



FOR IMMEDIATE RELEASE

Investor and Press Contact:

Brian K. Finneran

Chief Financial Officer

(516) 548-8500

Hanover Bancorp, Inc. Reports Second Quarter 2019 Results Highlighted by Record Levels of Total Assets, Loans and Deposits

Second Quarter and Fiscal Year-to-Date Performance Highlights

- **Net Income:** Net income for the quarter ended June 30, 2019 improved to \$2.0 million or \$0.51 per diluted common share, a 32.7% improvement versus \$1.5 million or \$0.44 per diluted common share recorded in the same period a year ago. The Company recorded net income for the nine months ended June 30, 2019 of \$6.7 million or \$1.73 per diluted common share, representing a 133.1% increase from 2018. Core operating net income for the nine months ended June 30, 2019, which excludes the impact of a non-recurring real estate carrying value write-down and the impact of non-recurring deferred tax asset and debt restructuring charges in applicable periods, was \$6.8 million or \$1.75 per diluted common share, an increase of 78.3% versus the prior year-to-date period.
- **Balance Sheet:** Assets totaled a record \$704.8 million at June 30, 2019, up \$35.1 million, or 5.2%, from March 31, 2019 and up \$102.3 million, or 17.0%, from June 30, 2018, primarily due to continued strong loan growth.
- **Continued Capital Strength:** The Bank's Tier 1 capital ratio was 11.50% and its Total Risk based capital ratio was 22.61% at June 30, 2019, each significantly above the regulatory minimums for a well-capitalized institution.
- **Increase in Tangible Book Value Per Share:** Tangible book value per common share increased by 15.9% to \$16.66 at June 30, 2019 from \$14.38 at the comparable 2018 date.
- **Strong Year-Over-Year Loan Growth:** Total loans outstanding at June 30, 2019 were \$617.5 million or 87.6% of total assets, an increase of \$33.5 million, or 5.7%, from March 31, 2019 and up \$88.4 million or 16.7%, from June 30, 2018 as the Bank continues to successfully leverage its equity capital into new loan originations. The growth in loans recorded during the second calendar quarter of 2019 is net of \$40.1 million in sales of performing credits during that period.
- **Excellent Asset Quality:** At June 30, 2019, the Bank's asset quality remained pristine with non-performing loans representing only 0.10% of the total portfolio.

- **Net Interest Income Growth:** Net interest income was \$5.3 million for the quarter ended June 30, 2019, an increase of \$715 thousand, or 15.4%, versus the comparable 2018 quarter.
- **Net Interest Margin:** The Company's net interest margin for the quarter ended June 30, 2019 was 3.19% versus 3.36% in the quarter ended March 31, 2019 and 3.28% in the quarter ended June 30, 2018.
- **Market Expansion Through Acquisition:** On September 20, 2018, the Company announced that it had entered into a definitive agreement to acquire Chinatown Federal Savings Bank ("CFSB"). CFSB is a community savings bank that operates three branches, two in Manhattan and one in Sunset Park, Brooklyn. At June 30, 2019, CFSB had total assets of \$139 million, total loans of \$92 million and total deposits of \$107 million. Hanover has received all necessary regulatory approvals and this transaction is expected to be completed during the third quarter, subject to customary closing conditions.

Mineola, NY – July 18, 2019 – Hanover Bancorp, Inc. ("Hanover" or "the Company"), the holding company for Hanover Community Bank ("the Bank") today reported significant performance achievements for the quarter ended June 30, 2019, highlighted by record levels of total assets, total loans, total deposits, tangible book value per share and outstanding asset quality.

Earnings Summary for the Quarter Ended June 30, 2019

The Company recorded record net income for the quarter ended June 30, 2019 of \$2.0 million or \$0.51 per diluted common share, versus \$1.5 million or \$0.44 per diluted common share, an increase of \$496 thousand or 32.7% from the comparable year ago period. Second quarter returns on average total assets and average stockholders' equity were 1.17% and 12.43%, respectively in 2019, versus 1.05% and 12.71% a year ago.

The improvement in net income achieved in the second quarter of 2019 resulted from several factors, most notably a \$715 thousand or 15.4% increase in net interest income, a \$428 thousand improvement in non-interest income and a \$103 thousand reduction in the provision for loan losses in 2019 versus the second quarter of 2018. An increase in average interest-earning assets of \$105.9 million (18.7%) resulting from growth in average total loans of \$94.0 million, or 18.3%, coupled with a 19 basis point increase in the average loan portfolio yield to 5.28% in the second calendar quarter of 2019, accounted for the year-over-year improvement in net interest income. The growth in non-interest income resulted from a significant increase in gains on the sale of loans held-for-sale. Partially offsetting the foregoing improvements was an increase in non-interest expense of \$793 thousand in the second quarter of calendar 2019 versus the comparable year ago period. The higher level of non-interest expense was principally due to growth in compensation and benefits in connection with an increase in staff to support the Company's continued operational and branch expansion. Higher occupancy and equipment costs, largely associated with the new Flushing branch location, also contributed to the increase in operating expenses.

