



FOR IMMEDIATE RELEASE

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Hanover Bancorp, Inc. Reports Fourth Quarter 2019 Results

Fourth Quarter Performance Highlights

- **Net Income:** GAAP net income for the quarter ended December 31, 2019 amounted to \$1.8 million or \$0.42 per diluted common share, versus \$2.3 million or \$0.61 per diluted common share recorded in the same period a year ago. The Company recorded core (non-GAAP) net income of \$2.0 million in the quarter ended December 31, 2019 versus core net income of \$2.5 million in the comparable 2018 quarter. Core diluted earnings per common share were \$0.46 and \$0.66 per share, respectively, in the 2019 and 2018 quarterly periods. Core net income excludes merger-related and other non-recurring charges, net of tax, recorded in each period.
- **Balance Sheet:** Assets totaled a record \$861.6 million at December 31, 2019, up \$12.7 million from September 30, 2019 and up \$210.1 million from December 31, 2018. The growth in assets from year-end 2018 was due principally to the Chinatown Federal Savings Bank (“CFSB”) acquisition, which added approximately \$125 million in total assets during the third quarter of 2019. Continued loan growth also contributed to the total asset expansion.
- **Capital Strength:** The Bank’s Tier 1 capital ratio was 10.11% and its Total Risk based capital ratio was 19.68% at December 31, 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 9.7% to \$17.48 at December 31, 2019 from \$15.93 at the comparable 2018 date.
- **Strong Year-Over-Year Loan Growth:** Total loans outstanding at December 31, 2019 were \$723.2 million or 83.9% of total assets, an increase of \$2.8 million from September 30, 2019 and up \$157.1 million from December 31, 2018. The Bank added approximately \$94 million in loans as part of the CFSB acquisition during the third quarter of 2019. The growth in loans recorded during the fourth calendar quarter of 2019 is also net of \$20.2 million in sales of performing credits during that period.
- **Excellent Asset Quality:** At December 31, 2019, the Bank’s asset quality was excellent with non-performing loans representing only 0.15% of the total portfolio.
- **Net Interest Income Growth:** Net interest income was \$6.7 million in the December 31, 2019 calendar quarter, an increase of \$1.2 million, or 21.7%, versus the comparable 2018 quarter.

- **Net Interest Margin:** The Company's net interest margin for the quarter ended December 31, 2019 was 3.25% versus 3.24% in the quarter ended September 30, 2019 and 3.42% in the quarter ended December 31, 2018.

Mineola, NY – January 28, 2020 – Hanover Bancorp, Inc. (“Hanover” or “the Company”), the holding company for Hanover Community Bank (“the Bank”) today reported results for the quarter ended December 31, 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 December 31, 2019

The Company reported net income for the quarter ended December 31, 2019 of \$1.8 million or \$0.42 per diluted common share, versus \$2.3 million or \$0.61 per diluted common share from the comparable year ago period, representing a year over year reduction of 23.9%.

The decline in fourth quarter 2019 net income resulted from a \$1.6 million increase in pre-tax operating expenses (\$683 thousand related to the CFSB acquisition) resulting from growth in compensation and benefits (up \$613 thousand), occupancy and equipment (up \$532 thousand) and professional fees (up \$296 thousand), a \$657 thousand reduction in noninterest income due to a \$697 thousand decline in the gains on sale of loans held-for-sale during the fourth calendar quarter of 2019 and \$183 thousand in after-tax merger-related expenses. The Company used its enhanced liquidity from the new CFSB branches and the Company's Flushing branch to retain more of its new loan originations in portfolio rather than selling them in the secondary market which would produce increased gains on sale but not expand our interest-earning asset base which benefits net interest income on an ongoing basis. A \$1.2 million improvement in net interest income and a \$225 thousand reduction in the provision for loan losses in 2019 versus the comparable 2018 quarter partially offset the aforementioned factors. An increase in average interest-earning assets of \$178.1 million (up 27.7%) resulting from growth in average total loans of \$142.9 million, or 24.2%, coupled with a 16 basis point increase in the average loan portfolio yield to 5.39% in the fourth calendar quarter of 2019, accounted for the year-over-year improvement in net interest income.

