% | \$1,829,680 | \$56,519 | 3.1% |

Loan Loss Reserve Detail



Loan Loss Reserves / Gross Loans (%)

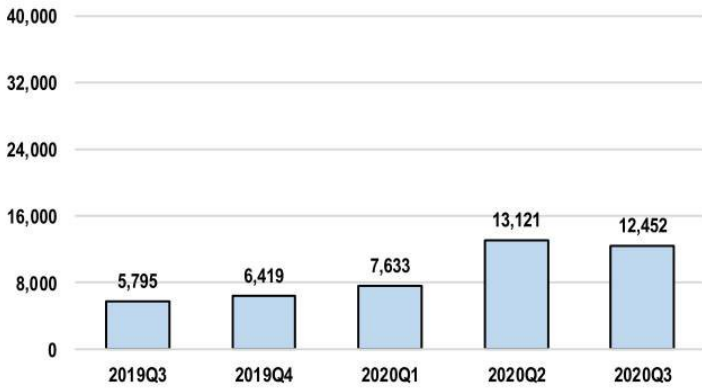


| (Dollars in Thousands) | For the Year Ended, | | | For the Quarter Ended, | | |
|----------------------------------|---------------------|-----------------|------------------|------------------------|------------------|------------------|
| | 12/31/2017 | 12/31/2018 | 12/31/2019 | 3/31/2020 | 6/30/2020 | 9/30/2020 |
| Loan Loss Reserve (\$000) | | | | | | |
| Loan Loss Reserve - Beginning | \$ 7,051 | \$ 7,891 | \$ 9,454 | \$ 10,700 | \$ 14,233 | \$ 16,657 |
| Charge-offs & Adj. | 764 | 1,185 | 800 | 262 | 151 | 154 |
| Recoveries | 65 | 178 | 137 | 35 | 75 | 41 |
| Provision | 1,540 | 2,570 | 1,908 | 3,760 | 2,500 | 2,500 |
| Loan Loss Reserve - Ending | <u>\$ 7,891</u> | <u>\$ 9,454</u> | <u>\$ 10,700</u> | <u>\$ 14,233</u> | <u>\$ 16,657</u> | <u>\$ 19,044</u> |

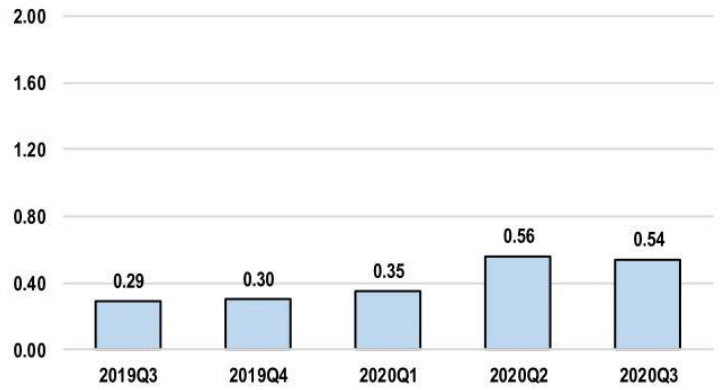
Asset Quality Trends



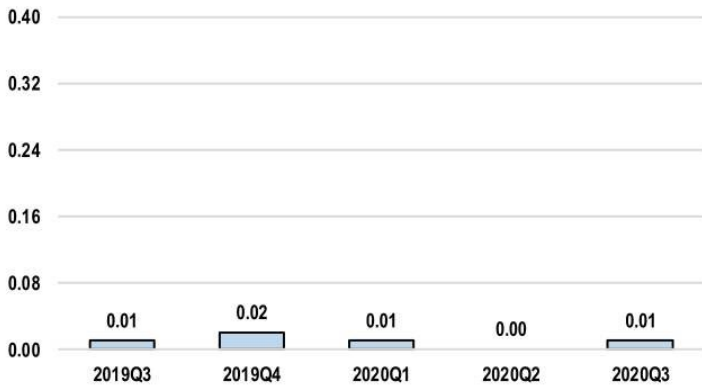
Nonperforming Assets (\$000s)



