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Hanover Bancorp, Inc. Reports Third Quarter 2019 Results Highlighted by Record Levels of Total Assets, Loans, Deposits and Stockholders' Equity. Acquisition of Chinatown Federal Savings Bank Closes.

Third Quarter and Fiscal Year Performance Highlights

- **Net Income:** Net income for the quarter ended September 30, 2019 amounted to \$1.4 million or \$0.32 per diluted common share, versus \$1.7 million or \$0.50 per diluted common share recorded in the same period a year ago reflecting the impact of merger-related charges recorded in the third quarter of 2019. The Company recorded net income for the fiscal year ended September 30, 2019 of \$8.1 million or \$2.06 per diluted common share compared with \$4.6 million or \$1.36 per diluted common share in the 2018 fiscal year.
- **Balance Sheet:** Assets totaled a record \$848.8 million at September 30, 2019, up \$144.1 million from June 30, 2019 and up \$198.9 million from September 30, 2018, primarily due to the CFSB acquisition, which added approximately \$125 million in total assets at September 30, 2019, coupled with continued strong organic loan growth.
- **Continued Capital Strength:** The Bank's Tier 1 capital ratio was 10.47% and its Total Risk based capital ratio was 19.07% at September 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 11.8% to \$16.92 at September 30, 2019 from \$15.14 at the comparable 2018 date.
- **Strong Year-Over-Year Loan Growth:** Total loans outstanding at September 30, 2019 were \$720.4 million or 84.9% of total assets, an increase of \$103.0 million from June 30, 2019 and up \$161.1 million from September 30, 2018. The Bank added approximately \$94 million in loans as part of the Chinatown Federal Savings Bank ("CFSB") acquisition during the third quarter of 2019. The growth in loans recorded during the third calendar quarter of 2019 is also net of \$25.8 million in sales of performing credits during that period.
- **Excellent Asset Quality:** At September 30, 2019, the Bank's asset quality remained pristine with non-performing loans representing only 0.31% of the total portfolio.

- **Net Interest Income Growth:** Net interest income was \$6.3 million for the quarter ended September 30, 2019, an increase of \$1.2 million, or 24.0%, versus the comparable 2018 quarter.
- **Net Interest Margin:** The Company's net interest margin for the quarter ended September 30, 2019 was 3.24% versus 3.19% in the quarter ended June 30, 2019 and 3.33% in the quarter ended September 30, 2018.
- **Market Expansion Through Acquisition:** On August 9, 2019, the Company completed its acquisition of CFSB, which added three branch locations, two in Manhattan and one in Sunset Park, Brooklyn, to the Hanover network.

Mineola, NY – November 8, 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 September 30, 2019, highlighted by record levels of total assets, total loans, total deposits, stockholders’ equity and tangible book value per share.

Earnings Summary for the Quarter Ended September 30, 2019

The Company reported net income for the quarter ended September 30, 2019 of \$1.4 million or \$0.32 per diluted common share, versus \$1.7 million or \$0.50 per diluted common share from the comparable year ago period, representing a decrease of \$328 thousand or 18.9%.

The decline in net income recorded in the third quarter of 2019 resulted from a \$2.0 million increase in operating expenses resulting from growth in compensation and benefits (up \$1.1 million), occupancy and equipment (up \$366 thousand) and merger-related expenses (up \$471 thousand) coupled with an increase in the Company’s effective tax rate to 32.4% from 24.3% a year ago. Partially offsetting these negative trends were an improvement in net interest income (up \$1.2 million) and a \$570 thousand reduction in the provision for loan losses in 2019 versus the third quarter of 2018. An increase in average interest-earning assets of \$168.4 million (27.7%) resulting from growth in average total loans of \$127.8 million, or 22.9%, coupled with a 24 basis point increase in the average loan portfolio yield to 5.38% in the third calendar quarter of 2019, accounted for the year-over-year improvement in net interest income.