Excluding merger-related charges recorded in the fourth quarter of 2019, core (non-GAAP) operating net income was \$2.0 million or \$0.46 per diluted common share, down 22.3% versus 2018. Fourth quarter returns on average total assets and average stockholders' equity, excluding merger-related and other non-recurring charges in each period, were 0.92% and 10.65%, respectively in 2019, versus 1.52% and 17.29% a year ago.

Michael P. Puorro, Chairman, President and Chief Executive Officer, commented on the Company's results: “I am very pleased with our fourth quarter 2019 results, including the excellent reception that we have received in both Chinatown and Sunset Park as a result of our recent acquisition of Chinatown Federal Savings Bank (CFSB). We completed our acquisition of CFSB in August, converted their core operating system to Hanover's Fiserv platform in September and have recorded over ten percent growth in deposit balances at the former CFSB offices since they joined the Hanover family. We are excited about the long-term potential for these three branch locations in Manhattan and Brooklyn for both their deposit and loan generation capabilities. As I've noted in previous quarters, 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 have elected to retain more of our loan originations in portfolio. Deposit growth during the fourth calendar quarter of 2019, also in large part due to the success of our

Flushing branch coupled with deposits acquired from CFBSB, 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 always 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 \$1.55, or 9.7%, to \$17.48 per share at December 31, 2019 versus the comparable year ago date."

Balance Sheet Growth

Total assets for the quarter ended December 31, 2019 amounted to a record \$861.6 million, an increase of \$210.1 million or 32.2% from the comparable 2018 date. The year-over-year balance sheet growth was funded by growth in total deposits (up \$202.9 million) and stockholders' equity (up \$14.3 million).

Total deposits at December 31, 2019 increased by 43.5% to a record \$669.5 million when compared to December 31, 2018, the result of significant growth in both core (Demand, N.O.W., Savings and Money Market) deposits (up \$72.6 million) and time deposits (up \$130.3 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 December 31, 2019 were \$95.1 million with a weighted average rate and term of 1.89% and 11 months, respectively. At December 31, 2019, the Bank had \$70.3 million of additional borrowing capacity from the FHLB.

Stockholders' equity increased by \$14.3 million to \$73.9 million at December 31, 2019 from the comparable 2018 date resulting in a 9.7% increase in tangible book value per share over the past twelve months to \$17.48 at December 31, 2019. Continued enhancement of shareholder value through prudent asset growth, effective expense management and the development of long-term customer relationships in its primary markets remains the primary focus of the Company's executive management team and Board of Directors at all times. Insiders have made significant investments of their own capital into Hanover Bancorp, Inc. Insider ownership represented approximately 29% of total shares outstanding at December 31, 2019.

The Company's average cost of interest-bearing liabilities increased to 2.12% for the quarter ended December 31, 2019, from 1.92% a year ago but declined from 2.14% on a linked quarter basis. Although average savings, N.O.W. and money market deposits grew by \$48.0 million or 34.6% in 2019 versus the comparable 2018 period, a 46 basis point increase in the average rate paid on time deposits more than offset this improvement and contributed to the increase in the average cost of interest-bearing liabilities in 2019. The average yield on interest-earning assets declined by one basis point to 5.05% during the fourth quarter of 2019, primarily driven by a \$35.6 million increase in low-yielding average interest-earning cash balances, resulting from a combination of loan sales, deposits generated at the Flushing branch and liquidity acquired in the CFBSB acquisition, coupled with a 68 basis point decline in the yield on these investments in the fourth quarter of 2019 versus the year ago period.

