# Sterling Bancorp Reports Third Quarter 2018 Financial Results

October 29, 2018

**Q3 2018 Summary**

- **Net income of $15.7 million, up 30% from Q3 2017, and down 1.5% from Q2 2018**
- **Fully diluted EPS of $0.30, up 11% from Q3 2017, and equivalent to Q2 2018**
- **Third quarter ROAA of 1.98% and ROATCE of 20.11%, and YTD 2018 ROAA of 2.06% and ROATCE of 21.20%**
- **Revenue, net of interest expense, was $35.0 million, up 11% from Q3 2017, and down 3% from Q2 2018**
- **Total loan originations of $419.2 million, down 15% from Q3 2017, and down 3% from Q2 2018**
- **Total gross loans, including loans held for investment and loans held for sale, of $2.93 billion, a 21% increase from Q3 2017, and a 10% annualized increase from Q2 2018**
- **Total deposits of $2.41 billion, a 15% increase from Q3 2017, and a 12% annualized increase from Q2 2018**
- **Net interest margin of 3.95%, compared to 4.15% in Q3 2017 and 3.96% in Q2 2018**

SOUTHFIELD, Mich.--(BUSINESS WIRE)--Oct. 29, 2018-- Sterling Bancorp, Inc. (NASDAQ: SBT) (the "Company"), the holding company of Sterling Bank and Trust, F.S.B. (the "Bank"), today reported unaudited financial results for its third quarter ended September 30, 2018.

For the third quarter 2018, net income totaled $15.7 million, or $0.30 per diluted share, based on 53.0 million weighted average diluted shares outstanding. This compares to second quarter 2018 net income of $16.0 million, or $0.30 per diluted share, based on 53.0 million weighted average diluted shares outstanding. For the third quarter of 2017, net income totaled $12.1 million, or $0.27 per diluted share, based on 45.3 million weighted average diluted shares outstanding.

"Our strong business development platform and highly efficient operations produced another quarter of solid year-over-year earnings growth and a superior level of profitability," said Gary Judd, Chairman and CEO. "We are pleased with the stability in our net interest margin, as the increase in our yield on earning assets is largely offsetting the increase in deposit costs. While the San Francisco housing market is slowing down a bit, we are generating a larger contribution to loan production from our offices in Los Angeles, New York and Seattle. We believe that our success in building our presence in these newer markets will enable us to continue to drive growth in loans, deposits and earnings in the future."

**Financial Highlights (Unaudited)**

| | **At or for the Three Months Ended** | | |
|---|---|---|---|
| (dollars in thousands, except per share data) | **September 30, 2018** | **June 30, 2018** | **September 30, 2017** |
| Net income | $ 15,741 | $ 15,982 | $ 12,092 |
| Income per share, diluted | $ 0.30 | $ 0.30 | $ 0.27 |
| Net interest income (1) | $ 30,798 | $ 29,857 | $ 26,144 |
| Net interest margin (1) | 3.95 % | 3.96 % | 4.15 % |
| Non-interest income (1) | $ 4,233 | $ 6,297 | $ 5,504 |
| Non-interest expense | $ 12,531 | $ 12,621 | $ 10,335 |
| Loans, net of allowance for loan losses | $ 2,796,150 | $ 2,816,156 | $ 2,366,193 |
| Total deposits | $ 2,412,071 | $ 2,340,605 | $ 2,099,462 |
| Nonperforming loans | $ 356 | $ 641 | $ 897 |
| Allowance for loan losses to total loans | 0.74 % | 0.72 % | 0.72 % |
| Allowance for loan losses to nonperforming loans | 5,833 % | 3,167 % | 1,916 % |
| Provision for loan losses | $ 423 | $ 1,120 | $ 900 |
| Net recoveries | $ (42 ) | $ (48 ) | $ (43 ) |
| Return on average assets | 1.98 % | 2.08 % | 1.87 % |
| Return on average shareholders' equity | 20.07 % | 21.31 % | 26.80 % |
| Efficiency ratio | 35.77 % | 34.91 % | 32.66 % |

(1) In the second quarter of 2018, the Company corrected the classification of commitment fees, net of direct loan origination costs, earned on construction loans and other lines of credit to interest income which were previously reported within non-interest income. As a result, the three months ended September 30, 2017 has been adjusted from the amounts previously reported to correct the classification error. The amount of the adjustment was a decrease to non-interest income and an increase to interest income of $648 and an increase to net interest margin of 11 basis points for the three months ended September 30, 2017. There was no change to the reported net income or income per share, basic and diluted, as previously reported as a result of this immaterial correction.

