



NEWS RELEASE

Equity Bancshares, Inc. Announces Fourth Quarter Results and Record Net Income for 2018

1/23/2019

Acquires Trust Platform and Hires Key Personnel for Wealth Management and Treasury Services

Completes Three Mergers, Expanding Kansas, Missouri and Oklahoma Footprint

WICHITA, Kan., Jan. 23, 2019 (GLOBE NEWSWIRE) -- Equity Bancshares, Inc. (NASDAQ: EQBK), ("Equity", "we", "us", "our"), the Wichita-based holding company of Equity Bank, reported its unaudited results for the quarter and year ended December 31, 2018, including net income allocable to common stockholders for the year of \$35.8 million, or \$2.28 per diluted share, and \$9.9 million or \$0.62 per diluted share in the fourth quarter.

"We continue to focus on providing well-rounded and sophisticated banking solutions for our customers in our four-state franchise, including customized business products, online and mobile banking enhancements, and improved products and services, including trust and wealth management and treasury management," said Brad Elliott, Chairman and CEO of Equity. "Our priorities for 2019 will focus on organic growth and the addition of capabilities to our platform. We've recently hired Gaylyn McGregor to lead our recently-acquired trust and wealth management division, and in 2018 we welcomed Shawna Palmieri to oversee treasury management for business customers. We continue to invest in talent, innovative digital services, and are becoming the financial institution of choice for banking customers in a wide range of communities."

On May 4, 2018, Equity completed its mergers with Kansas Bank Corporation ("KBC"), parent company of First National Bank of Liberal/Hugoton in Liberal, Kansas, and Adams Dairy Bancshares, Inc. ("Adams"), parent company of Adams Dairy Bank, in Blue Springs, Missouri. The KBC merger added four bank locations in Liberal, Kansas, one bank location in Hugoton, Kansas, and total assets of \$336.1 million. The Adams merger added one bank location

in Blue Springs, Missouri, and total assets of \$115.8 million. Results of operations of KBC and Adams are included in Equity's 2018 results of operations subsequent to each merger.

Equity expanded its Oklahoma footprint by completing its merger with City Bank and Trust Company ("City Bank") of Guymon, Oklahoma, on August 23, 2018. The merger added one bank location in Guymon, Oklahoma and total assets of \$163.3 million. Results of operations of City Bank are included in Equity's 2018 results of operations subsequent to the merger.

Notable Items:

- Income before taxes for the fourth quarter of 2018 was \$12.9 million, or \$0.80 per diluted share, compared to \$7.5 million, or \$0.54 per diluted share, for the same time period in 2017. Income before taxes, adjusted to exclude merger expense, was \$13.8 million, or \$0.86 per diluted share, for the fourth quarter of 2018, compared to \$10.7 million, or \$0.78 per diluted share, for the fourth quarter of 2017.
- Stated diluted earnings per share in the fourth quarter of 2018 were \$0.62. Merger expenses, adjusted for estimated income tax, were \$712 thousand in the fourth quarter of 2018, or \$0.04 per diluted share.
- Net income allocable to common stockholders, adjusted for merger expenses, was \$10.6 million, or \$0.66 per diluted share in the fourth quarter of 2018, compared to 2017 fourth quarter net income allocable to common stockholders, adjusted for merger expenses of \$6.4 million, or \$0.46 per diluted share.

Highlights of Equity's growth include:

- Total loans held for investment of \$2.54 billion at December 31, 2018, as compared to total loans held for investment of \$2.10 billion at December 31, 2017. The increase of \$439.7 million includes organic growth of \$120.5 million, or 5.7%, \$159.4 million of loans added in the KBC merger, \$82.7 million of loans added in the Adams merger, and \$77.1 million of loans added in the City Bank merger.
- Total deposits were \$3.12 billion at December 31, 2018 compared to \$2.38 billion at December 31, 2017. Signature Deposits, or core deposits comprised of checking accounts, savings accounts, and money market accounts, were \$2.12 billion at December 31, 2018, compared to \$1.61 billion at December 31, 2017. Organic signature deposit growth was 9.3% for the year. In addition, the KBC merger added total deposits of \$288.4 million, the Adams merger added total deposits of \$97.1 million, and the City Bank merger added total deposits of \$126.9 million.
- Total assets of \$4.06 billion at December 31, 2018, compared to \$3.17 billion at December 31, 2017. The KBC merger added total assets of \$336.1 million, the Adams merger added total assets of \$115.8 million, and the City Bank merger added total assets of \$163.3 million.
- Book value per common share of \$28.87 at December 31, 2018 and \$25.62 at December 31, 2017. Tangible book value per common share of \$19.08 at December 31, 2018 and \$17.61 at December 31, 2017.

On September 24, 2018, Equity announced that it entered into a definitive branch purchase and assumption agreement to acquire certain assets and assume the deposits of two bank locations in Guymon, Oklahoma and one bank location in Cordell, Oklahoma from MidFirst Bank of Oklahoma City, Oklahoma. The transaction is expected to close later in the first quarter of 2019, subject to customary closing conditions and regulatory approval. After the transaction closes, Equity will operate 52 bank locations in four states.

Financial Results for Year Ended December 31, 2018

Net income allocable to common stockholders was \$35.8 million for the year ended December 31, 2018, as compared to \$20.6 million for the year ended December 31, 2017, an increase of \$15.2 million, or 73.5%. Beginning March 11, 2017, financial results reflect our merger with Prairie State Bancshares, Inc. ("Prairie") of Hoxie, Kansas. The merger of Prairie added three bank locations in western Kansas with total assets of \$153.1 million. Beginning November 11, 2017, financial results reflect our mergers with Eastman National Bancshares, Inc. ("Eastman") and Cache Holdings, Inc. ("Cache"). The merger of Eastman added one location in Newkirk, Oklahoma, three locations in Ponca City, Oklahoma, and total assets of \$281.5 million. The merger of Cache added one location in Tulsa, Oklahoma with total assets of \$343.4 million. Merger expenses of \$7.5 million, \$5.7 million after tax, are included in 2018 results. These costs were incurred mainly in connection with the KBC, Adams and City Bank mergers. Merger expenses of \$5.4 million, \$3.5 million after tax, are included in 2017 results. These costs were incurred mostly in connection with the Prairie, Eastman, and Cache mergers, with a very small amount attributable to the then pending KBC and Adams mergers.