Excluding merger-related charges recorded in the third quarter of 2019, core (non-GAAP) operating net income was \$1.8 million or \$0.43 per diluted common share, down \$18 thousand or 1.0% versus 2018. Third quarter returns on average total assets and average stockholders’ equity, excluding merger-related charges in each period, were 0.89% and 10.11%, respectively in 2019, versus 1.15% and 14.51% a year ago.

Earnings Summary for the Fiscal Year Ended September 30, 2019

For the fiscal year ended September 30, 2019, the Company reported record GAAP net income of \$8.1 million or \$2.06 per diluted common share versus \$4.6 million or \$1.36 per diluted common share a year ago.

The improvement in earnings in 2019 resulted from significant increases in net interest income (up \$4.1 million) and non-interest income (up \$2.0 million) and a \$1.0 million reduction in the provision for loan losses. Partially offsetting the foregoing positive factors was an increase in operating expenses (up \$4.0 million), principally the result of growth in staff and facilities to

support the Company's continued expansion and merger-related charges in connection with the CFSB acquisition.

Michael P. Puorro, Chairman, President and Chief Executive Officer, commented on the Company's results: "I am very pleased to report that we completed our acquisition of Chinatown Federal Savings Bank during the third quarter and we also seamlessly converted their core operating system to our Fiserv platform within 30 days of closing. We are excited about the potential for our three new branch locations in Manhattan and Brooklyn and have been actively marketing the full suite of Hanover products to members of these communities. We also continued our strong operating momentum in the third calendar quarter of 2019 by staying focused on our core loan generation strategy which continues to result in excellent annual portfolio growth. As I noted last quarter, we continue to generate non-interest income through sales of high quality performing loans, though at a lesser rate than in the previous quarters as we elected to retain more of our loan originations in portfolio. Improved deposit growth during the third calendar quarter of 2019, in large part due to the continued success of our new Flushing branch coupled with deposits acquired from CFSB, allowed us to again retain a greater portion of our new loan production on the Company's balance sheet.

Mr. Puorro also noted, "Growth in shareholder value is our number one priority at Hanover Bancorp. This hallmark of our success continues to be reflected by robust growth in tangible book value per share which increased by \$1.78, or 11.8%, to \$16.92 per share at September 30, 2019 versus the comparable year ago date."

Excluding merger-related and other non-recurring charges of \$856 thousand, the Company reported record core operating net income of \$8.7 million in the fiscal year ended September 30, 2019, an increase of 55.0% from core operating net income of \$5.6 million in the prior year period. Core operating earnings per diluted common share were \$2.22 and \$1.66 in 2019 and 2018, respectively.

Balance Sheet Growth

At September 30, 2019, the Company's balance sheet reflected the acquisition of Chinatown Federal Savings Bank. Total assets for the quarter ended September 30, 2019 amounted to a record \$848.8 million, an increase of 30.6% from the comparable 2018 date. The year-over-year balance sheet growth was funded by growth in total deposits (up \$184.1 million) and stockholders' equity (up \$17.7 million).

Total deposits at September 30, 2019 increased by 39.5% to a record \$650.3 million when compared to September 30, 2018, the result of significant growth in core (Demand, N.O.W., Savings and Money Market) deposits (up \$89.7 million). Management also continues to utilize 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 September 30, 2019 were \$100.7 million with a weighted average rate and term of 1.88% and 15 months, respectively. At September 30, 2019, the Bank had \$36.7 million of additional borrowing capacity from the FHLB.

Stockholders' equity increased by \$17.7 million to \$72.0 million at September 30, 2019 from the comparable 2018 date resulting in an 11.8% increase in tangible book value per share over the past twelve months to \$16.92 at September 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 28% of total shares outstanding at September 30, 2019.