Michael P. Puorro, Chairman, President and Chief Executive Officer, commented on the Company's results: "We continued our strong operating momentum in the second calendar quarter of 2019 by staying focused on our core loan generation strategy which resulted in annual portfolio growth of approximately \$88 million or 17%. We also continued to generate

non-interest income through sales of high quality performing loans, though at a lesser rate than in the previous two quarters. Improved deposit growth during the second calendar quarter of 2019, in large part due to the successful opening of our new Flushing branch, allowed us to retain a greater portion of our new loan production on the Company's balance sheet.

When compared to the second calendar quarter of last year, we reported a 33% improvement in quarterly net income as well as increases in earnings per share and tangible book value per share while continuing to invest in the Company's future through talent acquisition and franchise building. Our year-over-year loan growth of 17% was net of \$210 million in sales during the last twelve months, and was funded by total deposit growth of 22%. Most importantly, I am pleased to report that we have received all required regulatory approvals and we anticipate closing on our acquisition of Chinatown Federal Savings Bank during the third quarter. We look forward to adding Chinatown's three retail locations to the growing network of Hanover branches and to welcoming the residents of Chinatown and Sunset Park, Brooklyn into the Hanover family."

Mr. Puorro also noted, "As always, growth in shareholder value is of paramount importance at Hanover Bancorp. This hallmark of our success is reflected by robust growth in book value per share which increased by \$2.28, or 15.9%, to \$16.66 per share at June 30, 2019 versus the comparable year ago date."

Balance Sheet Growth

Total assets for the quarter ended June 30, 2019 amounted to a record \$704.8 million, an increase of 17.0% from the comparable 2018 date as the Bank continued to record significant loan portfolio growth without any sacrifice in asset quality. The year-over-year balance sheet growth was funded by increases in total deposits (up \$92.4 million) and shareholders' equity (up \$17.7 million).

Total deposits at June 30, 2019 expanded by 21.8% to a record \$516.3 million when compared to June 30, 2018, the result of significant growth in core (Demand, N.O.W., Savings and Money Market) deposits (up \$72.0 million). Core deposits grew by 52.1% as the result of increases in Demand, N.O.W. and Money Market accounts. Management also strategically utilizes its Federal Home Loan Bank ("FHLB") borrowing capacity to enhance both the Bank's liquidity position and its interest rate risk profile. FHLB borrowings are used selectively to supplement management's ongoing effort to build low cost core deposit balances through relationship banking at each of its branch locations. Total borrowings at June 30, 2019 were \$104.2 million with a weighted average rate and term of 1.85% and 17 months, respectively. At June 30, 2019, the Bank had \$47.3 million of additional borrowing capacity from the FHLB.

Shareholders' equity increased by \$17.7 million to \$66.1 million at June 30, 2019 from the comparable 2018 date resulting in a 15.9% increase in book value per share over the past twelve months to \$16.66 at June 30, 2019. The Company's executive management team and Board of Directors remain focused on continued enhancement of shareholder value through prudent asset growth, effective expense management and the development of long-term customer relationships in its primary markets. Insiders have made significant investments of their own capital into Hanover Bancorp, Inc. Insider ownership represented approximately 30% of total shares outstanding at June 30, 2019.

The Company's average cost of interest-bearing liabilities increased to 2.16% for the quarter ended June 30, 2019, from 1.76% a year ago and 2.07% on a linked quarter basis. Partially offsetting the increase in the Company's average cost of interest-bearing liabilities from the June 2018 quarter was an 18 basis point improvement in the average yield on interest-earning assets to 5.04% during the second quarter of 2019, primarily driven by higher average loan yields (up 19 basis points in 2019) and a continued shift in the loan portfolio mix to a reduced reliance on lower-yielding multi-family credits in 2019.

Strong Loan Portfolio and Excellent Asset Quality

For the twelve months ended June 30, 2019, the Bank's loan portfolio, net of sales, grew by \$88.4 million, or 16.7%, with the growth concentrated primarily in adjustable-rate two-to-four family residential loans. Management continues to employ a strategy of concentrating its loan growth in these products with shorter average durations, which provides the Bank with traditionally safe credit quality at acceptable credit spreads, greater liquidity and an enhanced interest-rate-risk profile. Over the past year, originations of our niche adjustable-rate residential product amounted to \$272 million with an average loan balance of approximately \$544 thousand and a weighted average loan-to-value ratio of 57%. At June 30, 2019, the Company's residential loan portfolio amounted to \$431.1 million, with an average loan balance of \$411 thousand and a weighted average loan-to-value ratio of 53%. Commercial real estate loans totaled \$178.3 million at June 30, 2019, with an average loan balance of \$995 thousand and a weighted average loan-to-value ratio of 61%. The Company's commercial real estate concentration ratio was 201% of capital at June 30, 2019 versus 270% of capital at the comparable 2018 date.