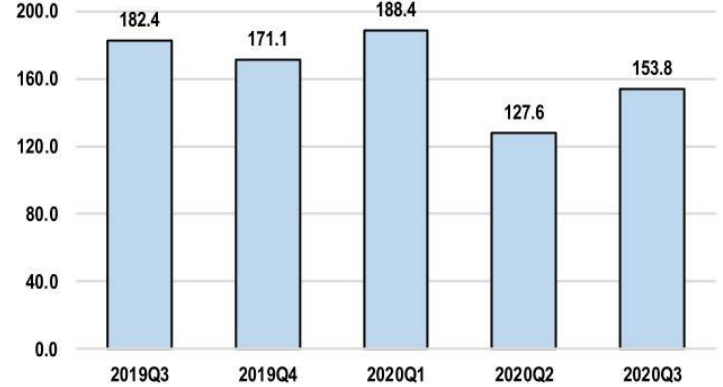
NPAs / Assets (%)



Net Charge-offs / Avg. Loans (%)



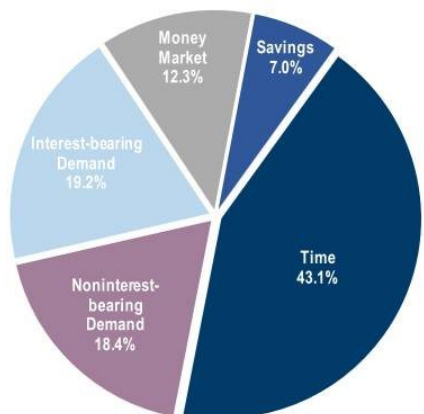
Reserves / NPLs (%)



Deposit Transformation

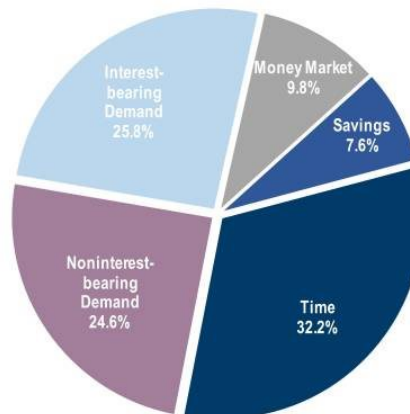


Deposit Mix at September 30, 2019



Deposit Mix at September 30, 2020

One Year Transformation
→



| Deposit Composition - Quarter Lookback | | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| (dollars in thousands) | 2018Q3 | 2018Q4 | 2019Q1 | 2019Q2 | 2019Q3 | 2019Q4 | 2020Q1 | 2020Q2 | 2020Q3 |
| Noninterest-bearing Demand | \$214,190 | \$217,457 | \$285,811 | \$289,481 | \$291,039 | \$351,905 | \$339,379 | \$469,095 | \$452,070 |
| Interest-bearing Demand | 245,569 | 295,212 | 333,434 | 332,754 | 305,361 | 335,478 | 378,787 | 437,821 | 473,819 |
| Money Market | 179,071 | 179,340 | 188,373 | 177,209 | 194,757 | 198,999 | 197,703 | 183,371 | 179,133 |
| Savings | 112,078 | 104,146 | 114,631 | 111,222 | 110,636 | 115,324 | 118,193 | 129,157 | 139,153 |
| Time | 544,713 | 565,576 | 610,544 | 641,551 | 683,564 | 706,000 | 694,764 | 670,144 | 590,274 |
| Total Deposits | \$1,295,621 | \$1,361,731 | \$1,532,793 | \$1,552,217 | \$1,585,357 | \$1,707,706 | \$1,728,826 | \$1,889,588 | \$1,834,449 |
| Total Deposit Interest Rate¹ | 0.95% | 1.11% | 1.15% | 1.24% | 1.32% | 1.27% | 1.17% | 0.92% | 0.74% |