Strong Loan Portfolio and Excellent Asset Quality

For the twelve months ended December 31, 2019, the Bank's loan portfolio, net of sales, grew by \$157.1 million, or 27.8%, with the growth due to a combination of new loan originations and loans acquired in the CFSB transaction. Organic loan growth was concentrated primarily in adjustable-rate two-to-four family residential loans. Management employs 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 \$224 million with an average loan balance of approximately \$550 thousand and a weighted average loan-to-value ratio of 58%. At December 31, 2019, the Company's residential loan portfolio amounted to \$478.8 million, with an average loan balance of \$417 thousand and a weighted average loan-to-value ratio of 53%. Commercial real estate loans totaled \$236.4 million at December 31, 2019, with an average loan balance of \$663 thousand and a weighted average loan-to-value ratio of 52%. The Company's commercial real estate concentration ratio was 247% of capital at December 31, 2019 versus 208% of capital at the comparable 2018 date.

Through its well-developed 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 December 31, 2019, the Company sold \$20.2 million in performing loans and recorded gains on the sale of loans held-for-sale of \$561 thousand versus gains of \$818 thousand in the quarter ended September 30, 2019 and gains of \$1.3 million in the quarter ended December 31, 2018. During the twelve months ended December 31, 2019, the Company sold \$154.7 million in performing loans held-for-sale and recorded cumulative gains of \$3.7 million.

The Bank's asset quality ratios continue to remain strong and among the best in its peer group of community banks. At December 31, 2019, the Company reported \$1.1 million in non-performing loans which represented 0.15% of total loans outstanding. The December 31, 2019 allowance for loan losses balance was \$7.1 million versus \$6.7 million a year ago. The allowance for loan losses as a percent of total loans was 0.99% at both December 31, 2019 and September 30, 2019 and 1.19% at December 31, 2018. The allowance for loan losses as a percent of total originated loans was 1.12% at December 31, 2019. During the fourth calendar quarter of 2019, the Bank did not record a provision for loan losses expense.

Net Interest Margin

The Bank's net interest margin declined to 3.25% during the fourth calendar quarter of 2019, versus 3.42% in the comparable 2018 quarter but expanded from 3.24% in the quarter ended September 30, 2019. The 17 basis point decrease in the Bank's calendar fourth quarter net interest margin versus 2018 was primarily attributable to a reduction in loan prepayment income in 2019 coupled with a 20 basis point increase in the yield on average interest-bearing liabilities to 2.12% from 1.92% a year ago. The reduction in prepayment income reduced the calendar fourth quarter net interest margin by 11 basis points when compared to the year ago period. The higher cost of funds in 2019 resulted from continued competition for deposits in the Company's market area, principally for certificates of deposit, along with a shift in the Company's deposit

mix to a greater concentration of high yield money market accounts. As previously noted, also contributing to margin compression in the fourth quarter of 2019 was a \$35.6 million increase in lower-yielding average interest-bearing cash on the balance sheet (\$69.1 million average balance at 1.67%) resulting from a combination of loan sales, deposits generated at the Flushing branch and liquidity acquired in the CFSB acquisition. Partially offsetting the impact of the foregoing factors, the average rate on the company's loan portfolio improved by 16 basis points to 5.39% in the fourth quarter of 2019 versus the comparable 2018 period. Year-over-year growth in average core deposits, coupled with an increase in average stockholders' equity (up \$15.2 million), partially mitigated the higher cost of funds in the 2019 calendar fourth quarter.

Operating Efficiency Ratio

The Bank's GAAP operating efficiency ratio was 69.3% in the fourth calendar quarter of 2019 versus 45.1% a year ago. The fourth quarter 2019 core operating efficiency ratio, which excludes merger-related and other non-recurring charges, was 66.2%, due in part to expenses related to the CFSB franchise.