Through its significant asset generation capabilities, the Bank has been able to generate additional income by strategically originating and selling its primary lending products to other financial institutions at premiums, while also retaining servicing rights in some sales. The Bank expects that it will continue to originate loans, for its own portfolio and for sale, which will result in continued growth in interest income while also realizing gains on sale of loans to others and recording servicing income. During the quarter ended June 30, 2019, the Company sold \$40.1 million in performing loans and recorded gains on the sale of loans held-for-sale of \$918 thousand versus gains of \$1.4 million in the quarter ended March 31, 2019 and gains of \$548 thousand in the quarter ended June 30, 2018. During the twelve months ended June 30, 2019, the Company sold \$210.3 million in performing loans held-for-sale and recorded cumulative gains of \$4.4 million.

The Bank's asset quality ratios continue to remain class leading among its peer group of community banks. At June 30, 2019, the loan portfolio contained only one non-performing loan totaling \$634 thousand or 0.10% of total loans outstanding. During the second calendar quarter of 2019, the Bank's provision for loan losses was \$225 thousand and the June 30, 2019 allowance for loan losses balance was \$7.1 million versus \$5.9 million a year ago. The Bank continues to record a quarterly provision for loan losses expense due to the ongoing growth in the loan portfolio. The allowance for loan losses as a percent of total loans was 1.16% at June 30, 2019, 1.18% at March 31, 2019 and 1.12% at June 30, 2018.

Net Interest Margin

The Bank's net interest margin came under some pressure during the second calendar quarter of 2019, declining to 3.19% versus 3.28% in the comparable 2018 quarter and 3.36%

in the quarter ended March 31, 2019. The nine basis point decrease in the Bank's net interest margin versus 2018 was primarily attributable to a 40 basis point increase in the yield on average interest-bearing liabilities to 2.16% from 1.76% a year ago. The higher cost of funds in 2019 was the result of competition for deposits in the Company's market area, a shift in the Company's deposit mix to a greater concentration of high yield money market accounts and a greater reliance on non-core funding sources, principally certificates of deposit. Also contributing to margin compression in the second quarter was an increase in lower-yielding average interest-bearing cash on the balance sheet (up \$12.3 million) resulting from loan sales and deposits generated as a result of the successful Flushing branch opening. Partially offsetting the negative impact of the foregoing deposit trends, the average rate on total interest-earning assets improved by 18 basis points to 5.04% in the second quarter of 2019 when compared to the comparable 2018 period. This improvement in yield was largely the result of a 19 basis point increase in the average loan yield to 5.28% in 2019. Year-over-year growth in average core deposits of 63.2% versus the quarter ended June 30, 2018, due principally to growth in demand, N.O.W. and money market accounts, coupled with a 35.7% increase in average stockholders' equity, partially mitigated the higher cost of funds in the second quarter.

Operating Leverage and Efficiency Ratio

The Bank's operating efficiency ratio was 58.5% in the second calendar quarter of 2019 versus 56.1% a year ago. Although total operating expenses continue to rise on a year-over-year basis, the Bank's total revenue continues to grow rapidly as well. Pre-provision net revenue (net interest income plus non-interest income minus total operating expenses) represented 1.54% of average total assets on an annualized basis during the second quarter of 2019 versus 1.58% in the comparable 2018 quarter.

About Hanover Community Bank and Hanover Bancorp, Inc.

Hanover Bancorp, Inc., is a locally owned and operated privately held stock bank holding company for Hanover Community Bank, a community commercial bank focusing on highly personalized and efficient services and products responsive to local needs. Management and the Board of Directors are comprised of a select group of successful local businessmen and women who are committed to the success of the Bank by knowing and understanding the metro-New York area's financial needs and opportunities. Backed by state-of-the-art technology, Hanover offers a full range of financial services. Hanover employs a complete suite of consumer and commercial banking products and services, including multi-family and commercial mortgages, residential loans, business loans and lines of credit. Hanover also offers its customers access to 24-hour ATM service with no fees attached, free checking with interest, telephone banking, advanced technologies in mobile and internet banking for our consumer and business customers, safe deposit boxes and much more. The Company's corporate administrative office is located in Mineola, New York where it also operates a full service branch office along with branch locations in Garden City Park, N.Y., and Forest Hills and Flushing, Queens, N.Y.