The Company's average cost of interest-bearing liabilities increased to 2.14% for the quarter ended September 30, 2019, from 1.84% a year ago and declined from 2.16% on a linked quarter basis. Partially offsetting the increase in the Company's average cost of interest-bearing liabilities from the September 2018 quarter was a nine basis point improvement in the average yield on interest-earning assets to 5.05% during the third quarter of 2019, primarily driven by higher average loan yields (up 24 basis points in 2019) resulting in part from 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 September 30, 2019, the Bank's loan portfolio, net of sales, grew by \$161.1 million, or 28.8%, with the growth due to a combination of organic growth and loans acquired in the CFSB transaction. Organic loan growth was 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 \$247 million with an average loan balance of approximately \$546 thousand and a weighted average loan-to-value ratio of 59%. At September 30, 2019, the Company's residential loan portfolio amounted to \$464.6 million, with an average loan balance of \$407 thousand and a weighted average loan-to-value ratio of 53%. Commercial real estate loans totaled \$248.0 million at September 30, 2019, with an average loan balance of \$694 thousand and a weighted average loan-to-value ratio of 52%. The Company's commercial real estate concentration ratio was 265% of capital at September 30, 2019 versus 240% 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 September 30, 2019, the Company sold \$25.8 million in performing loans and recorded gains on the sale of loans held-for-sale of \$818 thousand versus gains of \$918 thousand in the quarter ended June 30, 2019 and gains of \$878 thousand in the quarter ended September 30, 2018. During the twelve months ended September 30, 2019, the Company sold \$196.1 million in performing loans held-for-sale and recorded cumulative gains of \$4.4 million.

The Bank's asset quality ratios continue to remain strong and among the best in its peer group of community banks. At September 30, 2019, the Company reported \$2.2 million in non-performing loans which represented 0.31% of total loans outstanding. During the third calendar quarter of 2019, the Bank did not record a provision for loan losses expense. The September 30, 2019 allowance for loan losses balance was \$7.1 million versus \$6.5 million a year ago. The allowance for loan losses as a percent of total loans was 0.99% at September 30, 2019 versus

1.16% at June 30, 2019 and September 30, 2018. The allowance for loan losses as a percent of total originated loans was 1.13% at September 30, 2019.

Net Interest Margin

The Bank's net interest margin declined to 3.24% during the third calendar quarter of 2019, versus 3.33% in the comparable 2018 quarter but expanded from 3.19% in the quarter ended June 30, 2019. The nine basis point decrease in the Bank's net interest margin versus 2018 was primarily attributable to a 30 basis point increase in the yield on average interest-bearing liabilities to 2.14% from 1.84% a year ago. The higher cost of funds in 2019 was the result of significant competition for deposits in the Company's market area, principally for certificates of deposit, accompanied by a shift in the Company's deposit mix to a greater concentration of high yield money market accounts. Also contributing to margin compression in the third quarter was an increase in lower-yielding average interest-bearing cash on the balance sheet (up \$40.8 million) resulting from a combination of loan sales, deposits generated at the new Flushing branch and liquidity from the CFBSB acquisition. Partially offsetting the negative impact of the foregoing factors, the average rate on total interest-earning assets improved by nine basis points to 5.05% in the third quarter of 2019 versus the comparable 2018 period. This improvement in yield was largely the result of a 24 basis point increase in the average loan yield to 5.38% in 2019. Year-over-year growth in average core deposits versus the quarter ended September 30, 2018, coupled with an increase in average stockholders' equity (up \$20.9 million), partially mitigated the higher cost of funds in the third quarter.

Operating Efficiency Ratio

The Bank's GAAP operating efficiency ratio was 71.3% in the third calendar quarter of 2019 versus 52.5% a year ago. The third quarter 2019 core operating efficiency ratio, which excludes merger-related charges, was 63.4%.

Management Departures

Separately, the Company also announced that Messrs. Kenneth Sapanski and Robert Marrali, Chief Credit Officer and Chief Lending Officer of the Bank, respectively, are no longer with the Bank.

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 additional branch locations in Garden City Park, Forest Hills, Flushing, Sunset Park, and Chinatown, New York.