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 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)

	December 31, 2019	September 30, 2019	December 31, 2018
Assets			
Cash and cash equivalents	\$ 98,415	\$ 87,831	\$ 55,437
Securities-available for sale, at fair value	914	911	170
Investments-held to maturity	11,768	12,030	12,714
Loans, net of deferred loan fees and costs	723,241	720,442	566,117
Less: allowance for loan losses	(7,143)	(7,143)	(6,717)
Loans, net	<u>716,098</u>	<u>713,299</u>	<u>559,400</u>
Goodwill	1,482	1,482	-
Premises & fixed assets	14,396	14,406	13,956
Other assets	18,502	18,877	9,826
Assets	<u><u>\$ 861,575</u></u>	<u><u>\$ 848,836</u></u>	<u><u>\$ 651,503</u></u>
Liabilities and stockholders' equity			
Core deposits	\$ 258,379	\$ 264,772	\$ 185,760
Time deposits	411,144	385,514	280,843
Total deposits	<u>669,523</u>	<u>650,286</u>	<u>466,603</u>
Borrowings	95,086	100,745	104,100
Note payable	14,982	14,981	14,979
Other liabilities	8,088	10,874	6,232
Liabilities	<u>787,679</u>	<u>776,886</u>	<u>591,914</u>
Stockholders' equity	73,896	71,950	59,589
Liabilities and stockholders' equity	<u><u>\$ 861,575</u></u>	<u><u>\$ 848,836</u></u>	<u><u>\$ 651,503</u></u>

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

	Three Months Ended 12/31/2019	Three Months Ended 12/31/2018
Interest income	\$ 10,436	\$ 8,182
Interest expense	3,712	2,657
Net interest income	6,724	5,525
Provision for loan losses	-	225
Net interest income after provision for loan losses	6,724	5,300
Loan fees and service charges	80	53
Service charges on deposit accounts	33	10
Gain on sale of loans held-for-sale	561	1,258
Other operating income	31	41
Non-interest income	705	1,362
Compensation and benefits	2,588	1,975
Occupancy and equipment	1,132	600
Data processing	216	118
Marketing and advertising	106	158
Professional fees	505	209
Other operating expenses	368	293
Non-interest expense	4,915	3,353
Income before income taxes	2,514	3,309
Income tax expense	561	794
Core operating net income (1)	1,953	2,515
Merger-related expenses and other non-recurring charges, net of tax	183	189
Net income	\$ 1,770	\$ 2,326
Basic earnings per share - GAAP	\$ 0.43	\$ 0.63
Diluted earnings per share - GAAP	\$ 0.42	\$ 0.61
Basic earnings per share - Core	\$ 0.47	\$ 0.67
Diluted earnings per share - Core	\$ 0.46	\$ 0.66

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

	Three Months Ended				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
Interest income	\$ 10,436	\$ 9,888	\$ 8,444	\$ 7,983	\$ 8,182
Interest expense	3,712	3,559	3,096	2,764	2,657
Net interest income	6,724	6,329	5,348	5,219	5,525
Provision for loan losses	-	-	225	200	225
Net interest income after provision for loan losses	6,724	6,329	5,123	5,019	5,300
Loan fees and service charges	80	39	57	37	53
Service charges on deposit accounts	33	31	12	11	10
Gain on sale of loans held-for-sale	561	818	918	1,367	1,258
Other operating income	31	33	37	48	41
Non-interest income	705	921	1,024	1,463	1,362
Compensation and benefits	2,588	2,813	2,134	2,119	1,975
Occupancy and equipment	1,132	940	682	613	600
Data processing	216	235	176	133	118
Marketing and advertising	106	112	108	109	158
Professional fees	505	210	205	151	209
Other operating expenses	368	288	385	265	293
Non-interest expense	4,915	4,598	3,690	3,390	3,353
Income before income taxes	2,514	2,652	2,457	3,092	3,309
Income tax expense	561	858	413	754	794
Core operating net income (1)	1,953	1,794	2,044	2,338	2,515
Merger-related expenses and other non-recurring charges, net of tax	183	384	33	-	189
Net income	\$ 1,770	\$ 1,410	\$ 2,011	\$ 2,338	\$ 2,326
Basic earnings per share - GAAP	\$ 0.43	\$ 0.33	\$ 0.51	\$ 0.62	\$ 0.63
Diluted earnings per share - GAAP	\$ 0.42	\$ 0.32	\$ 0.51	\$ 0.61	\$ 0.61
Basic earnings per share - Core	\$ 0.47	\$ 0.44	\$ 0.52	\$ 0.62	\$ 0.67
Diluted earnings per share - Core	\$ 0.46	\$ 0.43	\$ 0.52	\$ 0.61	\$ 0.66