**Operating Results for the Third Quarter 2018**

**Revenue**

Revenue, net of interest expense, was $35.0 million for the third quarter of 2018, a decrease of 3% from the second quarter of 2018. The decrease was attributable to a $2.1 million decrease in non-interest income, partially offset by a $0.9 million increase in net interest income.

Relative to the third quarter of 2017, revenue, net of interest expense, increased 11% from $31.6 million. The increase from the third quarter of 2017 was attributable to a $4.7 million increase in net interest income, partially offset by a $1.3 million decrease in non-interest income.

**Net Interest Income**

Net interest income for the third quarter of 2018 was $30.8 million, an increase of 3% from $29.9 million for the second quarter of 2018. The increase in net interest income from the second quarter was primarily attributable to a $103.3 million increase in average interest earning assets.

Relative to the third quarter of 2017, net interest income increased 18% from $26.1 million. The increase in net interest income from the third quarter of 2017 was primarily driven by a $595.5 million increase in average interest earning assets.

**Net Interest Margin**

Net interest margin for the third quarter of 2018 was 3.95%, down 1 basis point from the net interest margin of 3.96% for the second quarter of 2018. Net interest margin was impacted by a 15 basis point increase in the average cost of interest-bearing liabilities, partially offset by a 13 basis point increase in the average yield on interest earning assets.

Relative to the third quarter of 2017, the net interest margin decreased from 4.15%, primarily due to a 44basis point increase in the average cost of interest-bearing liabilities, partially offset by a 16 basis point increase in the average yield on interest earning assets.

**Non-interest Income**

Non-interest income for the third quarter of 2018 was $4.2 million, a decrease from $6.3 million for the second quarter of 2018. The decrease was the result of a $2.1 million decrease in the gain on sale of loans due to the amount of residential mortgages sold in the secondary market as compared to the prior period.

Non-interest income decreased $1.3 million from $5.5 million in the third quarter of 2017, primarily as a result of a $1.4 million decrease in the gain on sale of loans due to the amount of residential mortgages sold in the secondary market as compared to the prior year period.

**Non-interest Expense**

Non-interest expense for the third quarter of 2018 was $12.5 million, a decrease from $12.6 million for the second quarter of 2018. The decrease was primarily attributable to salary expense and FDIC insurance assessments, partially offset by higher occupancy and equipment, professional fees and advertising and marketing costs.

Relative to the third quarter of 2017, non-interest expense increased 21% from $10.3 million. The increase was primarily due to an increase in personnel expenses and occupancy and equipment costs required to support new offices and the growth in the Company's operations.

The Company's operating efficiency ratio remained strong at 35.8% in the third quarter of 2018, compared with 34.9% in the second quarter of 2018 and 32.7% in the third quarter of 2017.

**Income Taxes**

The effective tax rate for both the three months ended September 30, 2018 and June 30, 2018 was 29%, compared with 41% for the three months ended September 30, 2017. The decrease in the effective tax rate in the third quarter of 2018 as compared to third quarter of 2017 was attributable to the reduction in the federal corporate tax rate that was effective January 1, 2018.

**Loan Portfolio**

Total gross loans, which includes those held for investment and held for sale, were $2.93 billion at September 30, 2018, compared with $2.86 billion at June 30, 2018. Contributing to the increase was a $92.2 million increase in residential mortgage loans held for sale and a $7.8 million increase in commercial real estate and construction loans, partially offset by a $25.9 million decrease in residential mortgage loans held for investment.

During the third quarter of 2018, the Company originated $419.1 million in loans, which included $353.5 million in residential mortgage loans, $21.9 million in commercial real estate loans, $38.3 million in construction loans and $5.4 million in commercial and industrial loans.

**Deposits**

Total deposits were $2.41 billion at September 30, 2018, compared with $2.34 billion at June 30, 2018. The increase was attributable to a $75.9 million increase in time deposits, a $5.6 million increase in non-interest bearing demand deposits and an $18.6 million increase in money market, savings and NOW deposits, partially offset by a $28.9 million decrease in brokered deposits.

**Credit Quality**

Nonperforming assets totaled $6.0 million, or 0.19% of total assets, at September 30, 2018, compared with $3.6 million, or 0.12% of total assets, at June, 2018. The increase was primarily due to the addition of a $2.8 million construction loan to troubled debt restructurings.

Recoveries for the third quarter of 2018 were $42,000 and there were no charge offs during the quarter.

The Company recorded a provision for loan losses of $0.4 million for the third quarter of 2018, compared to $1.1 million for the second quarter of 2018.

The allowance for loan losses was 0.74% of total loans and 5,833% of nonperforming loans at September 30, 2018, compared with 0.72% and 3,167%, respectively, at June 30, 2018.