Diluted earnings per share were \$2.28 for the year ended December 31, 2018, as compared to \$1.62 for the comparable period of 2017. Weighted average fully diluted shares were 15,708,784 and 12,707,184 for the years ended December 31, 2018 and 2017. The increase in weighted average fully diluted shares reflects the issuance of 820,849 and 344,063 shares in connection with Equity's May 2018 mergers with KBC and Adams.

Net interest income was \$124.8 million for the year ended December 31, 2018, as compared to \$86.0 million for the year ended December 31, 2017, a \$38.8 million, or 45.1% increase. The additional net interest income was primarily driven by an increase in yield on interest-earning assets and growth in loans and securities balances, partially offset by higher interest expense as we funded the increase in earning assets with more deposits and borrowings and an overall increase in the average cost of funds.

Our net interest margin was 3.81% for the year ended December 31, 2018, as compared to 3.83% for the year ended December 31, 2017.

The provision for loan losses was \$4.0 million for the year ended December 31, 2018, as compared to \$3.0 million for the year ended December 31, 2017. Net charge-offs for the twelve months ended December 31, 2018 were \$1.0

million versus \$887 thousand in net charge offs for the same period of 2017.

Total non-interest income was \$19.7 million for the year ended December 31, 2018 compared to \$15.4 million for the year ended December 31, 2017. Increases in service charges and fees and debit card income are principally attributable to the addition of accounts and higher transaction volumes associated with the Prairie, Eastman, Cache, KBC, Adams and City Bank mergers. Non-interest income includes the increase in the value of bank-owned life insurance of \$2.2 million and \$1.4 million for the twelve-month periods ended December 31, 2018 and 2017. This change is the result of purchasing additional policies in late 2017.

Total non-interest expense was \$94.4 million for the year ended December 31, 2018, as compared to \$67.5 million for the year ended December 31, 2017. These results primarily reflect the full-year effect of the March 2017 Prairie merger and the November 2017 Eastman and Cache mergers, the May 2018 KBC and Adams mergers and the August 2018 City Bank merger. Also, the results reflect additional lending, customer service, corporate and operations staff indirectly attributable to mergers and organic growth and increased data processing costs due to more accounts and higher transaction volumes. Non-interest expense also includes merger expenses of \$7.5 million (\$5.7 million after tax) for the year ended December 31, 2018 while 2017 merger expenses totaled \$5.4 million (\$3.5 million after-tax).

Equity's effective tax rate for the twelve-month period ended December 31, 2018 was 22.4%, as compared to 33.5% for the twelve-month period ended December 31, 2017. On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Reform") was enacted and reduced the U.S. federal statutory income tax rate from the 35% rate applicable in 2017 to 21% in 2018. Equity's estimated annual effective tax rate was reduced approximately 12 percentage points in 2018 principally due to this reduction in the U.S. federal statutory rate. In addition to the statutory tax rates applicable in each period, the estimated annual effective tax rate for both 2018 and 2017 reflect the levels of tax-exempt interest income, non-taxable life insurance income, non-deductible facilitative merger expenses and other non-deductible expenses included in income before income taxes as well as available federal income tax credits. Partially offsetting the benefit of the rate reduction was a decrease in excess tax benefits associated with the exercise of stock options recorded during the year ended December 31, 2018, as compared to the same time period in the prior year. Excess tax benefits were \$26 thousand in 2018, down \$344 thousand from the excess tax benefits recorded in 2017.

Fourth Quarter Financial Results

Net income allocable to common stockholders was \$9.9 million for the three months ended December 31, 2018, as compared to \$4.3 million for the three months ended December 31, 2017, an increase of \$5.7 million or 132.2%.

Diluted earnings per share were \$0.62 for the three months ended December 31, 2018, as compared to \$0.31 for

the comparable period of 2017. Weighted average fully diluted shares were 16,095,063 and 13,809,533 for the three months ended December 31, 2018 and 2017. The increase in weighted average fully diluted shares reflect the issuance of 2,370,688 shares in connection with Equity's November 2017 mergers with Eastman and Cache and 1,164,912 shares in connection with Equity's May 2018 mergers with KBC and Adams.

Net interest income was \$33.3 million for the three months ended December 31, 2018, as compared to \$24.6 million for the three months ended December 31, 2017, an \$8.7 million or 35.6% increase. The additional net interest income was primarily driven by growth in loans and securities balances and to a lesser extent an increase in average yield on loans, partially offset by an increase in interest expense as we funded the growth in earning assets with more deposits and borrowings and an overall increase in the average cost of funds.

Our net interest margin was 3.70% for the three months ended December 31, 2018, as compared to 3.79% for the three months ended December 31, 2017. The decrease in net interest margin was due to the cost of interest-bearing liabilities rising at a faster rate than interest-earning assets during the last quarter of the year. The increase in cost of funds is primarily from the increase in cost of both retail and public fund deposits. The cost of retail deposits have increased as the general level of interest rates have risen and from an increased level of market competition on this type of deposit, which are desirable due to its lower level of interest rate sensitivity. The cost of public fund deposits have increased due to the level of competition over these deposits, from both other financial institutions and state investment funds, and due to the timing of the investment of these funds in an elevated interest rate environment.

The provision for loan losses was \$750 thousand for the three months ended December 31, 2018, as compared to \$503 thousand for the three months ended December 31, 2017. For the three months ended December 31, 2018, we had net charge-offs of \$307 thousand, as compared to a net recovery of \$26 thousand for the same period in 2017.