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)

	September 30, 2019	June 30, 2019	September 30, 2018
Assets			
Cash and cash equivalents	\$ 87,831	\$ 56,571	\$ 57,096
Securities-available for sale, at fair value	911	902	185
Investments-held to maturity	12,030	12,299	12,931
Loans held for sale	-	-	2,660
Loans, net of deferred loan fees and costs	720,442	617,477	559,380
Less: allowance for loan losses	(7,143)	(7,143)	(6,493)
Loans, net	<u>713,299</u>	<u>610,334</u>	<u>552,887</u>
Goodwill	1,482	-	-
Premises & fixed assets	14,406	14,409	13,843
Other assets	18,877	10,245	10,361
Assets	<u>\$ 848,836</u>	<u>\$ 704,760</u>	<u>\$ 649,963</u>
Liabilities and stockholders' equity			
Core deposits	\$ 264,772	\$ 210,179	\$ 175,087
Time deposits	385,514	306,159	291,072
Total deposits	<u>650,286</u>	<u>516,338</u>	<u>466,159</u>
Borrowings	100,745	104,245	109,518
Note payable	14,981	14,980	14,978
Other liabilities	10,874	3,074	5,078
Liabilities	<u>776,886</u>	<u>638,637</u>	<u>595,733</u>
Stockholders' equity	71,950	66,123	54,230
Liabilities and stockholders' equity	<u>\$ 848,836</u>	<u>\$ 704,760</u>	<u>\$ 649,963</u>

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

	Three Months Ended		Fiscal Year Ended	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Interest income	\$ 9,888	\$ 7,598	\$ 34,497	\$ 26,724
Interest expense	3,559	2,495	12,076	8,420
Net interest income	6,329	5,103	22,421	18,304
Provision for loan losses	-	570	650	1,698
Net interest income after provision for loan losses	6,329	4,533	21,771	16,606
Loan fees and service charges	39	48	186	163
Service charges on deposit accounts	31	11	64	34
Gain on sale of investments	-	-	-	20
Gain on sale of loans held-for-sale	818	878	4,361	2,461
Other operating income	33	-	159	55
Non-interest income	921	937	4,770	2,733
Compensation and benefits	2,813	1,730	9,041	6,550
Occupancy and equipment	940	574	2,835	2,222
Data processing	235	125	662	489
Marketing and advertising	112	134	487	370
Professional fees	210	272	775	1,109
Other operating expenses	288	240	1,231	1,043
Non-interest expense	4,598	3,075	15,031	11,783
Income before income taxes	2,652	2,395	11,510	7,556
Income tax expense	858	583	2,819	1,950
Core operating net income (1)	1,794	1,812	8,691	5,606
Merger-related expenses and other non-recurring charges, net of tax	384	74	606	129
Non-recurring tax expense	-	-	-	876
Net income	\$ 1,410	\$ 1,738	\$ 8,085	\$ 4,601
Basic earnings per share - GAAP	\$ 0.33	\$ 0.51	\$ 2.10	\$ 1.39
Diluted earnings per share - GAAP	\$ 0.32	\$ 0.50	\$ 2.06	\$ 1.36
Basic earnings per share - Core	\$ 0.44	\$ 0.54	\$ 2.25	\$ 1.69
Diluted earnings per share - Core	\$ 0.43	\$ 0.53	\$ 2.22	\$ 1.66