**Capital**

At September 30, 2018, the Bank exceeded all regulatory capital requirements under Basel III and was considered to be a ‘‘well-capitalized’’ financial institution, as summarized in the following tables:

| | **Well Capitalized** | | **Company Actual at September 30, 2018** | |
|---|---|---|---|---|
| Total adjusted capital to risk-weighted assets | N/A | | 21.00 | % |
| Tier 1 (core) capital to risk-weighted assets | N/A | | 16.55 | % |
| Tier 1 (core) capital to adjusted tangible assets | N/A | | 10.04 | % |
| Common Tier 1 (CET 1) | N/A | | 16.55 | % |

| | **Well Capitalized** | | **Sterling Bank Actual at September 30, 2018** | |
|---|---|---|---|---|
| Total adjusted capital to risk-weighted assets | 10.00 | % | 15.99 | % |
| Tier 1 (core) capital to risk-weighted assets | 8.00 | % | 14.91 | % |
| Tier 1 (core) capital to adjusted tangible assets | 5.00 | % | 9.04 | % |
| Common Tier 1 (CET 1) | 6.50 | % | 14.91 | % |

**Conference Call and Webcast**

Management will host a conference call today at 5:00 p.m. Eastern Time to discuss the Company's financial results. The conference call number for U.S. participants is (877) 270-2148 and the conference call number for participants outside the U.S. is (412) 902-6510. Additionally, interested parties can listen to a live webcast of the call in the "Investor Relations" section of the Company's website at *www.sterlingbank.com*. An archived version of the webcast will be available in the same location shortly after the live call has ended.

A replay of the conference call may be accessed through November 12, 2018 by dialing (877) 344-7529, using conference ID number 10124704.

**About Sterling Bancorp, Inc.**

Sterling Bancorp, Inc. is a unitary thrift holding company. Its wholly owned subsidiary, Sterling Bank and Trust, F.S.B., has primary branch operations in San Francisco and Los Angeles, California, New York City and the greater Seattle market. Sterling offers a broad range of loan products to the residential and commercial markets, as well as retail and business banking services. Sterling also has an operations center and a branch in Southfield, Michigan. In March 2018, Sterling was named as the top performing community bank in the United States with total assets between $1 billion and $10 billion in 2017 by SNL/S&P Global Market Intelligence. For additional information, please visit the Company’s website at *www.sterlingbank.com*.

**Non-GAAP Financial Measures**

Some of the financial measures included in this press release are not measures of financial performance recognized in accordance with accounting principles generally accepted in the United States (“GAAP”). These non-GAAP financial measures include “Average Tangible Common Equity,” and “Return on Average Tangible Common Equity,” each of which are common metrics in the banking industry. Our management uses these non-GAAP financial measures to assess the Company’s capital strength and business performance. These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Not all companies use the same calculation of these measures; therefore this presentation may not be comparable to other similarly titled measures as presented by other companies. For further information see “Return on Average Tangible Common Equity Reconciliations (non-GAAP)” in the Financial Data section that follows.

**Forward-Looking Statements**

Readers should note that in addition to the historical information contained herein, this press release includes "forward-looking statements," within the meaning of the federal securities laws, including but not limited to statements about the Company’s expected loan production, operating expenses and future earnings levels. These statements are subject to many risks and uncertainties, including changes in interest rates and other general economic, business and political conditions, including changes in the financial markets; changes in business plans as circumstances warrant; and other risks detailed from time to time in filings made by the Company with the Securities and Exchange Commission. Readers should note that the forward-looking statements included in this press release are not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "will," "propose," "may," "plan," "seek," "expect," "intend," "estimate," "anticipate," "believe" or "continue," or similar terminology. Any forward-looking statements presented herein are made only as of the date of this press release, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