Total non-interest income for the quarter ended December 31, 2018 was \$5.4 million, compared to \$4.1 million for the quarter ended December 31, 2017. Increases in service charges and fees and debit card income are principally attributable to the addition of accounts and higher transaction volumes associated with the Eastman, Cache, KBC and Adams mergers and to a lesser extent, the August 2018 merger with City Bank. Non-interest income includes the increase in value of bank-owned life insurance of \$518 thousand and \$377 thousand for the three-month periods ended December 31, 2018 and 2017.

Total non-interest expense was \$25.1 million for the quarter ended December 31, 2018, compared to \$20.7 million for the quarter ended December 31, 2017. These results reflect the effect of the November 2017 addition of five locations in northern Oklahoma; the May 2018 addition of five locations in southwest Kansas plus one location in

Blue Springs, Missouri; and the August 2018 addition of one location in Guymon, Oklahoma. In addition, the results reflect added lending, customer service, corporate and operations staff indirectly attributable to mergers and organic growth and increased data processing costs due to more accounts and higher transaction volumes. Non-interest expense also includes merger expenses of \$938 thousand (\$712 thousand after tax) for the three months ended December 31, 2018. Merger expenses for the three months ended December 31, 2017, totaled \$3.3 million (\$2.1 million thousand after tax).

Equity's effective tax rate was 23.0% for the three months ended December 31, 2018, as compared to 42.8% for the quarter ended December 31, 2017. The effective tax rates for each of the comparable periods reflect the applicable statutory tax rates as well as the levels of tax-exempt interest income, non-taxable life insurance income, non-deductible facilitative merger expense and other non-deductible expense included in income before income taxes as well as available federal income tax credits. The 2017 provision for income taxes also includes a fourth quarter charge of \$1.1 million related to the re-measurement of Equity's net deferred tax assets upon the enactment of Tax Reform.

Loans, Deposits and Total Assets

Loans held for investment were \$2.54 billion at December 31, 2018, as compared to \$2.10 billion at December 31, 2017, an increase of \$439.7 million. The increase in loans held for investment includes \$159.4 million and \$82.7 million of net loans acquired in the May 2018 KBC and Adams mergers, \$77.1 million of net loans acquired in the August 2018 City Bank merger plus \$120.5 million of organic loan growth.

As of December 31, 2018, Equity's allowance for loan losses to total loans was 0.45%, as compared to 0.40% at December 31, 2017. Total reserves, including purchase discounts, to total loans were approximately 1.03% as of December 31, 2018, as compared to 1.21% at December 31, 2017. Nonperforming assets of \$39.6 million as of December 31, 2018, were 0.97% of total assets and include nonperforming assets of \$979 thousand acquired in the KBC merger, \$1.1 million acquired in the Adams mergers and \$6.3 million acquired in the City Bank merger. Nonperforming assets at December 31, 2017, were \$48.2 million or 1.52% of total assets.

Total deposits were \$3.12 billion at December 31, 2018, as compared to \$2.38 billion at December 31, 2017. Total deposits increased \$741.4 million between December 31, 2017, and December 31, 2018. This increase included \$288.4 million of deposits assumed in the KBC merger, \$97.1 million of deposits assumed in the Adams merger, \$126.9 million of deposits assumed in the City Bank merger and \$229.0 million in organic growth. Signature deposits were \$2.12 billion at December 31, 2018, as compared to \$1.61 billion at December 31, 2017.

At December 31, 2018, Equity had consolidated total assets of \$4.06 billion, as compared to \$3.17 billion at December 31, 2017, an increase of \$891.2 million. The increase in total assets includes \$336.1 million of total

assets acquired in the KBC merger, \$115.8 million of total assets acquired in the Adams merger and \$163.3 million of total assets acquired in the City Bank merger.

Capital and Borrowings

In connection with the KBC and Adams mergers, Equity issued 820,849 shares and 344,063 shares, in each case, valued at \$39.11 per share, Equity's closing price on May 4, 2018. Net of \$207 thousand of stock issuance costs, the KBC merger added \$31.9 million to stockholders' equity while the Adams merger added \$13.2 million to stockholders' equity, net of \$237 thousand of stock issuance costs.

At December 31, 2018, common stockholders' equity totaled \$455.9 million, \$28.87 per common share, compared to \$374.1 million, \$25.62 per common share, at December 31, 2017. Tangible common equity was \$301.3 million and tangible book value per common share was \$19.08 at December 31, 2018. Tangible common equity was \$257.2 million and tangible book value per common share was \$17.61 at December 31, 2017. The ratio of common equity tier 1 capital to risk-weighted assets was approximately 11.01% and the total capital to risk-weighted assets was approximately 11.92% at December 31, 2018.

Non-GAAP Financial Measures

This press release includes certain non-GAAP financial measures intended to supplement, not substitute for, comparable GAAP measures. Reconciliations of non-GAAP financial measures to GAAP financial measures are provided at the end of this press release.

Conference Call and Webcast

Equity's Chairman and Chief Executive Officer, Brad Elliott, and Chief Financial Officer, Greg Kossover, will hold a conference call and webcast to discuss fourth quarter and full-year 2018 results on Thursday, January 24, 2019 at 11:00 a.m. central time.

Investors, news media and other participants should register for the call or audio webcast at investor.equitybank.com. On Thursday, January 24, 2019, participants may also dial into the call toll-free at (844) 534-7311 from anywhere in the U.S. or (574) 990-1419 internationally, using conference ID no. 4367695.

Participants are encouraged to dial into the call or access the webcast approximately 10 minutes prior to the start time. Presentation slides to pair with the call or webcast will be posted one hour prior to the call at

investor.equitybank.com.

A replay of the call and webcast will be available two hours following the close of the call until January 31, 2019, accessible at (855) 859-2056 with conference ID no. 4367695 at investor.equitybank.com.