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 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 share and per share data)

	12/31/2019	9/30/2019	6/30/2019	3/31/2019
Asset quality:				
Allowance for loan losses	\$ 7,143	\$ 7,143	\$ 7,143	\$ 6,917
Allowance for loan losses to total loans (1)	0.99%	0.99%	1.16%	1.18%
Allowance for loan losses to originated loans (1)	1.12%	1.13%	1.16%	1.18%
Non-performing loans	\$ 1,062	\$ 2,242	\$ 634	\$ -
Non-performing loans/total loans	0.15%	0.31%	0.10%	N/A
Non-performing loans/total assets	0.12%	0.26%	0.09%	N/A
Allowance for loan losses/non-performing loans	672.60%	318.60%	1126.66%	N/A
Capital (Bank only):				
Tier 1 Capital	\$ 85,514	\$ 83,423	\$ 79,100	\$ 76,833
Tier 1 leverage ratio	10.11%	10.47%	11.50%	11.88%
Common equity tier 1 capital ratio	18.43%	17.81%	21.35%	21.64%
Tier 1 risk based capital ratio	18.43%	17.81%	21.35%	21.64%
Total risk based capital ratio	19.68%	19.07%	22.61%	22.90%
Equity data:				
Common shares outstanding	4,141,902	4,162,904	3,968,248	3,837,265
Stockholders' equity	\$ 73,896	\$ 71,950	\$ 66,123	\$ 63,442
Book value per common share	17.84	17.28	16.66	16.53
Tangible common equity	72,389	70,442	66,123	63,442
Tangible book value per common share	17.48	16.92	16.66	16.53

(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	
	12/31/2019	12/31/2018
Profitability:		
Return on average assets	0.92% (1)	1.52% (3)
Return on average equity	10.65% (1)	17.29% (3)
Yield on average interest-earning assets	5.05%	5.06%
Cost of average interest-bearing liabilities	2.12%	1.92%
Net interest rate spread (5)	2.93%	3.14%
Net interest margin (6)	3.25%	3.42%
Non-interest expense to average assets	2.31% (2)	2.03% (4)
Operating efficiency ratio	66.16% (2)	48.69% (4)
Average balances:		
Interest-earning assets	\$ 819,884	\$ 641,825
Interest-bearing liabilities	693,632	549,417
Loans	732,567	589,698
Deposits	652,850	469,470
Borrowings	113,285	123,785

(1) Calculation excludes the non-recurring after tax merger-related expense of \$183,000.

(2) Calculation excludes the non-recurring pre-tax merger-related expense of \$236,000.

(3) Calculation excludes the non-recurring after tax write down of \$90,000 and merger-related expense of \$99,000.

(4) Calculation excludes the non-recurring pre-tax asset write down of \$119,000 and merger-related expense of \$131,000.

(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.