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				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
Interest income	\$ 9,888	\$ 8,444	\$ 7,983	\$ 8,182	\$ 7,598
Interest expense	3,559	3,096	2,764	2,657	2,495
Net interest income	6,329	5,348	5,219	5,525	5,103
Provision for loan losses	-	225	200	225	570
Net interest income after provision for loan losses	6,329	5,123	5,019	5,300	4,533
Loan fees and service charges	39	57	37	53	48
Service charges on deposit accounts	31	12	11	10	11
Gain on sale of loans held-for-sale	818	918	1,367	1,258	878
Other operating income	33	37	48	41	-
Non-interest income	921	1,024	1,463	1,362	937
Compensation and benefits	2,813	2,134	2,119	1,975	1,730
Occupancy and equipment	940	682	613	600	574
Data processing	235	176	133	118	125
Marketing and advertising	112	108	109	158	134
Professional fees	210	205	151	209	272
Other operating expenses	288	385	265	293	240
Non-interest expense	4,598	3,690	3,390	3,353	3,075
Income before income taxes	2,652	2,457	3,092	3,309	2,395
Income tax expense	858	413	754	794	583
Core operating net income (1)	1,794	2,044	2,338	2,515	1,812
Merger-related expenses and other non-recurring charges, net of tax	384	33	-	189	74
Net income	\$ 1,410	\$ 2,011	\$ 2,338	\$ 2,326	\$ 1,738
Basic earnings per share - GAAP	\$ 0.33	\$ 0.51	\$ 0.62	\$ 0.63	\$ 0.51
Diluted earnings per share - GAAP	\$ 0.32	\$ 0.51	\$ 0.61	\$ 0.61	\$ 0.50
Basic earnings per share - Core	\$ 0.44	\$ 0.52	\$ 0.62	\$ 0.67	\$ 0.54
Diluted earnings per share - Core	\$ 0.43	\$ 0.52	\$ 0.61	\$ 0.66	\$ 0.53

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)

	9/30/2019	6/30/2019	3/31/2019	12/31/2018
Asset quality:				
Allowance for loan losses	\$ 7,143	\$ 7,143	\$ 6,917	\$ 6,717
Allowance for loan losses to total loans (1)	0.99%	1.16%	1.18%	1.19%
Allowance for loan losses to originated loans (1)	1.13%	1.16%	1.18%	1.19%
Non-performing loans	\$ 2,242	\$ 634	\$ -	\$ -
Non-performing loans/total loans	0.31%	0.10%	N/A	N/A
Non-performing loans/total assets	0.26%	0.09%	N/A	N/A
Allowance for loan losses/non-performing loans	318.60%	1126.66%	N/A	N/A
Capital (Bank only):				
Tier 1 Capital	\$ 83,423	\$ 79,100	\$ 76,833	\$ 74,235
Tier 1 leverage ratio	10.47%	11.50%	11.88%	11.30%
Common equity tier 1 capital ratio	17.81%	21.35%	21.64%	21.02%
Tier 1 risk based capital ratio	17.81%	21.35%	21.64%	21.02%
Total risk based capital ratio	19.07%	22.61%	22.90%	22.27%
Equity data:				
Common shares outstanding	4,162,904	3,968,248	3,837,265	3,741,317
Stockholders' equity	\$ 71,950	\$ 66,123	\$ 63,442	\$ 59,589
Book value per common share	17.28	16.66	16.53	15.93
Tangible common equity	70,442	66,123	63,442	59,589
Tangible book value per common share	16.92	16.66	16.53	15.93

(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		Fiscal Year Ended	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Profitability:				
Return on average assets	0.89% ⁽¹⁾	1.15% ⁽³⁾	1.25% ⁽⁵⁾	0.99% ⁽⁷⁾
Return on average equity	10.11% ⁽¹⁾	14.51% ⁽³⁾	13.67% ⁽⁵⁾	12.05% ⁽⁷⁾
Yield on average interest-earning assets	5.05%	4.96%	5.07%	4.84%
Cost of average interest-bearing liabilities	2.14%	1.84%	2.07%	1.72% ⁽⁸⁾
Net interest rate spread (11)	2.91%	3.12%	3.00%	3.12% ⁽⁸⁾
Net interest margin (12)	3.24%	3.33%	3.30%	3.32% ⁽⁸⁾
Non-interest expense to average assets	2.28% ⁽²⁾	1.96% ⁽⁴⁾	2.15% ⁽⁶⁾	2.08% ⁽⁹⁾
Operating efficiency ratio	63.42% ⁽²⁾	50.92% ⁽⁴⁾	55.28% ⁽⁶⁾	56.06% ⁽¹⁰⁾
Average balances:				
Interest-earning assets	\$ 776,087	\$ 607,682	\$ 680,413	\$ 551,822
Interest-bearing liabilities	661,106	536,905	582,573	490,357
Loans	686,532	558,743	616,353	504,145
Deposits	600,100	446,397	508,329	409,151
Borrowings	116,823	122,052	120,376	106,991

(1) Calculation excludes the non-recurring after tax merger-related expense of \$384,000.