About Equity Bancshares, Inc.

Equity Bancshares, Inc. is the holding company for Equity Bank, offering a full range of financial solutions, including commercial loans, consumer banking, mortgage loans, trust and wealth management services and treasury management services, while delivering the high-quality, relationship-based customer service of a community bank. Equity's common stock is traded on the NASDAQ Global Select Market under the symbol "EQBK." Learn more at www.equitybank.com.

No Offer or Solicitation

This press release shall not constitute an offer to sell, a solicitation of an offer to sell, or the solicitation or an offer to buy any securities. There will be no sale of securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirement of Section 10 of the Securities Act of 1933, as amended.

Special Note Concerning Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements reflect the current views of Equity's management with respect to, among other things, future events and Equity's financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "project," "forecast," "goal," "target," "would" and "outlook," or the negative variations of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about Equity's industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond Equity's control. Accordingly, Equity cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although Equity believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from Equity's expectations include competition from other financial institutions and bank holding companies; the effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; changes in the demand for loans; fluctuations in value of collateral and

loan reserves; inflation, interest rate, market and monetary fluctuations; changes in consumer spending, borrowing and savings habits; and acquisitions and integration of acquired businesses; and similar variables. The foregoing list of factors is not exhaustive.

For discussion of these and other risks that may cause actual results to differ from expectations, please refer to “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors” in Equity’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2018 and any updates to those risk factors set forth in Equity’s subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. If one or more events related to these or other risks or uncertainties materialize, or if Equity’s underlying assumptions prove to be incorrect, actual results may differ materially from what Equity anticipates. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and Equity 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. New risks and uncertainties arise from time to time, and it is not possible for us to predict those events or how they may affect us. In addition, Equity cannot assess the impact of each factor on Equity’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements, expressed or implied, included in this press release are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Equity or persons acting on Equity’s behalf may issue.

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Unaudited Financial Tables

- Table 1. Selected Financial Highlights
- Table 2. Year to Date Analysis of Changes in Net Interest Income
- Table 3. Quarterly Analysis of Changes in Net Interest Income
- Table 4. Consolidated Balance Sheets
- Table 5. Consolidated Statements of Income
- Table 6. Non-GAAP Financial Measures

TABLE 1. SELECTED FINANCIAL HIGHLIGHTS (Unaudited)

(Dollars in thousands, except per share data)

| | As of and for the three months ended | | | March 31, | December 31, |
|---|--------------------------------------|---------------|-------------|-------------|--------------|
| | December 31, | September 30, | June 30, | 2018 | 2017 |
| | 2018 | 2018 | 2018 | | |
| Statement of Income Data | | | | | |
| Net interest income | \$33,336 | \$32,755 | \$30,920 | \$27,787 | \$24,589 |
| Provision for loan losses | 750 | 1,291 | 750 | 1,170 | 503 |
| Net gains (losses) from securities transactions | 5 | (4) | (2) | (8) | — |
| Other non-interest income | 5,444 | 5,437 | 4,594 | 4,259 | 4,104 |
| Total non-interest income | 5,449 | 5,433 | 4,592 | 4,251 | 4,104 |
| Merger expenses | 938 | 757 | 5,236 | 531 | 3,267 |
| Other non-interest expense | 24,200 | 22,890 | 20,739 | 19,096 | 17,451 |
| Total non-interest expense | 25,138 | 23,647 | 25,975 | 19,627 | 20,718 |
| Income before income taxes | 12,897 | 13,250 | 8,787 | 11,241 | 7,472 |
| Provision for income taxes | 2,972 | 2,928 | 1,920 | 2,530 | 3,198 |
| Net income | 9,925 | 10,322 | 6,867 | 8,711 | 4,274 |
| Net income allocable to common stockholders | 9,925 | 10,322 | 6,867 | 8,711 | 4,274 |
| Basic earnings per share | 0.63 | 0.65 | 0.45 | 0.60 | 0.32 |
| Diluted earnings per share | 0.62 | 0.64 | 0.44 | 0.58 | 0.31 |
| Balance Sheet Data (at period end) | | | | | |
| Securities available-for-sale | \$168,875 | \$172,388 | \$180,238 | \$174,717 | \$162,272 |
| Securities held-to-maturity | 748,356 | 713,899 | 665,995 | 522,021 | 535,462 |
| Gross loans held for investment | 2,542,992 | 2,557,055 | 2,411,471 | 2,125,324 | 2,103,279 |
| Allowance for loan losses | 11,454 | 11,010 | 10,083 | 9,316 | 8,498 |
| Intangible assets, net | 154,665 | 155,430 | 146,538 | 115,032 | 116,922 |
| Total assets | 4,061,716 | 3,931,036 | 3,712,185 | 3,176,062 | 3,170,509 |
| Total deposits | 3,123,447 | 2,821,246 | 2,635,048 | 2,368,297 | 2,382,013 |
| Non-time deposits | 2,115,541 | 1,969,715 | 1,829,902 | 1,647,105 | 1,605,514 |
| Borrowings | 464,676 | 652,755 | 631,501 | 414,415 | 401,652 |
| Total liabilities | 3,605,775 | 3,487,799 | 3,278,903 | 2,794,575 | 2,796,365 |
| Total stockholders' equity | 455,941 | 443,237 | 433,282 | 381,487 | 374,144 |
| Tangible common equity* | 301,276 | 287,807 | 286,744 | 266,455 | 257,222 |
| Selected Average Balance Sheet Data (quarterly average) | | | | | |
| Total gross loans receivable | \$2,590,610 | \$2,516,833 | \$2,317,071 | \$2,122,973 | \$1,850,045 |
| Investment securities | 893,642 | 860,940 | 767,038 | 699,055 | 669,220 |
| Interest-earning assets | 3,578,487 | 3,457,871 | 3,158,187 | 2,883,960 | 2,573,043 |
| Total assets | 3,935,722 | 3,804,114 | 3,475,786 | 3,169,131 | 2,820,548 |
| Interest-bearing deposits | 2,501,227 | 2,251,937 | 2,148,361 | 2,043,784 | 1,821,850 |
| Borrowings | 480,417 | 642,575 | 495,558 | 389,120 | 330,651 |
| Total interest-bearing liabilities | 2,981,644 | 2,894,512 | 2,643,919 | 2,432,904 | 2,152,501 |
| Total deposits | 2,991,657 | 2,709,741 | 2,556,982 | 2,390,648 | 2,140,490 |
| Total liabilities | 3,486,272 | 3,364,343 | 3,062,312 | 2,791,236 | 2,483,029 |
| Total stockholders' equity | 449,450 | 439,771 | 413,474 | 377,895 | 337,519 |
| Tangible common equity* | 294,506 | 289,515 | 279,328 | 261,261 | 240,899 |
| Performance Ratios | | | | | |
| Return on average assets (ROAA) annualized | 1.00 | % 1.08 | % 0.79 | % 1.11 | % 0.60 |
| Return on total average stockholders equity (ROAE) annualized | 8.76 | % 9.31 | % 6.66 | % 9.35 | % 5.02 |
| Return on average tangible common equity (ROATCE) annualized* | 14.17 | % 14.91 | % 10.58 | % 14.01 | % 7.41 |