Hanover Community Bank is a member of the Federal Deposit Insurance Corporation and is an Equal Housing/Equal Opportunity Lender. For further information, call 516-548-8500 or visit the Bank's website at www.hanoverbank.com.

Non-GAAP Disclosure

This discussion includes non-GAAP financial measures of the Company's core operating earnings, core net interest margin, core returns on average assets and shareholders' equity, and core operating efficiency ratio. A non-GAAP financial measure is a numerical measure of historical or future performance, financial position or cash flows that excludes or includes amounts that are required to be disclosed in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The Company's management believes that the presentation of non-GAAP financial measures provides both management and investors with a greater understanding of the Company's operating results and trends in addition to the results measured in accordance with GAAP. While management uses non-GAAP financial measures in its analysis of the Company's performance, this information is not meant to be considered in isolation or as a substitute for the numbers prepared in accordance with U.S. GAAP or considered to be more important than financial results determined in accordance with U.S. GAAP. The Company's non-GAAP financial measures may not be comparable to similarly titled measures used by other financial institutions.

With respect to the calculations of core operating net income, core net interest income, core net interest margin and core operating efficiency ratio for the periods presented in this discussion, reconciliations to the most comparable U.S. GAAP measures are provided in the tables that follow.

Forward-Looking Statements

This release may contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and may be identified by the use of such words as "may," "believe," "expect," "anticipate," "should," "plan," "estimate," "predict," "continue," and "potential" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, estimates with respect to the financial condition, results of operations and business of Hanover Bancorp, Inc. Any or all of the forward-looking statements in this release and in any other public statements made by Hanover Bancorp, Inc. may turn out to be incorrect. They can be affected by inaccurate assumptions Hanover Bancorp, Inc. might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. Hanover Bancorp, Inc. does not intend to update any of the forward-looking statements after the date of this release or to conform these statements to actual events.

HANOVER BANCORP, INC.
STATEMENTS OF CONDITION - (unaudited)
(dollars in thousands)

	June 30, 2019	March 31, 2019	June 30, 2018
Assets			
Cash and cash equivalents	\$ 56,571	\$ 54,856	\$ 42,241
Securities-available for sale, at fair value	902	159	203
Investments-held to maturity	12,299	12,508	13,150
Loans, net of deferred loan fees and costs	617,477	583,963	529,101
Less: allowance for loan losses	(7,143)	(6,917)	(5,923)
Loans, net	<u>610,334</u>	<u>577,046</u>	<u>523,178</u>
Premises & fixed assets	14,409	14,429	13,567
Other assets	10,245	10,634	10,163
Assets	<u>\$ 704,760</u>	<u>\$ 669,632</u>	<u>\$ 602,502</u>
Liabilities and stockholders' equity			
Core deposits	\$ 210,179	\$ 200,859	\$ 138,168
Time deposits	306,159	271,823	285,740
Total deposits	<u>516,338</u>	<u>472,682</u>	<u>423,908</u>
Borrowings	104,245	115,745	110,468
Note payable	14,980	14,980	14,978
Other liabilities	3,074	2,783	4,699
Liabilities	<u>638,637</u>	<u>606,190</u>	<u>554,053</u>
Stockholders' equity	66,123	63,442	48,449
Liabilities and stockholders' equity	<u>\$ 704,760</u>	<u>\$ 669,632</u>	<u>\$ 602,502</u>

HANOVER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME (unaudited)
(dollars in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Interest income	\$ 8,444	\$ 6,850	\$ 24,609	\$ 19,126
Interest expense	3,096	2,217	8,517	5,924
Net interest income	5,348	4,633	16,092	13,202
Provision for loan losses	225	328	650	1,128
Net interest income after provision for loan losses	5,123	4,305	15,442	12,074
Loan fees and service charges	57	38	147	115
Service charges on deposit accounts	12	8	33	24
Gain on sale of investments	-	-	-	20
Gain on sale of loans held-for-sale	918	548	3,543	1,583
Other operating income	37	2	126	55
Non-interest income	1,024	596	3,849	1,797
Compensation and benefits	2,134	1,658	6,228	4,820
Occupancy and equipment	682	579	1,895	1,649
Data processing	176	126	427	365
Marketing and advertising	108	108	375	236
Professional fees	205	202	565	837
Other operating expenses	423	262	1,112	801
Non-interest expense	3,728	2,935	10,602	8,708
Income before income taxes	2,419	1,966	8,689	5,163
Income tax expense	407	450	1,924	1,368
Core operating net income ⁽¹⁾	2,012	1,516	6,765	3,795
Non-recurring charges, net of tax	-	-	90	55
Non-recurring tax expense	-	-	-	876
Net income	\$ 2,012	\$ 1,516	\$ 6,675	\$ 2,864
Basic earnings per share-GAAP	\$ 0.51	\$ 0.45	\$ 1.77	\$ 0.87
Diluted earnings per share-GAAP	\$ 0.51	\$ 0.44	\$ 1.73	\$ 0.86
Basic earnings per share-Core	\$ 0.51	\$ 0.45	\$ 1.79	\$ 1.16
Diluted earnings per share-Core	\$ 0.51	\$ 0.44	\$ 1.75	\$ 1.13

Note: Prior period information has been adjusted to conform to current period presentation.

