alden securities

March 28, 2019

Earnings Preview: BMTC, CUBI, EGBN, FBP, FDVA, FRBA, FULT, HBMD, OCFC, OLBK, OFG, BPOP, TCFC, UBSH, WSFS

Industry Comments: Slower Economic Growth and Unfavorable Yield Curve Present Challenges, Still Anticipating Modest EPS Growth for Banks in 1Q19

Overview: The economy continues to perform well in 2019, though there's no question that the pace of growth has slowed compared to 2018. The stimulative policies that drove growth in 2018, reduced tax rates and increased Federal spending, seem to have expended the energy they had to pump economic growth. Meanwhile, tariffs and trade policy have provided alternating episodes of optimism and pessimism in recent months, driven by the changing sentiments surrounding negotiations with China. Still, trade policy remains a significant worry for investors. Inflation seems to be off the table for the time being, as most measures have fallen below the Fed's 2.0% target rate in recent months. This has led to a sharp change in expectations about interest rates. Over the last three or four months, the market has shifted from expecting continued Fed rate hikes in 2019, to some back and forth over whether the Fed will stay put or actually institute rate cuts this year.

Economic indicators continue to show expansion, though recent readings of several indicators suggest the pace of growth may be slowing. GDP growth has been stronger for the last few quarters than it has been for years. The initial estimate of 4Q18 GDP came in at 2.6%, exceeding the consensus expectations for roughly 2.2% growth. This results in full year GDP growth of 3.1%. We still expect GDP growth to decline in 2019 to somewhere in the 2.0%-2.5% range. Meanwhile, employment growth suffered a setback in February, coming in at just a 20k rise and dropping the three-month moving average down to +186,000, a 59,000 decline from the previous month. Still, the unemployment rate was reported at 3.82%, which is still close to the lowest level in decades. The Core PPI (up 2.45% YoY) and Core CPI (up 2.08% YoY) both remain above the Fed's 2.0% target, but the Fed's favored measure, the Core PCE Deflator fell to 1.75% YoY in the most recent reading for December. Though we have concerns about the possible future impact of stimulative fiscal policies and tariffs on inflation, there seems to be little inflationary pressure on wages or on prices at this time.

With the yield curve continuing to flatten, and even inverting slightly, we believe the benefits for banks from the rise in short-term rates has run its course. It appears that slowing economies overseas and slower growth in the U.S. are keeping long-term interest rates low. The end of Fed rate hikes on the short end of the curve should reduce deposit pricing pressures over the remainder of the year, but we still believe that margin expansion will be difficult, at best, for most banks. We still believe that banks with lots of core deposit funding, particularly in noninterest bearing accounts, will fare the best in this environment. We believe that economic activity remained solid in 1Q19, and the pace of GDP growth, while probably down from the pace in 4Q18, is likely to remain favorable. Consequently, we believe the current environment remains favorable for solid loan demand going forward. We foresee a good year for C&I, CRE and consumer loan volumes, while lower mortgage rates could support this segment as well. Core deposit growth may be more difficult, and banks may continue to consider utilizing higher-cost CDs to fund loan growth, putting additional pressures on net interest margins. With no indications of any broad deterioration in asset quality, we believe that bottom line results for most banks will continue to show modest sequential quarter and year-over-year improvements in 1Q19.

Net Interest Margins: After eight rate hikes over a period of nine quarters beginning in 4Q17, it now appears that the Fed is done tightening interest rates for the foreseeable future. Currently the CME Group's FedWatch tool puts the odds that there will be no change in the Fed's target rate in 2019 at just 26.2%. The odds currently favor one **rate cut** this year (41.2%) with two cuts (24.5%) and three cuts (7.1%) also standing out as distinct possibilities. In any case, both earning asset yields and the cost of