| | | | | | | | | | | |
|---|---------|---|---------|---|---------|---|---------|---|---------|---|
| Yield on loans annualized | 5.91 | % | 5.73 | % | 5.73 | % | 5.55 | % | 5.40 | % |
| Cost of interest-bearing deposits annualized | 1.45 | % | 1.15 | % | 1.00 | % | 0.94 | % | 0.87 | % |
| Cost of total deposits annualized | 1.21 | % | 0.95 | % | 0.84 | % | 0.80 | % | 0.74 | % |
| Net interest margin annualized | 3.70 | % | 3.76 | % | 3.93 | % | 3.91 | % | 3.79 | % |
| Efficiency ratio* | 62.40 | % | 59.93 | % | 58.40 | % | 59.59 | % | 60.82 | % |
| Non-interest income / average assets | 0.55 | % | 0.57 | % | 0.53 | % | 0.54 | % | 0.58 | % |
| Non-interest expense / average assets | 2.53 | % | 2.47 | % | 3.00 | % | 2.51 | % | 2.91 | % |
| Capital Ratios | | | | | | | | | | |
| Tier 1 Leverage Ratio | 8.60 | % | 8.60 | % | 9.36 | % | 9.45 | % | 10.33 | % |
| Common Equity Tier 1 Capital Ratio | 11.01 | % | 10.57 | % | 11.13 | % | 11.80 | % | 11.56 | % |
| Tier 1 Risk Based Capital Ratio | 11.52 | % | 11.07 | % | 11.65 | % | 12.41 | % | 12.17 | % |
| Total Risk Based Capital Ratio | 11.92 | % | 11.46 | % | 12.03 | % | 12.81 | % | 12.54 | % |
| Total stockholders' equity to total assets | 11.23 | % | 11.28 | % | 11.67 | % | 12.01 | % | 11.80 | % |
| Tangible common equity to tangible assets* | 7.71 | % | 7.62 | % | 8.04 | % | 8.70 | % | 8.42 | % |
| Book value per common share | \$28.87 | | \$28.07 | | \$27.44 | | \$26.09 | | \$25.62 | |
| Tangible book value per common share* | \$19.08 | | \$18.22 | | \$18.16 | | \$18.22 | | \$17.61 | |
| Tangible book value per diluted common share* | \$18.73 | | \$17.86 | | \$17.78 | | \$17.85 | | \$17.29 | |

* The value noted is considered a Non-GAAP financial measure. For a reconciliation of Non-GAAP financial measures, see Table 6. Non-GAAP Financial Measures

TABLE 2. YEAR TO DATE ANALYSIS OF CHANGES IN NET INTEREST INCOME (Unaudited)

(Dollars in thousands)

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| | Year ended 12/31/2018 | | | Year ended 12/31/2017 | | | |
|---|-----------------------------|-------------------------|--------------------|-----------------------------|-------------------------|--------------------|---|
| | Average Outstanding Balance | Interest Income/Expense | Average Yield/Rate | Average Outstanding Balance | Interest Income/Expense | Average Yield/Rate | |
| Interest-earning assets: | | | | | | | |
| Loans ⁽¹⁾ | \$ 2,388,509 | \$ 137,048 | 5.74 | % \$ 1,576,364 | \$ 85,662 | 5.43 | % |
| Total securities | 805,855 | 22,032 | 2.73 | % 621,407 | 15,683 | 2.52 | % |
| Federal funds sold and other | 77,681 | 2,476 | 3.19 | % 47,937 | 1,348 | 2.81 | % |
| Total interest-earning assets | 3,272,045 | 161,556 | 4.94 | % 2,245,708 | 102,693 | 4.57 | % |
| Interest-bearing liabilities: | | | | | | | |
| Total interest-bearing demand and savings | 1,401,326 | 12,683 | 0.91 | % 954,038 | 5,080 | 0.53 | % |
| Certificates of deposit | 836,298 | 13,004 | 1.56 | % 647,998 | 7,642 | 1.18 | % |
| Total interest-bearing deposits | 2,237,624 | 25,687 | 1.15 | % 1,602,036 | 12,722 | 0.79 | % |
| FHLB advances & LOC | 430,490 | 9,039 | 2.10 | % 258,951 | 2,909 | 1.12 | % |
| Other borrowings | 72,062 | 2,032 | 2.82 | % 39,999 | 1,060 | 2.65 | % |
| Total interest-bearing liabilities | 2,740,176 | 36,758 | 1.34 | % 1,900,986 | 16,691 | 0.88 | % |
| Net interest income | | \$ 124,798 | | | \$ 86,002 | | |
| Interest rate spread | | | 3.60 | % | | 3.69 | % |
| Net interest margin ⁽²⁾ | | | 3.81 | % | | 3.83 | % |

(1) Average loan balances include nonaccrual loans.