(2) Calculation excludes the non-recurring pre-tax merger-related expense of \$568,000.

(3) Calculation excludes the non-recurring after tax merger-related expense of \$74,000.

(4) Calculation excludes the non-recurring pre-tax merger-related expense of \$97,000.

(5) Calculation excludes the non-recurring after tax asset write down of \$90,000 and merger-related expense of \$516,000.

(6) Calculation excludes the non-recurring pre-tax asset write down of \$119,000 and merger-related expense of \$737,000.

(7) Calculation excludes the non-recurring deferred tax asset charge of \$876,000, \$55,000 after-tax debt restructuring charge, and \$74,000 after-tax merger-related expense.

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

(9) Calculation excludes the non-recurring pre-tax asset merger-related expense of \$97,000.

(10) Calculation excludes the non-recurring pre-tax debt restructuring charge of \$83,000 and pre-tax asset merger-related expense of \$97,000.

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

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

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

	<u>9/30/2019</u>	<u>6/30/2019</u>	<u>3/31/2019</u>	<u>12/31/2018</u>
<u>Loan distribution (1):</u>				
Residential mortgages	\$ 448,834	\$ 418,646	\$ 391,742	\$ 376,742
Multifamily	139,685	127,558	129,225	126,851
Commercial real estate	108,302	50,757	47,243	46,196
Commercial & industrial	7,377	7,614	7,135	6,878
Home equity	15,739	12,404	8,600	9,433
Consumer	505	498	18	17
Total loans	<u>\$ 720,442</u>	<u>\$ 617,477</u>	<u>\$ 583,963</u>	<u>\$ 566,117</u>
Sequential quarter growth rate	<u>16.68%</u>	<u>5.74%</u>	<u>3.15%</u>	<u>1.20%</u>
Loans sold during the quarter	<u>\$ 25,806</u>	<u>\$ 40,135</u>	<u>\$ 68,593</u>	<u>\$ 61,574</u>
<u>Funding distribution:</u>				
Demand	\$ 69,606	\$ 41,174	\$ 42,229	\$ 42,667
N.O.W	53,564	42,237	35,446	33,009
Savings	39,548	18,336	20,520	27,786
Money market	102,054	108,432	102,664	82,298
Total core deposits	264,772	210,179	200,859	185,760
Time	385,514	306,159	271,823	280,843
Total deposits	650,286	516,338	472,682	466,603
Borrowings	100,745	104,245	115,745	104,100
Note payable	14,981	14,980	14,980	14,979
Total funding sources	<u>\$ 766,012</u>	<u>\$ 635,563</u>	<u>\$ 603,407</u>	<u>\$ 585,682</u>
Sequential quarter growth rate - total deposits	<u>25.94%</u>	<u>9.24%</u>	<u>1.30%</u>	<u>0.10%</u>
Period-end core deposits/total deposits ratio	<u>40.72%</u>	<u>40.71%</u>	<u>42.49%</u>	<u>39.81%</u>
Period-end demand deposits/total deposits ratio	<u>10.70%</u>	<u>7.97%</u>	<u>8.93%</u>	<u>9.14%</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			
	9/30/2019	6/30/2019	3/31/2019	12/31/2018
Net income, GAAP	\$ 1,410	\$ 2,011	\$ 2,338	\$ 2,326
Adjustments, net of tax:				
Merger-related expense	384	33	-	99
Non-recurring asset writedown	-	-	-	90
Core operating net income	\$ 1,794	\$ 2,044	\$ 2,338	\$ 2,515