⁽¹⁾ Core operating earnings is a non-GAAP financial measure. A non-GAAP financial measure is a numerical measure of historical or future financial performance, financial position or cash flows that excludes or includes amounts that are required to be disclosed in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The Company's management believes the presentation of non-GAAP financial measures provide investors with a greater understanding of the Company's operating results in addition to the results measured in accordance with GAAP. While management uses non-GAAP measures in its analysis of the Company's performance, this information should not be viewed as a substitute for financial results determined in accordance with GAAP or considered to be more important than financial results determined in accordance with GAAP.

HANOVER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME (unaudited)
QUARTERLY TREND
(dollars in thousands, except per share data)

	Three Months Ended				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
Interest income	\$ 8,444	\$ 7,983	\$ 8,182	\$ 7,598	\$ 6,850
Interest expense	3,096	2,764	2,657	2,495	2,217
Net interest income	5,348	5,219	5,525	5,103	4,633
Provision for loan losses	225	200	225	570	328
Net interest income after provision for loan losses	5,123	5,019	5,300	4,533	4,305
Loan fees and service charges	57	37	53	48	38
Service charges on deposit accounts	12	11	10	11	8
Gain on sale of loans held-for-sale	918	1,367	1,258	878	548
Other operating income	37	48	41	-	2
Non-interest income	1,024	1,463	1,362	937	596
Compensation and benefits	2,134	2,119	1,975	1,730	1,658
Occupancy and equipment	682	613	600	574	579
Data processing	176	133	118	125	126
Marketing and advertising	108	109	158	134	108
Professional fees	205	151	209	272	202
Other operating expenses	423	265	424	338	262
Non-interest expense	3,728	3,390	3,484	3,173	2,935
Income before income taxes	2,419	3,092	3,178	2,297	1,966
Income tax expense	407	754	763	559	450
Core operating net income ⁽¹⁾	2,012	2,338	2,415	1,738	1,516
Non-recurring charges, net of tax	-	-	90	-	-
Net income	\$ 2,012	\$ 2,338	\$ 2,325	\$ 1,738	\$ 1,516
Basic earnings per share-GAAP	\$ 0.51	\$ 0.62	\$ 0.63	\$ 0.51	\$ 0.45
Diluted earnings per share-GAAP	\$ 0.51	\$ 0.61	\$ 0.61	\$ 0.50	\$ 0.44
Basic earnings per share-Core	\$ 0.51	\$ 0.62	\$ 0.65	\$ 0.51	\$ 0.45
Diluted earnings per share-Core	\$ 0.51	\$ 0.61	\$ 0.64	\$ 0.50	\$ 0.44

Note: Prior period information has been adjusted to conform to current period presentation

⁽¹⁾ Core operating earnings is a non-GAAP financial measure. A non-GAAP financial measure is a numerical measure of historical or future financial performance, financial position or cash flows that excludes or includes amounts that are required to be disclosed in the most directly comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's management believes the presentation of non-GAAP financial measures provide investors with a greater understanding of the Company's operating results in addition to the results measured in accordance with GAAP. While management uses non-GAAP measures in its analysis of the Company's performance, this information should not be viewed as a substitute for financial results determined in accordance with GAAP or considered to be more important than financial results determined in accordance with GAAP.

HANOVER BANCORP, INC.
SELECTED FINANCIAL DATA (unaudited)
(dollars in thousands, except per share data)