(2) Net interest margin is calculated by dividing annualized net interest income by average interest-earning assets for the period.

(3) Tax exempt income is not included in the above table on a tax equivalent basis.

(4) Actual unrounded values are used to calculate the reported yield or rate disclosed. Accordingly, recalculations using the amounts in thousands as disclosed in this report may not produce the same amounts.

—

| | Total Increase/(Decrease) Volume Variance ⁽¹⁾ | Yield/Rate Variance ⁽¹⁾ | Total Variance |
|---|--|---------------------------------------|----------------|
| Interest-earning assets: | | | |
| Loans | \$ 46,358 | \$ 5,028 | \$ 51,386 |
| Total securities | 4,908 | 1,441 | 6,349 |
| Federal funds sold and other | 928 | 200 | 1,128 |
| Total interest-earning assets | 52,194 | 6,669 | 58,863 |
| Interest-bearing liabilities: | | | |
| Total interest-bearing demand and savings | 3,131 | 4,472 | 7,603 |
| Certificates of deposit | 2,558 | 2,804 | 5,362 |
| Total interest-bearing deposits | 5,689 | 7,276 | 12,965 |
| FHLB advances & LOC | 2,652 | 3,478 | 6,130 |
| Other borrowings | 780 | 192 | 972 |
| Total interest-bearing liabilities | 9,121 | 10,946 | 20,067 |
| Net interest income | \$ 43,073 | \$ (4,277) |)\$ 38,796 |

⁽¹⁾ The effect of changes in volume is determined by multiplying the change in volume by the previous year's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the prior year's volume. The changes attributable to both volume and rate, which cannot be segregated, have been allocated to the volume variance and the rate variance in proportion to the relationship of the absolute dollar amount of the change in each.

TABLE 3. QUARTERLY ANALYSIS OF CHANGES IN NET INTEREST INCOME (Unaudited)

(Dollars in thousands)

—

| | Quarter ended 12/31/2018 Average Outstanding Balance | Interest Income/ Expense | Average Yield/ Rate | | Quarter ended 12/31/2017 Average Outstanding Balance | Interest Income/ Expense | Average Yield/ Rate | |
|---|---|--------------------------------|---------------------------|---|---|--------------------------------|---------------------------|---|
| Interest-earning assets: | | | | | | | | |
| Loans ⁽¹⁾ | \$ 2,590,610 | \$ 38,564 | 5.91 | % | \$ 1,850,045 | \$ 25,180 | 5.40 | % |
| Total securities | 893,642 | 6,360 | 2.82 | % | 669,220 | 4,243 | 2.52 | % |
| Federal funds sold and other | 94,235 | 656 | 2.76 | % | 53,778 | 385 | 2.84 | % |
| Total interest-earning assets | 3,578,487 | 45,580 | 5.05 | % | 2,573,043 | 29,808 | 4.60 | % |
| Interest-bearing liabilities: | | | | | | | | |
| Total interest-bearing demand and savings | 1,524,972 | 4,528 | 1.18 | % | 1,092,465 | 1,700 | 0.62 | % |
| Certificates of deposit | 976,255 | 4,593 | 1.87 | % | 729,385 | 2,282 | 1.24 | % |
| Total interest-bearing deposits | 2,501,227 | 9,121 | 1.45 | % | 1,821,850 | 3,982 | 0.87 | % |
| FHLB advances & LOC | 395,239 | 2,491 | 2.50 | % | 277,131 | 942 | 1.35 | % |
| Other borrowings | 85,178 | 632 | 2.94 | % | 53,520 | 295 | 2.19 | % |
| Total interest-bearing liabilities | 2,981,644 | 12,244 | 1.63 | % | 2,152,501 | 5,219 | 0.96 | % |
| Net interest income | | \$ 33,336 | | | | \$ 24,589 | | |
| Interest rate spread | | | 3.42 | % | | | 3.64 | % |
| Net interest margin ⁽²⁾ | | | 3.70 | % | | | 3.79 | % |

⁽¹⁾ Average loan balances include nonaccrual loans.

⁽²⁾ Net interest margin is calculated by dividing annualized net interest income by average interest-earning assets for the period.

⁽³⁾ Tax exempt income is not included in the above table on a tax equivalent basis.

⁽⁴⁾ Actual unrounded values are used to calculate the reported yield or rate disclosed. Accordingly, recalculations using the amounts in thousands as disclosed in this report may not produce the same amounts.

—

| | Total Increase/(Decrease) Volume Variance ⁽¹⁾ | Yield/Rate Variance ⁽¹⁾ | Total Variance |
|---|--|---------------------------------------|----------------|
| Interest-earning assets: | | | |
| Loans | \$ 10,844 | \$ 2,540 | \$ 13,384 |
| Total securities | 1,539 | 578 | 2,117 |
| Federal funds sold and other | 282 | (11) |) 271 |
| Total interest-earning assets | 12,665 | 3,107 | 15,772 |
| Interest-bearing liabilities: | | | |
| Total interest-bearing demand and savings | 887 | 1,941 | 2,828 |
| Certificates of deposit | 929 | 1,382 | 2,311 |
| Total interest-bearing deposits | 1,816 | 3,323 | 5,139 |
| FHLB advances & LOC | 516 | 1,033 | 1,549 |
| Other borrowings | 277 | 60 | 337 |
| Total interest-bearing liabilities | 2,609 | 4,416 | 7,025 |
| Net interest income | \$ 10,056 | \$ (1,309 |) \$ 8,747 |

⁽¹⁾ The effect of changes in volume is determined by multiplying the change in volume by the previous year's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the prior year's volume. The changes attributable to both volume and rate, which cannot be segregated, have been allocated to the volume variance and the rate variance in proportion to the relationship of the absolute dollar amount of the change in each.