	Three Months Ended			
	9/30/2019	6/30/2019	3/31/2019	12/31/2018
Net-interest income, GAAP	\$ 6,329	\$ 5,348	\$ 5,219	\$ 5,525
Adjustments:	-	-	-	-
Core net interest income	6,329	5,348	5,219	5,525
Non-interest income, GAAP	921	1,024	1,463	1,362
Adjustments:	-	-	-	-
Core non-interest income	921	1,024	1,463	1,362
Core total revenue	\$ 7,250	\$ 6,372	\$ 6,682	\$ 6,887
Operating expenses, GAAP	\$ 5,166	\$ 3,728	\$ 3,390	\$ 3,603
Adjustments:				
Merger-related expenses	(568)	(38)	-	(131)
Non-recurring asset writedown	-	-	-	(119)
Core operating expenses	\$ 4,598	\$ 3,690	\$ 3,390	\$ 3,353
GAAP operating efficiency ratio	71.26%	58.51%	50.73%	52.32%
Core operating efficiency ratio	63.42%	57.91%	50.73%	48.69%

	Three Months Ended							
	9/30/2019		6/30/2019		3/31/2019		12/31/2018	
Net interest income / margin	\$ 6,329	3.24%	\$ 5,348	3.19%	\$ 5,219	3.36%	\$ 5,525	3.42%
Adjustments:	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Core net interest income / margin	\$ 6,329	3.24%	\$ 5,348	3.19%	\$ 5,219	3.36%	\$ 5,525	3.42%

HANOVER BANCORP, INC.

NON-GAAP DISCLOSURE (unaudited)

(dollars in thousands)

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

	Fiscal Year Ended 9/30/2019	Fiscal Year Ended 9/30/2018
Net income, GAAP	\$ 8,085	\$ 4,601
Adjustments:		
Merger-related expenses	737	97
Non-recurring asset writedown	119	-
Non-recurring debt restructuring charge	-	83
Total adjustments, before income taxes	856	180
Adjustment for reported effective tax rate	250	51
Subtotal adjustments, after income taxes	606	129
Non-recurring deferred tax asset charge	-	876
Total adjustments, after income taxes	\$ 606	\$ 1,005
Core operating net income	\$ 8,691	\$ 5,606

	Fiscal Year Ended 9/30/2019	Fiscal Year Ended 9/30/2018
Net-interest income, GAAP	\$ 22,421	\$ 18,221
Adjustments:		
Non-recurring debt restructuring charge	-	83
Core net interest income	22,421	18,304
Non-interest income, GAAP	4,770	2,733
Adjustments:		
Net gain on sale of securities available for sale	-	(20)
Core non-interest income	4,770	2,713
Core total revenue	\$ 27,191	\$ 21,017
Operating expenses, GAAP	\$ 15,887	\$ 11,880
Adjustments:		
Merger-related expenses	(737)	(97)
Non-recurring asset writedown	(119)	-
Core Operating expenses	\$ 15,031	\$ 11,783
GAAP operating efficiency ratio	58.43%	56.75%
Core operating efficiency ratio	55.28%	56.06%

	Fiscal Year Ended 9/30/2019		Fiscal Year Ended 9/30/2018	
Net interest income / margin	\$ 22,421	3.30%	\$ 18,221	3.30%
Non-recurring debt restructuring charge	-	0.00%	83	0.02%
Core net interest income / margin	\$ 22,421	3.30%	\$ 18,304	3.32%