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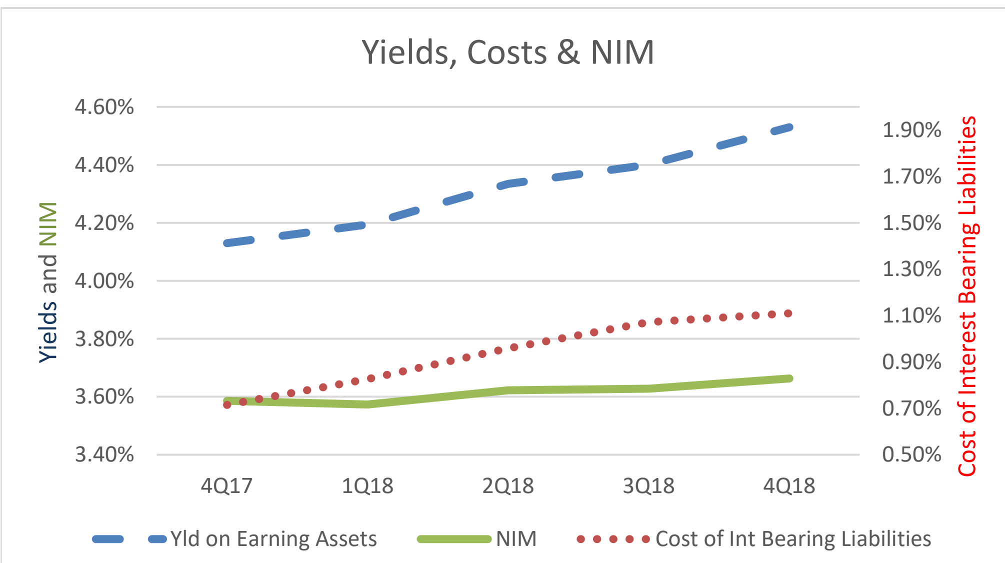
interest bearing liabilities have continued to rise as short-term rates increased through 4Q18. We expect both of these trends to continue into 1Q19, as loans reprice or are renewed at higher rates and as deposit cost increase on a lagged basis as well. We suspect these influences will largely offset each other, with the effect that NIM expansion at most banks will be difficult. Of course, the yield curve remains an issue for banks. While the Fed actions helped on the short end of the yield curve, long-term rates have actually declined recently. In fact, the spread between the 10-year T-note rate and the 1-year T-Bill rate, which was 79 bps a year ago at March 26, 2018, has turned negative at (3) bps as of March 26, 2019. Consequently, we now have a slightly inverted yield curve.

Despite the flattening of the yield curve, most banks reported relatively low deposit betas throughout most of the current sequence of Fed rate hikes, enabling them to gain additional spread as loan yields increase. While many banks have suggested that deposit betas will be higher going forward, the low likelihood of any Fed rate hikes in 2019 may render this assumption moot. Still, we believe NIM expansion will remain difficult. Average earning asset yields for the median bank with $1 billion or more in assets climbed 13 bps from 3Q18 to 4Q18, reaching 4.53% while the average cost of interest bearing liabilities rose 4 bps to 1.11%. Aided by a slight increase in loans as a percentage of total assets, the median NIM for banks with more than $1 billion in assets still managed to expand 3 bps from 3.63% in 3Q18 to 3.66% in 4Q18.

Figure 1



	4Q17	1Q18	2Q18	3Q18	4Q18
Yld on Earning Assets	4.13%	4.19%	4.33%	4.40%	4.53%
Cost of Int Bearing Liabilities	0.72%	0.83%	0.96%	1.07%	1.11%
NIM	3.59%	3.57%	3.62%	3.63%	3.66%

Source: SNL Financial. Based on median value for Banks & Thrifts greater than $1B in assets.

With eight increases in the target fed funds rate over the last twenty-eight months, we believe momentum for increased loan yields will continue. This would be particularly true for banks that have more loans that reprice monthly or have shorter terms and thus more frequent turnover (C&I loans would be a typical example). Banks with high proportions of noninterest bearing checking accounts will benefit more than others as these funds face no competitive pricing pressures. We are anticipating a wide range of NIM outcomes for the banks we cover in 4Q18, with a slight majority expected to suffer modest NIM compression and a few to enjoy modest NIM expansion. On average, we expect NIMs to be down slightly, but we expect the range to be up or down 4 to 5 basis points for most of the banks we cover. At the median level for all banks with greater than $1 billion in assets, we expect NIMs to remain flat to down 2-4 basis points from the 3.66% posted in 4Q18.