**Sterling Bancorp, Inc.**

**Condensed Consolidated Balance Sheets (Unaudited)**

| (dollars in thousands) | September 30, 2018 | June 30, 2018 | % change | December 31, 2017 | % change | September 30, 2017 | % change |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| Cash and due from banks | $ 48,879 | $ 36,820 | 33 % | $ 40,147 | 22 % | $ 36,191 | 35 % |
| Investment securities | 142,749 | 142,648 | 0 % | 126,848 | 13 % | 109,944 | 30 % |
| Mortgage loans held for sale | 113,805 | 21,641 | 426 % | 112,866 | 1 % | 34,312 | 232 % |
| Loans, net of allowance for loan losses of $20,765, $20,300, $18,457 and $17,189 | 2,796,150 | 2,816,156 | (1 )% | 2,594,357 | 8 % | 2,366,193 | 18 % |
| Accrued interest receivable | 13,087 | 12,396 | 6 % | 11,493 | 14 % | 10,115 | 29 % |
| Mortgage servicing rights, net | 9,411 | 9,295 | 1 % | 6,496 | 45 % | 6,455 | 46 % |
| Leasehold improvements and equipment, net | 9,040 | 8,413 | 7 % | 7,043 | 28 % | 6,737 | 34 % |
| Federal Home Loan Bank stock, at cost | 22,950 | 22,950 | 0 % | 22,950 | 0 % | 22,950 | 0 % |
| Cash surrender value of bank-owned life insurance | 31,146 | 30,991 | 1 % | 30,680 | 2 % | 30,518 | 2 % |
| Deferred tax asset, net | 7,002 | 5,905 | 19 % | 6,847 | 2 % | 9,639 | (27 )% |
| Other assets | 2,744 | 4,124 | (33 )% | 2,231 | 23 % | 2,866 | (4 )% |
| Total assets | $ 3,196,963 | $ 3,111,339 | 3 % | $ 2,961,958 | 8 % | $ 2,635,920 | 21 % |
| Liabilities | | | | | | | |
| Noninterest-bearing deposits | $ 79,432 | $ 73,791 | 8 % | $ 73,682 | 8 % | $ 70,572 | 13 % |
| Interest-bearing deposits | 2,332,639 | 2,266,814 | 3 % | 2,171,428 | 7 % | 2,028,890 | 15 % |
| Total deposits | 2,412,071 | 2,340,605 | 3 % | 2,245,110 | 7 % | 2,099,462 | 15 % |
| Federal Home Loan Bank borrowings | 335,000 | 350,000 | (4 )% | 338,000 | (1 )% | 234,283 | 43 % |
| Subordinated notes, net | 64,993 | 64,958 | 0 % | 64,889 | 0 % | 64,841 | 0 % |
| Accrued expenses and other liabilities | 65,456 | 51,666 | 27 % | 40,661 | 61 % | 52,862 | 24 % |
| Total liabilities | 2,877,520 | 2,807,229 | 3 % | 2,688,660 | 7 % | 2,451,448 | 17 % |
| Shareholders' Equity | | | | | | | |
| Preferred stock, authorized 10,000,000 shares; no shares issued and outstanding | - | - | - | - | - | - | - |
| Common stock, voting, no par value, authorized 500,000,000 shares at September 30, 2018, June 30, 2018 and December 31, 2017, and 490,000,000 at September 30, 2017; issued and outstanding 53,012,283 shares at September 30, 2018, 53,002,963 shares at June 30, 2018, 52,963,308 shares at December 31, 2017, and 40,199,000 shares at September 30, 2017 | 111,238 | 111,238 | 0 % | 111,238 | (0 )% | 22,863 | 387 % |
| Common stock, non-voting, no par value, authorized 10,000,000 shares, issued and outstanding 5,072,000 shares at September 30, 2017 | - | - | - | - | - | 2,885 | N/M |
| Additional paid-in capital | 12,604 | 12,501 | 1 % | 12,416 | 2 % | 12,416 | 2 % |
| Retained earnings | 195,649 | 180,438 | 8 % | 149,816 | 31 % | 146,339 | 34 % |
| Accumulated other comprehensive loss | (48 ) | (67 ) | N/M | (172 ) | N/M | (31 ) | N/M |
| Total shareholders' equity | 319,443 | 304,110 | 5 % | 273,298 | 17 % | 184,472 | 73 % |
| Total liabilities and shareholders' equity | $ 3,196,963 | $ 3,111,339 | 3 % | $ 2,961,958 | 8 % | $ 2,635,920 | 21 % |