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

	<u>12/31/2019</u>	<u>9/30/2019</u>	<u>6/30/2019</u>	<u>3/31/2019</u>
<u>Loan distribution (1):</u>				
Residential mortgages	\$ 461,034	\$ 448,834	\$ 418,646	\$ 391,742
Multifamily	131,474	139,685	127,558	129,225
Commercial real estate	104,951	108,302	50,757	47,243
Commercial & industrial	7,473	7,377	7,614	7,135
Home equity	17,809	15,739	12,404	8,600
Consumer	500	505	498	18
	<u>\$ 723,241</u>	<u>\$ 720,442</u>	<u>\$ 617,477</u>	<u>\$ 583,963</u>
Total loans				
Sequential quarter growth rate	<u>0.39%</u>	<u>16.68%</u>	<u>5.74%</u>	<u>3.15%</u>
Loans sold during the quarter	<u>\$ 20,198</u>	<u>\$ 25,806</u>	<u>\$ 40,135</u>	<u>\$ 68,593</u>
<u>Funding distribution :</u>				
Demand	\$ 73,018	\$ 69,606	\$ 41,174	\$ 42,229
N.O.W	42,432	53,564	42,237	35,446
Savings	41,249	39,548	18,336	20,520
Money market	101,680	102,054	108,432	102,664
Total core deposits	<u>258,379</u>	<u>264,772</u>	<u>210,179</u>	<u>200,859</u>
Time	411,144	385,514	306,159	271,823
Total deposits	<u>669,523</u>	<u>650,286</u>	<u>516,338</u>	<u>472,682</u>
Borrowings	95,086	100,745	104,245	115,745
Note payable	14,982	14,981	14,980	14,980
	<u>\$ 779,591</u>	<u>\$ 766,012</u>	<u>\$ 635,563</u>	<u>\$ 603,407</u>
Total funding sources				
Sequential quarter growth rate - total deposits	<u>2.96%</u>	<u>25.94%</u>	<u>9.24%</u>	<u>1.30%</u>
Period-end core deposits/total deposits ratio	<u>38.59%</u>	<u>40.72%</u>	<u>40.71%</u>	<u>42.49%</u>
Period-end demand deposits/total deposits ratio	<u>10.91%</u>	<u>10.70%</u>	<u>7.97%</u>	<u>8.93%</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			
	12/31/2019	9/30/2019	6/30/2019	3/31/2019
Net income, GAAP	\$ 1,770	\$ 1,410	\$ 2,011	\$ 2,338
Adjustments, net of tax:				
Merger-related expense	183	384	33	-
Core operating net income	\$ 1,953	\$ 1,794	\$ 2,044	\$ 2,338

	Three Months Ended			
	12/31/2019	9/30/2019	6/30/2019	3/31/2019
Net-interest income, GAAP	\$ 6,724	\$ 6,329	\$ 5,348	\$ 5,219
Adjustments:	-	-	-	-
Core net interest income	6,724	6,329	5,348	5,219
Non-interest income, GAAP	705	921	1,024	1,463
Adjustments:	-	-	-	-
Core non-interest income	705	921	1,024	1,463
Core total revenue	\$ 7,429	\$ 7,250	\$ 6,372	\$ 6,682
Operating expenses, GAAP	\$ 5,151	\$ 5,166	\$ 3,728	\$ 3,390
Adjustments:				
Merger-related expenses	236	568	38	-
Core operating expenses	\$ 4,915	\$ 4,598	\$ 3,690	\$ 3,390
GAAP operating efficiency ratio	69.34%	71.26%	58.51%	50.73%
Core operating efficiency ratio	66.16%	63.42%	57.91%	50.73%

	Three Months Ended							
	12/31/2019		9/30/2019		6/30/2019		3/31/2019	
Net interest income / margin	\$ 6,724	3.25%	\$ 6,329	3.24%	\$ 5,348	3.19%	\$ 5,219	3.36%
Adjustments:	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Core net interest income / margin	\$ 6,724	3.25%	\$ 6,329	3.24%	\$ 5,348	3.19%	\$ 5,219	3.36%

HANOVER BANCORP, INC.