TABLE 4. CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands)



| | December 31, 2018 | December 31, 2017 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and due from banks | \$ 192,735 | \$ 48,034 |
| Federal funds sold | 83 | 4,161 |
| Cash and cash equivalents | 192,818 | 52,195 |
| Interest-bearing time deposits in other banks | 4,991 | 3,496 |
| Available-for-sale securities | 168,875 | 162,272 |
| Held-to-maturity securities, fair value of \$739,989 and \$532,744 | 748,356 | 535,462 |
| Loans held for sale | 35,388 | 16,344 |
| Loans, net of allowance for loan losses of \$11,454 and \$8,498 | 2,531,538 | 2,094,781 |
| Other real estate owned, net | 6,372 | 7,907 |
| Premises and equipment, net | 80,442 | 63,449 |
| Bank-owned life insurance | 73,105 | 68,384 |
| Federal Reserve Bank and Federal Home Loan Bank stock | 29,214 | 24,373 |
| Interest receivable | 17,372 | 12,371 |
| Goodwill | 131,712 | 104,907 |
| Core deposit intangibles, net | 21,725 | 10,738 |
| Other | 19,808 | 13,830 |
| Total assets | \$ 4,061,716 | \$ 3,170,509 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits | | |
| Demand | \$ 503,831 | \$ 366,530 |
| Total non-interest bearing deposits | 503,831 | 366,530 |
| Savings, NOW and money market | 1,611,710 | 1,238,984 |
| Time | 1,007,906 | 776,499 |
| Total interest-bearing deposits | 2,619,616 | 2,015,483 |
| Total deposits | 3,123,447 | 2,382,013 |
| Federal funds purchased and retail repurchase agreements | 50,068 | 37,492 |
| Federal Home Loan Bank advances | 384,898 | 347,692 |
| Bank stock loan | 15,450 | 2,500 |
| Subordinated debentures | 14,260 | 13,968 |

| | | |
|--|--------------|--------------|
| Contractual obligations | 3,965 | 1,967 |
| Interest payable and other liabilities | 13,687 | 10,733 |
| Total liabilities | 3,605,775 | 2,796,365 |
| Stockholders' equity | | |
| Common stock | 173 | 161 |
| Additional paid-in capital | 379,085 | 331,339 |
| Retained earnings | 101,326 | 65,512 |
| Accumulated other comprehensive loss | (4,867) | (3,092) |
| Employee stock loans | (121) | (121) |
| Treasury stock | (19,655) | (19,655) |
| Total stockholders' equity | 455,941 | 374,144 |
| Total liabilities and stockholders' equity | \$ 4,061,716 | \$ 3,170,509 |

TABLE 5. CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands, except per share data)

—

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------|----------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest and dividend income | | | | |
| Loans, including fees | \$ 38,564 | \$ 25,180 | \$ 137,048 | \$ 85,662 |
| Securities, taxable | 5,272 | 3,378 | 17,943 | 12,308 |
| Securities, nontaxable | 1,088 | 865 | 4,089 | 3,375 |
| Federal funds sold and other | 656 | 385 | 2,476 | 1,348 |
| Total interest and dividend income | 45,580 | 29,808 | 161,556 | 102,693 |
| Interest expense | | | | |
| Deposits | 9,121 | 3,982 | 25,687 | 12,722 |
| Federal funds purchased and retail repurchase agreements | 37 | 24 | 114 | 64 |
| Federal Home Loan Bank advances | 2,491 | 942 | 9,039 | 2,909 |
| Bank stock loan | 283 | 16 | 731 | 16 |
| Subordinated debentures | 312 | 255 | 1,187 | 980 |
| Total interest expense | 12,244 | 5,219 | 36,758 | 16,691 |
| Net interest income | 33,336 | 24,589 | 124,798 | 86,002 |
| Provision for loan losses | 750 | 503 | 3,961 | 2,953 |
| Net interest income after provision for loan losses | 32,586 | 24,086 | 120,837 | 83,049 |
| Non-interest income | | | | |
| Service charges and fees | 2,029 | 1,522 | 7,250 | 5,319 |
| Debit card income | 1,736 | 1,162 | 6,178 | 4,547 |
| Mortgage banking | 281 | 409 | 1,298 | 1,955 |
| Increase in value of bank-owned life insurance | 518 | 377 | 2,199 | 1,445 |
| Net gains (losses) from securities transactions | 5 | — | (9) | 271 |
| Other | 880 | 634 | 2,809 | 1,903 |
| Total non-interest income | 5,449 | 4,104 | 19,725 | 15,440 |
| Non-interest expense | | | | |
| Salaries and employee benefits | 13,137 | 9,565 | 48,018 | 33,960 |
| Net occupancy and equipment | 2,188 | 1,684 | 8,126 | 6,305 |
| Data processing | 2,257 | 1,357 | 8,094 | 4,927 |
| Professional fees | 1,157 | 626 | 3,402 | 2,363 |
| Advertising and business development | 916 | 428 | 3,002 | 2,105 |
| Telecommunications | 523 | 225 | 1,775 | 1,191 |
| FDIC insurance | 325 | 330 | 1,536 | 945 |
| Courier and postage | 304 | 251 | 1,183 | 935 |
| Free nation-wide ATM cost | 369 | 249 | 1,355 | 932 |
| Amortization of core deposit intangibles | 740 | 338 | 2,443 | 1,025 |
| Loan expense | 195 | 335 | 1,005 | 993 |
| Other real estate owned | (23) | 29 | (71) | 523 |
| Merger expenses | 938 | 3,267 | 7,462 | 5,352 |
| Other | 2,112 | 2,034 | 7,057 | 5,907 |
| Total non-interest expense | 25,138 | 20,718 | 94,387 | 67,463 |

| | | | | |
|---|----------|----------|-----------|-----------|
| Income before income taxes | 12,897 | 7,472 | 46,175 | 31,026 |
| Provision for income taxes | 2,972 | 3,198 | 10,350 | 10,377 |
| Net income | \$ 9,925 | \$ 4,274 | \$ 35,825 | \$ 20,649 |
| Net income allocable to common stockholders | \$ 9,925 | \$ 4,274 | \$ 35,825 | \$ 20,649 |
| Basic earnings per share | \$ 0.63 | \$ 0.32 | \$ 2.33 | \$ 1.66 |
| Diluted earnings per share | \$ 0.62 | \$ 0.31 | \$ 2.28 | \$ 1.62 |