N/M- not meaningful

**Sterling Bancorp, Inc.**
**Condensed Consolidated Statements of Income (Unaudited)**

| | **Three Months Ended** | | | | | **Nine Months Ended** | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands, except per share amounts) | September 30, 2018 | June 30, 2018 | % change | September 30, 2017 | % change | September 30, 2018 | September 30, 2017 | % change |
| Interest income: | | | | | | | | |
| Interest and fees on loans (1) | $ 40,772 | $ 38,580 | 6 % | $ 32,373 | 26 % | $ 115,752 | $ 88,116 | 31 % |
| Interest and dividends on investment securities | 958 | 842 | 14 % | 502 | 91 % | 2,619 | 1,302 | 101 % |
| Other interest | 166 | 119 | 39 % | 55 | 202 % | 399 | 103 | 287 % |
| Total interest income (1) | 41,896 | 39,541 | 6 % | 32,930 | 27 % | 118,770 | 89,521 | 33 % |
| Interest expense: | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Interest on deposits | 8,628 | 7,179 | 20 % | 4,375 | 97 % | 22,396 | 11,686 | 92 % |
| Interest on Federal Home Loan Bank borrowings | 1,297 | 1,334 | (3 )% | 1,344 | (3 )% | 3,464 | 3,044 | 14 % |
| Interest on subordinated notes and other | 1,173 | 1,171 | 0 % | 1,067 | 10 % | 3,516 | 2,883 | 22 % |
| Total interest expense | 11,098 | 9,684 | 15 % | 6,786 | 64 % | 29,376 | 17,613 | 67 % |
| Net interest income (1) | 30,798 | 29,857 | 3 % | 26,144 | 18 % | 89,394 | 71,908 | 24 % |
| Provision for loan losses | 423 | 1,120 | (62 )% | 900 | (53 )% | 2,184 | 2,100 | 4 % |
| Net interest income after provision for loan losses (1) | 30,375 | 28,737 | 6 % | 25,244 | 20 % | 87,210 | 69,808 | 25 % |
| Non-interest income: | | | | | | | | |
| Service charges and fees (1) | 100 | 92 | 9 % | 65 | 54 % | 266 | 202 | 32 % |
| Investment management and advisory fees | 445 | 500 | (11 )% | 595 | (25 )% | 1,568 | 1,736 | (10 )% |
| Net gain on sale of loans | 3,005 | 5,096 | (41 )% | 4,377 | (31 )% | 12,107 | 8,813 | 37 % |
| Other income | 683 | 609 | 12 % | 467 | 46 % | 2,082 | 1,509 | 38 % |
| Total non-interest income (1) | 4,233 | 6,297 | (33 )% | 5,504 | (23 )% | 16,023 | 12,260 | 31 % |
| Non-interest expense: | | | | | | | | |
| Salaries and employee benefits | 6,973 | 7,229 | (4 )% | 6,211 | 12 % | 20,851 | 16,898 | 23 % |
| Occupancy and equipment | 1,760 | 1,610 | 9 % | 1,549 | 14 % | 4,916 | 4,354 | 13 % |
| Professional fees | 898 | 824 | 9 % | 344 | 161 % | 2,344 | 1,008 | 133 % |
| Advertising and marketing | 470 | 351 | 34 % | 233 | 102 % | 1,170 | 655 | 79 % |
| FDIC assessments | 186 | 474 | (61 )% | 335 | (44 )% | 1,203 | 841 | 43 % |
| Data processing | 311 | 295 | 5 % | 281 | 11 % | 894 | 767 | 17 % |
| Other | 1,933 | 1,838 | 5 % | 1,382 | 40 % | 5,277 | 4,295 | 23 % |
| Total non-interest expense | 12,531 | 12,621 | (1 )% | 10,335 | 21 % | 36,655 | 28,818 | 27 % |
| Income before income taxes | 22,077 | 22,413 | (1 )% | 20,413 | 8 % | 66,578 | 53,250 | 25 % |
| Income tax expense | 6,336 | 6,431 | (1 )% | 8,321 | (24 )% | 19,106 | 21,804 | (12 )% |
| Net income | $ 15,741 | $ 15,982 | (2 )% | $ 12,092 | 30 % | $ 47,472 | $ 31,446 | 51 % |
| Income per share, basic and diluted | $ 0.30 | $ 0.30 | | $ 0.27 | | $ 0.90 | $ 0.69 | |
| Weighted average common shares outstanding: | | | | | | | | |
| Basic | 52,963,308 | 52,963,308 | | 45,271,000 | | 52,963,308 | 45,271,000 | |
| Diluted | 52,966,593 | 52,965,365 | | 45,271,000 | | 52,965,089 | 45,271,000 | |

(1) In the second quarter of 2018, the Company corrected the classification of commitment fees, net of direct loan origination costs, earned on construction loans and other lines of credit to commercial customers in its condensed consolidated statements of income to the financial statement caption, interest and fees on loans, which were previously reported in service charges and fees. As a result, the three and nine months ended September 30, 2017 have been adjusted from the amounts previously reported to correct the classification error. The amount of the adjustment was a decrease to service charges and fees, and increase to interest and fees on loans of $648 and $1,510 for the three and nine months ended September 30, 2017, respectively. There was no change to the reported net income or income per share, basic and diluted, as previously reported as a result of this immaterial correction.