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

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

	2019			2018		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets:						
Interest-earning assets:						
Loans	\$ 686,532	\$ 9,309	5.38%	\$ 558,743	\$ 7,236	5.14%
Investment securities	13,025	104	3.17%	13,192	110	3.31%
Interest-earning cash	70,969	387	2.16%	30,131	150	1.98%
FHLB stock and other investments	5,561	88	6.28%	5,616	102	7.21%
Total interest-earning assets	<u>776,087</u>	<u>9,888</u>	<u>5.05%</u>	<u>607,682</u>	<u>7,598</u>	<u>4.96%</u>
Non interest-earning assets:						
Cash and due from banks	4,953			3,397		
Other assets	17,787			11,855		
Total assets	<u>\$ 798,827</u>			<u>\$ 622,934</u>		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Savings, N.O.W and money market deposits	\$ 186,960	\$ 680	1.44%	\$ 122,778	\$ 413	1.33%
Time deposits	357,323	2,172	2.41%	292,075	1,380	1.87%
Total savings and time deposits	<u>544,283</u>	<u>2,852</u>	<u>2.08%</u>	<u>414,853</u>	<u>1,793</u>	<u>1.71%</u>
Fed funds purchased & FHLB advances	101,843	482	1.88%	107,074	477	1.77%
Note payable	14,980	225	5.96%	14,978	225	5.96%
Total interest-bearing liabilities	<u>661,106</u>	<u>3,559</u>	<u>2.14%</u>	<u>536,905</u>	<u>2,495</u>	<u>1.84%</u>
Demand deposits	55,817			31,544		
Other liabilities	11,475			4,944		
Total liabilities	<u>728,398</u>			<u>573,393</u>		
Stockholders' equity	70,429			49,541		
Total liabilities & stockholders' equity	<u>\$ 798,827</u>			<u>\$ 622,934</u>		
Net interest rate spread			<u>2.91%</u>			<u>3.12%</u>
Net interest income/margin		<u>\$ 6,329</u>	<u>3.24%</u>		<u>\$ 5,103</u>	<u>3.33%</u>

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

Core Net Interest Income Analysis
For the Fiscal Year Ended September 30, 2019 and 2018

	2019			2018		
	Average Balance	Interest	Average Rate	Average Balance	Interest ⁽¹⁾	Average Rate
<u>Assets:</u>						
Interest-earning assets:						
Loans	\$ 616,353	\$ 32,660	5.30%	\$ 504,145	\$ 25,466	5.05%
Investment securities	12,851	427	3.32%	13,627	451	3.31%
Interest-earning cash	45,598	1,044	2.29%	29,134	480	1.65%
FHLB stock and other investments	5,611	366	6.52%	4,916	327	6.65%
Total interest-earning assets	<u>680,413</u>	<u>34,497</u>	<u>5.07%</u>	<u>551,822</u>	<u>26,724</u>	<u>4.84%</u>
Non interest-earning assets:						
Cash and due from banks	4,320			2,834		
Other assets	13,133			12,564		
Total assets	<u>\$ 697,866</u>			<u>\$ 567,220</u>		
<u>Liabilities and stockholders' equity:</u>						
Interest-bearing liabilities:						
Savings, N.O.W and money market deposits	\$ 160,073	\$ 2,510	1.57%	\$ 110,180	\$ 1,265	1.15%
Time deposits	302,124	6,725	2.23%	273,186	4,811	1.76%
Total savings and time deposits	<u>462,197</u>	<u>9,235</u>	<u>2.00%</u>	<u>383,366</u>	<u>6,076</u>	<u>1.58%</u>
Fed funds purchased & FHLB advances	105,397	1,949	1.85%	93,614	1,544	1.65%
Note payable	14,979	892	5.96%	13,377	800 ⁽¹⁾	5.98%
Total interest-bearing liabilities	<u>582,573</u>	<u>12,076</u>	<u>2.07%</u>	<u>490,357</u>	<u>8,420</u>	<u>1.72%</u>
Demand deposits	46,132			25,785		
Other liabilities	5,573			4,533		
Total liabilities	<u>634,278</u>			<u>520,675</u>		
Stockholders' equity	<u>63,588</u>			<u>46,545</u>		
Total liabilities & stockholders' equity	<u><u>697,866</u></u>			<u><u>567,220</u></u>		
Net interest rate spread			<u>3.00%</u>			<u>3.12%</u>
Net interest income/margin		<u>\$ 22,421</u>	<u>3.30%</u>		<u>\$ 18,304</u>	<u>3.32%</u>
Less: Tax Equivalent Adjustment		<u>\$ -</u>			<u>\$ -</u>	
Net Interest Income		<u><u>\$ 22,421</u></u>			<u><u>\$ 18,304</u></u>	

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