¹ Non-GAAP financial measure; please see appendix for additional details

APPENDIX

Non-GAAP Reconciliation



(Dollars in thousands, except per share data)

| | As of September 30, | | As of December 31, | | | |
|--|---------------------|--------------|--------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| <u>Tangible Common Equity:</u> | | | | | | |
| Total Stockholders' Equity | \$ 237,267 | \$ 241,976 | \$ 182,262 | \$ 172,729 | \$ 112,757 | \$ 109,350 |
| <u>Adjustments:</u> | | | | | | |
| Goodwill | (28,144) | (26,132) | (17,424) | (17,086) | (2,684) | (2,684) |
| Other Intangibles | (4,327) | (4,803) | (2,263) | (2,740) | (450) | (491) |
| Tangible Common Equity | \$ 204,796 | \$ 211,041 | \$ 162,575 | \$ 152,903 | \$ 109,623 | \$ 106,175 |
| Common Shares Outstanding | 10,629,586 | 11,228,775 | 9,484,219 | 9,514,926 | 7,101,851 | 7,264,282 |
| Book Value Per Common Share | \$ 22.32 | \$ 21.55 | \$ 19.22 | \$ 18.15 | \$ 15.88 | \$ 15.05 |
| Tangible Book Value Per Common Share | \$ 19.27 | \$ 18.79 | \$ 17.14 | \$ 16.07 | \$ 15.44 | \$ 14.62 |
| <u>Tangible Assets:</u> | | | | | | |
| Total Assets | \$ 2,323,245 | \$ 2,148,916 | \$ 1,786,469 | \$ 1,622,734 | \$ 1,158,960 | \$ 1,031,555 |
| <u>Adjustments:</u> | | | | | | |
| Goodwill | (28,144) | (26,132) | (17,424) | (17,086) | (2,684) | (2,684) |
| Other Intangibles | (4,327) | (4,803) | (2,263) | (2,740) | (450) | (491) |
| Tangible Assets | \$ 2,290,774 | \$ 2,117,981 | \$ 1,766,782 | \$ 1,602,908 | \$ 1,155,826 | \$ 1,028,380 |
| Total Stockholders' Equity to Total Assets Ratio | 10.21% | 11.26% | 10.20% | 10.64% | 9.73% | 10.60% |
| Tangible Common Equity to Tangible Assets Ratio | 8.94% | 9.96% | 9.20% | 9.54% | 9.48% | 10.32% |

Non-GAAP Reconciliation



(Dollars in thousands, except per share data)

| | Three Months Ended | | | | |
|---|--------------------|--------------|--------------|--------------|--------------|
| | 9/30/2020 | 6/30/2020 | 3/31/2020 | 12/31/2019 | 9/30/2019 |
| Interest on Deposits | \$3,404 | \$4,190 | \$5,032 | \$5,319 | \$5,198 |
| Interest-Bearing Deposits | 473,819 | 437,821 | 378,787 | 335,478 | 305,361 |
| Noninterest-Bearing Deposits | 452,070 | 469,095 | 339,379 | 351,905 | 291,039 |
| Total Deposits | 1,834,449 | 1,889,588 | 1,728,826 | 1,707,706 | 1,585,357 |
| Total Deposit Interest Rate (Annualized) | 0.74% | 0.89% | 1.16% | 1.25% | 1.31% |

Non-GAAP Reconciliation



(Dollars in thousands, except per share data)

| | Three Months Ended | | | | |
|--|--------------------|-----------------|-----------------|-----------------|-----------------|
| | 9/30/2020 | 6/30/2020 | 3/31/2020 | 12/31/2019 | 9/30/2019 |
| Net Income | \$ 4,467 | \$ 4,274 | \$ 608 | \$ 3,331 | \$ 4,657 |
| Less: Provision Expense | (2,500) | (2,500) | (3,760) | (736) | (538) |
| Less: Tax Expense | (1,089) | (1,016) | (149) | (844) | (1,107) |
| Pre-Tax, Pre-Provision Net Income | \$ 8,056 | \$ 7,790 | \$ 4,517 | \$ 4,911 | \$ 6,302 |