**Sterling Bancorp, Inc.**
**Select Financial Data (Unaudited)**

| | **As of and for the Three Months Ended** | | | **As of and for the Nine Months Ended** | |
|---|---|---|---|---|---|
| **Performance Ratios:** | **September 30, 2018** | **June 30, 2018** | **September 30, 2017** | **September 30, 2018** | **September 30, 2017** |
| Return on average assets | 1.98 % | 2.08 % | 1.87 % | 2.06 % | 1.78 % |
| Return on average shareholders' equity | 20.07 % | 21.31 % | 26.80 % | 21.14 % | 24.11 % |
| Return on average tangible common equity | 20.11 % | 21.36 % | 26.96 % | 21.20 % | 24.28 % |
| Yield on earning assets (1) | 5.38 % | 5.25 % | 5.22 % | 5.26 % | 5.19 % |
| Cost of average interest-bearing liabilities | 1.62 % | 1.47 % | 1.18 % | 1.49 % | 1.13 % |
| Net interest spread (1) | 3.76 % | 3.78 % | 4.04 % | 3.77 % | 4.06 % |
| Net interest margin (1) | 3.95 % | 3.96 % | 4.15 % | 3.96 % | 4.17 % |
| Efficiency ratio (2) | 35.77 % | 34.91 % | 32.66 % | 34.77 % | 34.24 % |

(1) Refer to footnote to Condensed Consolidated Statements of Income table.
(2) Efficiency Ratio is computed as the ratio of non-interest expense divided by the sum of net interest income and non-interest income.

**Sterling Bancorp, Inc.**
**Yield Analysis and Net Interest Income (Unaudited)**

| (dollars in thousands) | Three Months Ended<br>September 30, 2018<br>Average Balance | Interest | Average Yield/ Rate | June 30, 2018<br>Average Balance | Interest | Average Yield/ Rate | September 30, 2017<br>Average Balance | Interest | Average Yield/ Rate |
|---|---|---|---|---|---|---|---|---|---|
| Interest earning assets | | | | | | | | | |
| Loans (1,3) | $ 2,923,584 | $ 40,772 | 5.58 % | $ 2,829,819 | $ 38,580 | 5.45 % | $ 2,387,709 | $ 32,373 | 5.42 % |
| Securities, includes restricted stock | 165,636 | 958 | 2.31 % | 159,243 | 842 | 2.12 % | 116,400 | 502 | 1.73 % |
| Other interest earning assets | 27,604 | 166 | 2.41 % | 24,496 | 119 | 1.94 % | 17,224 | 55 | 1.28 % |
| Total interest earning assets (3) | $ 3,116,824 | $ 41,896 | 5.38 % | $ 3,013,558 | $ 39,541 | 5.25 % | $ 2,521,333 | $ 32,930 | 5.22 % |
| Interest-bearing liabilities | | | | | | | | | |
| Money Market, Savings, NOW | $ 1,539,304 | $ 5,181 | 1.34 % | $ 1,515,912 | $ 4,468 | 1.18 % | $ 1,382,084 | $ 3,109 | 0.89 % |
| Time deposits | 796,197 | 3,447 | 1.72 % | 715,863 | 2,711 | 1.52 % | 433,345 | 1,266 | 1.16 % |
| Total interest-bearing deposits | 2,335,501 | 8,628 | 1.47 % | 2,231,775 | 7,179 | 1.29 % | 1,815,429 | 4,375 | 0.96 % |
| FHLB borrowings | 324,795 | 1,297 | 1.56 % | 351,846 | 1,334 | 1.50 % | 412,796 | 1,344 | 1.27 % |
| Subordinated debt | 64,970 | 1,173 | 7.22 % | 64,935 | 1,171 | 7.21 % | 57,462 | 1,067 | 7.43 % |
| Total borrowings | 389,765 | 2,470 | 2.48 % | 416,781 | 2,505 | 2.38 % | 470,258 | 2,411 | 2.01 % |
| Total interest-bearing liabilities | $ 2,725,266 | 11,098 | 1.62 % | $ 2,648,556 | 9,684 | 1.47 % | $ 2,285,687 | 6,786 | 1.18 % |
| Net interest income and spread (2,3) | | $ 30,798 | 3.76 % | | $ 29,857 | 3.78 % | | $ 26,144 | 4.04 % |
| Net interest margin (2,3) | | | 3.95 % | | | 3.96 % | | | 4.15 % |