	<u>6/30/2019</u>	<u>3/31/2019</u>	<u>12/31/2018</u>	<u>9/30/2018</u>
Asset quality:				
Allowance for loan losses	\$ 7,143	\$ 6,917	\$ 6,717	\$ 6,493
Allowance for loan losses to total loans ⁽¹⁾	1.16%	1.18%	1.19%	1.16%
Non-performing loans	\$ 634	\$ -	\$ -	\$ -
Non-performing loans/total loans	0.10%	N/A	N/A	N/A
Non-performing loans/total assets	0.09%	N/A	N/A	N/A
Allowance for loan losses/ non-performing loans	1126.66%	N/A	N/A	N/A
Capital (Bank only):				
Tier 1 capital	\$ 79,100	\$ 76,833	\$ 74,235	\$ 67,560
Tier 1 leverage ratio	11.50%	11.88%	11.30%	10.85%
Common equity tier 1 capital ratio	21.35%	21.64%	21.02%	19.04%
Tier 1 risk based capital ratio	21.35%	21.64%	21.02%	19.04%
Total risk based capital ratio	22.61%	22.90%	22.27%	20.30%
Equity data:				
Common shares outstanding	3,968,248	3,837,265	3,741,317	3,582,477
Stockholders' equity	\$ 66,123	\$ 63,442	\$ 59,589	\$ 54,230
Book value per common share	16.66	16.53	15.93	15.14
Tangible common equity	66,123	63,442	59,589	54,230
Tangible book value per common share	16.66	16.53	15.93	15.14

⁽¹⁾ Calculation excludes loans held for sale.

Note: Prior period information has been adjusted to conform to current period presentation

HANOVER BANCORP, INC.
SELECTED FINANCIAL DATA (unaudited)
(dollars in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Profitability:				
Return on average assets	1.17%	1.05%	1.36% ⁽¹⁾	0.93% ⁽³⁾
Return on average equity	12.43%	12.71%	14.76% ⁽¹⁾	11.14% ⁽³⁾
Yield on average interest-earning assets	5.04%	4.86%	5.08%	4.80%
Cost of average interest-bearing liabilities	2.16%	1.76%	2.05%	1.67% ⁽⁴⁾
Net interest rate spread ⁽⁵⁾	2.88%	3.10%	3.03%	3.13% ⁽⁴⁾
Net interest margin ⁽⁶⁾	3.19%	3.28%	3.32%	3.31% ⁽⁴⁾
Non-interest expense to average assets	2.17%	2.03%	2.14%	2.12%
Operating efficiency ratio	58.50%	56.13%	53.17% ⁽²⁾	58.13% ⁽⁴⁾
Average balances:				
Interest-earning assets	\$ 671,830	\$ 565,900	\$ 648,172	\$ 532,995
Interest-bearing liabilities	576,010	504,841	556,107	474,669
Loans	606,522	512,532	592,704	485,745
Deposits	498,835	414,977	477,403	396,599
Borrowings	120,791	113,612	121,573	101,915

⁽¹⁾ Calculation excludes the non-recurring after tax asset write down of \$90,000.

⁽²⁾ Calculation excludes the non-recurring pre-tax asset write down of \$119,000.

⁽³⁾ Calculation excludes the non-recurring deferred tax asset charge of \$876,000 and \$55,000 after-tax debt restructuring charge.

⁽⁴⁾ Calculation excludes the non-recurring pre-tax debt restructuring charge of \$83,000.

⁽⁵⁾ Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

⁽⁶⁾ Net interest margin represents net interest income divided by average interest-earning assets.

Note: Prior period information has been adjusted to conform to current period presentation

HANOVER BANCORP, INC.
STATISTICAL SUMMARY
QUARTERLY TREND
(unaudited,dollars in thousands, except share data)

	<u>6/30/2019</u>	<u>3/31/2019</u>	<u>12/31/2018</u>	<u>9/30/2018</u>
<u>Loan distribution (1):</u>				
Residential mortgages	\$ 418,646	\$ 391,742	\$ 376,742	\$ 365,259
Multifamily	127,558	129,225	126,851	132,536
Commercial real estate	50,757	47,243	46,196	48,763
Commercial & industrial	7,614	7,135	6,878	6,740
Home equity	12,404	8,600	9,433	6,059
Consumer	498	18	17	23
Total loans	<u>\$ 617,477</u>	<u>\$ 583,963</u>	<u>\$ 566,117</u>	<u>\$ 559,380</u>
Sequential quarter growth rate	<u>5.74%</u>	<u>3.15%</u>	<u>1.20%</u>	<u>5.72%</u>
Loans sold during the quarter	<u>\$ 40,135</u>	<u>\$ 68,593</u>	<u>\$ 61,574</u>	<u>\$ 39,952</u>
<u>Funding distribution :</u>				
Demand	\$ 41,174	\$ 42,229	\$ 42,667	\$ 44,697
N.O.W	42,237	35,446	33,009	33,036
Savings	18,336	20,520	27,786	34,649
Money market	108,432	102,664	82,298	62,705
Total core deposits	<u>210,179</u>	<u>200,859</u>	<u>185,760</u>	<u>175,087</u>
Time	306,159	271,823	280,843	291,072
Total deposits	<u>516,338</u>	<u>472,682</u>	<u>466,603</u>	<u>466,159</u>
Borrowings	104,245	115,745	104,100	109,518
Note payable	14,980	14,980	14,979	14,978
Total funding sources	<u>\$ 635,563</u>	<u>\$ 603,407</u>	<u>\$ 585,682</u>	<u>\$ 590,655</u>
Sequential quarter growth rate - total deposits	<u>9.24%</u>	<u>1.30%</u>	<u>0.10%</u>	<u>9.97%</u>
Period-end core deposits/total deposits ratio	<u>40.71%</u>	<u>42.49%</u>	<u>39.81%</u>	<u>37.56%</u>
Period-end demand deposits/total deposits ratio	<u>7.97%</u>	<u>8.93%</u>	<u>9.14%</u>	<u>9.59%</u>

⁽¹⁾ Excluding loans held for sale.