TABLE 6. Non-GAAP Financial Measures (Unaudited)

(Dollars in thousands, except per share data)

| | As of and for the three months ended | | | | |
|--|--------------------------------------|--------------------|---------------|----------------|-------------------|
| | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 |
| Total stockholders' equity | \$455,941 | \$443,237 | \$433,282 | \$381,487 | \$374,144 |
| Less: goodwill | 131,712 | 131,723 | 125,485 | 103,412 | 104,907 |
| Less: core deposit intangibles, net | 21,725 | 22,466 | 19,800 | 10,355 | 10,738 |
| Less: mortgage servicing asset, net | 11 | 13 | 14 | 16 | 17 |
| Less: naming rights, net | 1,217 | 1,228 | 1,239 | 1,249 | 1,260 |
| Tangible common equity | \$301,276 | \$287,807 | \$286,744 | \$266,455 | \$257,222 |
| Common shares issued at period end | 15,793,095 | 15,792,695 | 15,780,777 | 14,609,414 | 14,605,607 |
| RSU shares vested | — | — | 6,768 | 11,844 | — |
| Common shares outstanding at period end | 15,793,095 | 15,792,695 | 15,787,545 | 14,621,258 | 14,605,607 |
| Diluted common shares outstanding at period end | 16,085,729 | 16,118,067 | 16,131,096 | 14,923,798 | 14,873,257 |
| Book value per common share | \$28.87 | \$28.07 | \$27.44 | \$26.09 | \$25.62 |
| Tangible book value per common share | \$19.08 | \$18.22 | \$18.16 | \$18.22 | \$17.61 |
| Tangible book value per diluted common share | \$18.73 | \$17.86 | \$17.78 | \$17.85 | \$17.29 |
| Total assets | \$4,061,716 | \$3,931,036 | \$3,712,185 | \$3,176,062 | \$3,170,509 |
| Less: goodwill | 131,712 | 131,723 | 125,485 | 103,412 | 104,907 |
| Less: core deposit intangibles, net | 21,725 | 22,466 | 19,800 | 10,355 | 10,738 |
| Less: mortgage servicing asset, net | 11 | 13 | 14 | 16 | 17 |
| Less: naming rights, net | 1,217 | 1,228 | 1,239 | 1,249 | 1,260 |
| Tangible assets | \$3,907,051 | \$3,775,606 | \$3,565,647 | \$3,061,030 | \$3,053,587 |
| Total stockholders' equity to total assets | 11.23 | % 11.28 | % 11.67 | % 12.01 | % 11.80 |
| Tangible common equity to tangible assets | 7.71 | % 7.62 | % 8.04 | % 8.70 | % 8.42 |
| Total average stockholders' equity | \$449,450 | \$439,771 | \$413,474 | \$377,895 | \$337,519 |
| Less: average intangible assets and preferred stock | 154,944 | 150,256 | 134,146 | 116,634 | 96,620 |
| Average tangible common equity | \$294,506 | \$289,515 | \$279,328 | \$261,261 | \$240,899 |
| Net income allocable to common stockholders | \$9,925 | \$10,322 | \$6,867 | \$8,711 | \$4,274 |
| Amortization of intangible assets | 752 | 707 | 637 | 396 | 349 |
| Less: tax effect of intangible assets amortization | 158 | 148 | 134 | 83 | 122 |
| Adjusted net income allocable to common stockholders | \$10,519 | \$10,881 | \$7,370 | \$9,024 | \$4,501 |
| Return on total average stockholders' equity (ROAE) annualized | 8.76 | % 9.31 | % 6.66 | % 9.35 | % 5.02 |
| Return on average tangible common equity (ROATCE) annualized | 14.17 | % 14.91 | % 10.58 | % 14.01 | % 7.41 |

| | | | | | | |
|---|----------|----------|----------|----------|----------|---|
| Non-interest expense | \$25,138 | \$23,647 | \$25,915 | \$19,621 | \$20,718 | |
| Less: merger expenses | 938 | 757 | 5,236 | 531 | 3,267 | |
| Non-interest expense, excluding merger expenses | \$24,200 | \$22,890 | \$20,739 | \$19,096 | \$17,451 | |
| Net interest income | \$33,336 | \$32,755 | \$30,920 | \$27,787 | \$24,589 | |
| Non-interest income | \$5,449 | \$5,433 | \$4,592 | \$4,251 | \$4,104 | |
| Less: net gains (losses) from securities transactions | 5 | (4) | (2) | (8) | — | |
| Non-interest income, excluding net gains (losses) from securities transactions | \$5,444 | \$5,437 | \$4,594 | \$4,259 | \$4,104 | |
| Net interest income plus non-interest income, excluding net gains (losses) from securities transactions | \$38,780 | \$38,192 | \$35,514 | \$32,046 | \$28,693 | |
| Non-interest expense to net interest income plus non-interest income | 64.81 | % 61.92 | % 73.14 | % 61.26 | % 72.21 | % |
| Efficiency ratio | 62.40 | % 59.93 | % 58.40 | % 59.59 | % 60.82 | % |