| (dollars in thousands) | Nine Months Ended<br>September 30, 2018<br>Average Balance | Interest | Average Yield/ Rate | September 30, 2017<br>Average Balance | Interest | Average Yield/ Rate |
|---|---|---|---|---|---|---|
| Interest earning assets | | | | | | |
| Loans (1,3) | $ 2,829,749 | $ 115,752 | 5.45 % | $ 2,179,552 | $ 88,116 | 5.39 % |
| Securities, includes restricted stock | 155,586 | 2,619 | 2.24 % | 107,437 | 1,302 | 1.62 % |
| Other interest earning assets | 25,599 | 399 | 2.08 % | 12,852 | 103 | 1.07 % |
| Total interest earning assets (3) | $ 3,010,934 | $ 118,770 | 5.26 % | $ 2,299,841 | $ 89,521 | 5.19 % |
| Interest-bearing liabilities | | | | | | |
| Money Market, Savings, NOW | $ 1,526,935 | $ 13,783 | 1.21 % | $ 1,296,311 | $ 8,331 | 0.86 % |
| Time deposits | 739,626 | 8,613 | 1.56 % | 413,446 | 3,355 | 1.08 % |
| Total interest-bearing deposits | 2,266,561 | 22,396 | 1.32 % | 1,709,757 | 11,686 | 0.91 % |
| FHLB borrowings | 312,140 | 3,464 | 1.46 % | 318,407 | 3,044 | 1.28 % |
| Subordinated debt | 64,935 | 3,516 | 7.22 % | 52,095 | 2,883 | 7.38 % |
| Total borrowings | 377,075 | 6,980 | 2.44 % | 370,502 | 5,927 | 2.13 % |
| Total interest-bearing liabilities | $ 2,643,636 | 29,376 | 1.49 % | $ 2,080,259 | 17,613 | 1.13 % |
| Net interest income and spread (2,3) | | $ 89,394 | 3.77 % | | $ 71,908 | 4.06 % |
| Net interest margin (2,3) | | | 3.96 % | | | 4.17 % |

(1) Nonaccrual loans are included in the respective average loan balances. Income, if any, on such loans is recognized on a cash basis.
(2) Interest income does not include taxable equivalent adjustments.
(3) Refer to footnote to Condensed Consolidated Statements of Income table.

**Sterling Bancorp, Inc.**
**Loan Composition (Unaudited)**

| (dollars in thousands) | September 30, 2018 | June 30, 2018 | % change | December 31, 2017 | % change | September 30, 2017 | % change |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Construction | $ 177,734 | $ 172,262 | 3 % | $ 192,319 | (8)% | $ 181,932 | (2)% |
| Residential real estate, mortgage | 2,341,989 | 2,367,876 | (1)% | 2,132,641 | 10 % | 1,911,392 | 23 % |
| Commercial real estate, mortgage | 252,782 | 250,465 | 1 % | 247,076 | 2 % | 242,799 | 4 % |
| Commercial and industrial loans, lines of credit | 44,375 | 45,821 | (3)% | 40,749 | 9 % | 47,193 | (6)% |
| Other consumer loans | 35 | 32 | 9 % | 29 | 21 % | 66 | (47)% |
| Total loans held for investment | 2,816,915 | 2,836,456 | (1)% | 2,612,814 | 8 % | 2,383,382 | 18 % |
| Less: allowance for loan losses | (20,765) | (20,300) | 2 % | (18,457) | 13 % | (17,189) | 21 % |
| Loans, net | $ 2,796,150 | $ 2,816,156 | (1)% | $ 2,594,357 | 8 % | $ 2,366,193 | 18 % |
| | | | | | | | |
| Mortgage loans held for sale | $ 113,805 | $ 21,641 | 426 % | $ 112,866 | 1 % | $ 34,312 | 232 % |
| Total gross loans | $ 2,930,720 | $ 2,858,097 | 3 % | $ 2,725,680 | 8 % | $ 2,417,694 | 21 % |

**Sterling Bancorp, Inc.**
**Allowance for Loan Losses (Unaudited)**

| | Three Months Ended | | | |
|---|---|---|---|---|
| (dollars in thousands) | September 30, 2018 | June 30, 2018 | December 31, 2017 | September 30, 2017 |
| Balance at beginning of period | $ 20,300 | $ 19,132 | $ 17,189 | $ 16,246 |
| Provision for loan losses | 423 | 1,120 | 600 | 900 |
| Charge offs | - | (4) | (19) | - |
| Recoveries | 42 | 52 | 687 | 43 |
| Balance at end of period | $ 20,765 | $ 20,300 | $ 18,457 | $ 17,189 |

**Sterling Bancorp, Inc.**
**Deposit Composition (Unaudited)**

| (dollars in thousands) | September 30, 2018 | June 30, 2018 | % change | December 31, 2017 | % change | September 30, 2017 | % change |
|---|---|---|---|---|---|---|---|
| Noninterest bearing demand deposits | $ 79,432 | $ 73,791 | 8 % | $ 73,682 | 8 % | $ 70,572 | 13 % |
| Money Market, Savings and NOW | 1,537,202 | 1,518,635 | 1 % | 1,507,956 | 2 % | 1,398,917 | 10 % |
| Time deposits | 795,437 | 748,179 | 6 % | 663,472 | 20 % | 629,973 | 26 % |
| Total deposits | $ 2,412,071 | $ 2,340,605 | 3 % | $ 2,245,110 | 7 % | $ 2,099,462 | 15 % |