HANOVER BANCORP, INC.
NON-GAAP DISCLOSURE (unaudited)
(dollars in thousands)

Reconciliation of As Reported (GAAP) and Non-GAAP Financial Measures

	Three Months Ended			
	<u>6/30/2019</u>	<u>3/31/2019</u>	<u>12/31/2018</u>	<u>9/30/2018</u>
Net income, GAAP	\$ 2,012	\$ 2,338	\$ 2,325	\$ 1,738
Adjustments:				
Non-recurring asset writedown, net of tax	-	-	90	-
Core operating net income	\$ 2,012	\$ 2,338	\$ 2,415	\$ 1,738

	Three Months Ended			
	<u>6/30/2019</u>	<u>3/31/2019</u>	<u>12/31/2018</u>	<u>9/30/2018</u>
Net-interest income, GAAP	\$ 5,349	\$ 5,219	\$ 5,525	\$ 5,103
Adjustments:	-	-	-	-
Core net interest income	5,349	5,219	5,525	5,103
Non-interest income, GAAP	1,024	1,463	1,362	937
Adjustments:	-	-	-	-
Core non-interest income	1,024	1,463	1,362	937
Core total revenue	\$ 6,373	\$ 6,682	\$ 6,887	\$ 6,040
Operating expenses, GAAP	\$ 3,728	\$ 3,390	\$ 3,603	\$ 3,173
Adjustments:				
Non-recurring asset writedown	-	-	119	-
Core operating expenses	\$ 3,728	\$ 3,390	\$ 3,484	\$ 3,173
Core operating efficiency ratio	58.50%	50.73%	50.59%	52.53%
GAAP operating efficiency ratio	58.50%	50.73%	52.32%	52.53%

	Three Months Ended							
	<u>6/30/2019</u>		<u>3/31/2019</u>		<u>12/31/2018</u>		<u>9/30/2018</u>	
Net interest income / margin	\$ 5,349	3.19%	\$ 5,219	3.36%	\$ 5,525	3.42%	\$ 5,103	3.33%
Adjustments:	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Core net interest income / margin	\$ 5,349	3.19%	\$ 5,219	3.36%	\$ 5,525	3.42%	\$ 5,103	3.33%

HANOVER BANCORP, INC.

NON-GAAP DISCLOSURE (unaudited)

(dollars in thousands)

Reconciliation of As Reported (GAAP) and Non-GAAP Financial Measures

	Nine Months Ended 6/30/2019	Nine Months Ended 6/30/2018
Net income, GAAP	\$ 6,675	\$ 2,864
Adjustments:		
Non-recurring asset writedown	119	-
Non-recurring debt restructuring charge	-	83
Total adjustments, before income taxes	119	83
Adjustment for reported effective tax rate	29	28
Subtotal adjustments, after income taxes	90	55
Non-recurring deferred tax asset charge	-	876
Total adjustments, after income taxes	\$ 90	\$ 931
Core operating net income	\$ 6,765	\$ 3,795

	Nine Months Ended 6/30/2019	Nine Months Ended 6/30/2018
Net-interest income, GAAP	\$ 16,092	\$ 13,119
Adjustments:		
Non-recurring debt restructuring charge	-	83
Core net interest income	16,092	13,202
Non-interest income, GAAP	3,849	1,797
Adjustments:		
Net gain on sale of securities available for sale	-	(20)
Core non-interest income	3,849	1,777
Core total revenue	\$ 19,941	\$ 14,979
Operating expenses, GAAP	\$ 10,721	\$ 8,708
Adjustments:		
Non-recurring asset writedown	119	-
Core Operating expenses	\$ 10,602	\$ 8,708
Core operating efficiency ratio	53.17%	58.13%
GAAP operating efficiency ratio	53.76%	58.46%

	Nine Months Ended 6/30/2019		Nine Months Ended 6/30/2018	
Net interest income / margin	\$ 16,092	3.32%	\$ 13,119	3.29%
Non-recurring debt restructuring charge	-	0.00%	83	0.02%
Core net interest income / margin	\$ 16,092	3.32%	\$ 13,202	3.31%