NON-GAAP DISCLOSURE (unaudited)

(dollars in thousands)

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

	Three Months Ended 12/31/2019	Three Months Ended 12/31/2018
Net income, GAAP	\$ 1,770	\$ 2,326
Adjustments:		
Merger-related expenses	236	131
Non-recurring asset writedown	-	119
Total adjustments, before income taxes	236	250
Adjustment for reported effective tax rate	53	61
Subtotal adjustments, after income taxes	183	189
Non-recurring deferred tax asset charge	-	-
Total adjustments, after income taxes	\$ 183	\$ 189
Core operating net income	\$ 1,953	\$ 2,515

	Three Months Ended 12/31/2019	Three Months Ended 12/31/2018
Net-interest income, GAAP	\$ 6,724	\$ 5,525
Adjustments:		
Non-recurring debt restructuring charge	-	-
Core net interest income	6,724	5,525
Non-interest income, GAAP	705	1,362
Adjustments:		
Net gain on sale of securities available for sale	-	-
Core non-interest income	705	1,362
Core total revenue	\$ 7,429	\$ 6,887
Operating expenses, GAAP	\$ 5,151	\$ 3,603
Adjustments:		
Merger-related expenses	236	131
Non-recurring asset writedown	-	119
Core Operating expenses	\$ 4,915	\$ 3,353
GAAP operating efficiency ratio	69.34%	52.32%
Core operating efficiency ratio	66.16%	48.69%

	Three Months Ended 12/31/2019		Three Months Ended 12/31/2018	
Net interest income / margin	\$ 6,724	3.25%	\$ 5,525	3.42%
Non-recurring debt restructuring charge	-	0.00%	-	0.00%
Core net interest income / margin	\$ 6,724	3.25%	\$ 5,525	3.42%

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

Net Interest Income Analysis
For the Three Months Ended December 31, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Average Balance</u>	<u>Interest</u>	<u>Average Rate</u>	<u>Average Balance</u>	<u>Interest</u>	<u>Average Rate</u>
Assets:						
Interest-earning assets:						
Loans	\$ 732,567	\$ 9,946	5.39%	\$ 589,698	\$ 7,778	5.23%
Investment securities	12,761	110	3.42%	12,974	109	3.33%
Interest-earning cash	69,108	291	1.67%	33,461	198	2.35%
FHLB stock and other investments	5,448	89	6.48%	5,692	97	6.76%
Total interest-earning assets	<u>819,884</u>	<u>10,436</u>	<u>5.05%</u>	<u>641,825</u>	<u>8,182</u>	<u>5.06%</u>
Non interest-earning assets:						
Cash and due from banks	6,380			3,687		
Other assets	21,325			11,392		
Total assets	<u>\$ 847,589</u>			<u>\$ 656,904</u>		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Savings, N.O.W and money market deposits	\$ 186,524	\$ 636	1.35%	\$ 138,548	\$ 531	1.52%
Time deposits	393,823	2,383	2.40%	287,084	1,403	1.94%
Total savings and time deposits	<u>580,347</u>	<u>3,019</u>	<u>2.06%</u>	<u>425,632</u>	<u>1,934</u>	<u>1.80%</u>
Fed funds purchased & FHLB advances	98,304	468	1.89%	108,807	498	1.82%
Note payable	14,981	225	5.96%	14,978	225	5.96%
Total interest-bearing liabilities	<u>693,632</u>	<u>3,712</u>	<u>2.12%</u>	<u>549,417</u>	<u>2,657</u>	<u>1.92%</u>
Demand deposits	72,503			43,838		
Other liabilities	8,525			5,958		
Total liabilities	<u>774,660</u>			<u>599,213</u>		
Stockholders' equity	72,929			57,691		
Total liabilities & stockholders' equity	<u>\$ 847,589</u>			<u>\$ 656,904</u>		
Net interest rate spread			<u>2.93%</u>			<u>3.14%</u>
Net interest income/margin		<u>\$ 6,724</u>	<u>3.25%</u>		<u>\$ 5,525</u>	<u>3.42%</u>