**Sterling Bancorp, Inc.**
**Capital and Credit Quality Ratios (Unaudited)**

| | As of and for the Three Months Ended | | | |
|---|---|---|---|---|
| (dollars in thousands) | September 30, 2018 | June 30, 2018 | December 31, 2017 | September 30, 2017 |
| **Capital Ratios** | | | | |
| **Regulatory and Other Capital Ratios— Consolidated:** | | | | |
| Tier 1 (core) capital to risk-weighted assets | 16.55 % | 16.21 % | 15.53 % | 11.49 % |
| Tier 1 (core) capital to adjusted tangible assets | 10.04 % | 9.88 % | 9.83 % | 7.12 % |
| Common Tier 1 (CET 1) | 16.55 % | 16.21 % | 15.53 % | 11.49 % |
| Total adjusted capital to risk-weighted assets | 21.00 % | 20.77 % | 20.28 % | 16.62 % |
| | | | | |
| **Regulatory and Other Capital Ratios—Bank:** | | | | |
| Tier 1 (core) capital to risk-weighted assets | 14.91 % | 14.52 % | 13.71 % | 14.19 % |
| Tier 1 (core) capital to adjusted tangible assets | 9.04 % | 8.84 % | 8.68 % | 8.79 % |
| Common Tier 1 (CET 1) | 14.91 % | 14.52 % | 13.71 % | 14.19 % |
| Total adjusted capital to risk-weighted assets | 15.99 % | 15.60 % | 14.76 % | 15.27 % |
| | | | | |
| **Credit Quality Data** | | | | |
| Nonperforming loans [(1)] | $ 356 | $ 641 | $ 783 | $ 897 |
| Nonperforming loans to total loans | 0.01 % | 0.02 % | 0.03 % | 0.04 % |
| Nonperforming assets [(2)] | $ 6,035 | $ 3,583 | $ 3,777 | $ 3,912 |
| Nonperforming assets to total assets | 0.19 % | 0.12 % | 0.13 % | 0.15 % |

| | | | | |
|---|---|---|---|---|
| Allowance for loan losses to total loans | 0.74 % | 0.72 % | 0.71 % | 0.72 % |
| Allowance for loan losses to nonperforming loans | 5,833 % | 3,167 % | 2,357 % | 1,916 % |
| Net charge offs to average loans | (0.00 )% | (0.00 )% | (0.03 )% | (0.00 )% |

(1) Nonperforming loans include nonaccrual loans and loans past due 90 days or more and still accruing interest.

(2) Nonperforming assets include nonperforming loans and loans modified under troubled debt restructurings and other repossessed assets.

**Return on Average Tangible Common Equity Reconciliations (non-GAAP)**

Average tangible common equity and return on average tangible common equity are non-GAAP disclosures. Sterling's management uses these non-GAAP financial measures to assess the Company's capital strength and business performance. Average tangible common equity excludes the effect of intangible assets. This non-GAAP financial measure should not be considered a substitute for those comparable measures that are similarly titled that are determined in accordance with U.S. GAAP that may be used by other companies. The following is a reconciliation of average tangible common equity to the average shareholders' equity, its most comparable GAAP measure, as well as a calculation of return on average tangible common equity as of September 30, 2018 and 2017, and June 30, 2018.

**Sterling Bancorp, Inc.**
**GAAP to Non-GAAP Reconciliations**

| | As of and for the Three Months Ended | | | As of and for the Nine Months Ended | |
|---|---|---|---|---|---|
| (dollars in thousands) | **September 30, 2018** | **June 30, 2018** | **September 30, 2017** | **September 30, 2018** | **September 30, 2018** |
| Net Income | $ 15,741 | $ 15,982 | $ 12,092 | $ 47,472 | $ 31,446 |
| Average shareholders' equity | 313,697 | 299,988 | 180,475 | 299,370 | 173,893 |
| Adjustment | | | | | |
| Customer-related intangible | (638 ) | (750 ) | (1,068 ) | (749 ) | (1,181 ) |
| Average tangible common equity | $ 313,059 | $ 299,238 | $ 179,407 | $ 298,621 | $ 172,712 |
| Return on average tangible common equity* | 20.11 % | 21.36 % | 26.96 % | 21.20 % | 24.28 % |

*Annualized

View source version on businesswire.com: https://www.businesswire.com/news/home/20181029005724/en/

Source: Sterling Bancorp, Inc.

Financial Profiles, Inc.
Allyson Pooley
310-622-8230
Larry Clark
310-622-8223
SBT@finprofiles.com