HANOVER BANCORP, INC.
(unaudited, dollars in thousands)

Net Interest Income Analysis
For the Three Months Ended June 30, 2019 and 2018

	2019			2018		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<u>Assets:</u>						
Interest-earning assets:						
Loans	\$ 606,522	\$ 7,982	5.28%	\$ 512,532	\$ 6,498	5.09%
Investment securities	12,658	107	3.39%	13,454	112	3.34%
Interest-earning cash	46,987	273	2.33%	34,686	154	1.78%
FHLB stock and other investments	5,663	82	5.81%	5,228	86	6.60%
Total interest-earning assets	<u>671,830</u>	<u>8,444</u>	<u>5.04%</u>	<u>565,900</u>	<u>6,850</u>	<u>4.86%</u>
Non interest-earning assets:						
Cash and due from banks	4,121			2,908		
Other assets	11,798			12,210		
Total assets	<u>\$ 687,749</u>			<u>\$ 581,018</u>		
<u>Liabilities and stockholders' equity:</u>						
Interest-bearing liabilities:						
Savings, N.O.W and money market deposits	\$ 166,907	\$ 689	1.66%	\$ 105,211	\$ 304	1.16%
Time deposits	288,312	1,690	2.35%	286,018	1,276	1.79%
Total savings and time deposits	455,219	2,379	2.10%	391,229	1,580	1.62%
Fed funds purchased & FHLB advances	105,811	495	1.88%	98,635	414	1.68%
Note payable	14,980	222	5.94%	14,977	223	5.97%
Total interest-bearing liabilities	<u>576,010</u>	<u>3,096</u>	<u>2.16%</u>	<u>504,841</u>	<u>2,217</u>	<u>1.76%</u>
Demand deposits	43,616			23,748		
Other liabilities	3,191			4,570		
Total liabilities	<u>622,817</u>			<u>533,159</u>		
Stockholders' equity	64,932			47,859		
Total liabilities & stockholders' equity	<u>\$ 687,749</u>			<u>\$ 581,018</u>		
Net interest rate spread			<u>2.88%</u>			<u>3.10%</u>
Net interest income/margin		<u>\$ 5,348</u>	<u>3.19%</u>		<u>\$ 4,633</u>	<u>3.28%</u>

Core Net Interest Income Analysis
For the Nine Months Ended June 30, 2019 and 2018

	2019			2018		
	Average Balance	Interest	Average Rate	Average Balance	Interest ⁽¹⁾	Average Rate
Assets:						
Interest-earning assets:						
Loans	\$ 592,704	\$ 23,351	5.27%	\$ 485,745	\$ 18,229	5.02%
Investment securities	12,792	323	3.38%	13,774	340	3.30%
Interest-earning cash	37,048	657	2.37%	28,797	331	1.54%
FHLB stock and other investments	5,628	278	6.60%	4,679	226	6.46%
Total interest-earning assets	<u>648,172</u>	<u>24,609</u>	<u>5.08%</u>	<u>532,995</u>	<u>19,126</u>	<u>4.80%</u>
Non interest-earning assets:						
Cash and due from banks	4,107			2,645		
Other assets	11,563			12,804		
Total assets	<u>\$ 663,842</u>			<u>\$ 548,444</u>		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Savings, N.O.W and money market deposits	\$ 151,012	\$ 1,830	1.62%	\$ 105,934	\$ 852	1.08%
Time deposits	283,522	4,553	2.15%	266,820	3,431	1.72%
Total savings and time deposits	<u>434,534</u>	<u>6,383</u>	<u>1.96%</u>	<u>372,754</u>	<u>4,283</u>	<u>1.54%</u>
Fed funds purchased & FHLB advances	106,594	1,467	1.84%	89,077	1,066	1.60%
Note payable	14,979	667	5.95%	12,838	575 ⁽¹⁾	5.99%
Total interest-bearing liabilities	<u>556,107</u>	<u>8,517</u>	<u>2.05%</u>	<u>474,669</u>	<u>5,924</u>	<u>1.67%</u>
Demand deposits	42,869			23,845		
Other liabilities	3,584			4,394		
Total liabilities	<u>602,560</u>			<u>502,908</u>		
Stockholders' equity	61,282			45,536		
Total liabilities & stockholders' equity	<u>\$ 663,842</u>			<u>\$ 548,444</u>		
Net interest rate spread			<u>3.03%</u>			<u>3.13%</u>
Net interest income/margin		<u>\$ 16,092</u>	<u>3.32%</u>		<u>\$ 13,202</u>	<u>3.31%</u>

⁽¹⁾ Calculation excludes the non-recurring pre-tax debt restructuring charge of \$83,000.