Loans: Loan growth in 4Q18 accelerated compared to the pace set in 3Q18, and it remained healthy overall. We had held out some hope that reduced corporate tax rates would spur an uptick in business investment and thus business borrowing, but as interest rates have continued to rise and the ongoing economic expansion matures, we see this as increasingly less likely. Still, most economic measures point to continuing strength in the economy and we still believe that economic growth will be solid for the next year or so. Tariffs and trade policy remain the biggest threat to the continued growth of the economy, and we believe some industries will show weakened performance going forward as a reflection of the uncertainty caused by the continuing trade wars with China and other countries. The ongoing economic expansion should help the banking industry maintain some momentum. Over the past year (4Q17-4Q18), banks with assets over $1 billion have generated median loan growth of 8.3% (down from 9.2% three months ago). This group generated median sequential loan growth of 2.0% in 4Q18, exceeding the 1.4% growth posted in the previous quarter. The higher pace was reflected in all loan categories, including the C&I, Construction, Consumer, Residential Mortgage, and CRE lending segments. The multifamily segment, which had been the laggard in the prior quarter, saw loan growth accelerate from 1.1% in 3Q18 to 1.2% in 4Q18. Meanwhile, C&I loan growth jumped to 3.2% from 1.3%, construction loan growth climbed from 2.1% in 3Q18 to 2.2% in 4Q18, consumer loan growth rose from 0.3% to 0.6%, residential mortgage growth edged up to 1.3% from 1.2%, and CRE loan growth increased to 1.9% from 1.5% in the prior quarter.

Though economic data continue to show solid economic growth, the 1st quarter is typically one of the slower periods of the year. We expect to see solid loan demand in 1Q19, probably at a pace similar to the 2.0% advance registered in 4Q18. The Fed's H8 data release for small commercial banks from January 2, 2019 through March 13, 2019 shows that most segments are generating loan growth above

Figure 2

Median Loan Growth by Category, Banks with Assets > $1B

	1Q18	2Q18	3Q18	4Q18	4Q17-4Q18
1-4 Family Mortgage	1.0%	1.8%	1.2%	1.3%	8.8%
Multifamily	2.1%	1.2%	1.1%	1.6%	11.9%
CRE	1.4%	1.7%	1.5%	1.9%	7.7%
C&D	2.3%	4.6%	2.1%	2.2%	11.5%
Consumer	-1.1%	0.9%	0.3%	0.6%	2.3%
Commercial (C&I)	1.5%	3.1%	1.3%	3.2%	10.4%
Total Loans	1.5%	2.3%	1.4%	2.0%	8.3%

Source: SNL Financial

1.0% so far this quarter, with the average small bank registering growth at a 1.8% pace (7.4% annualized) for the quarter through March 13th. The residential mortgage, construction, and consumer loan segments are experiencing growth of 8.0% (annualized) or better so far in 1Q19, but all segments are showing gains in the mid- to supper-single digits. Within the consumer segment, credit card loans are showing a 12.6% annualized growth rate, after posting a decline in the prior quarter. We see the overall H8 numbers as an indicator that 1st quarter loan growth among the banks in our universe is likely to fall fairly close to our expectations. The overall 1.6% loan growth posted quarter-to-date translates to a full quarter advance of roughly 1.8%, a decline from the 2.0% performance in 4Q18. For the banks that we cover, we have projected sequential loan growth in the 0.1% to 2.5% range in 1Q19, though specific circumstances will drive loan growth of more or less at certain of the banks we follow. Nationally, we expect loan growth to remain solid in most segments, though single-family mortgage lending may continue to lag due to volatile interest rates. We continue to believe that C&I lending will benefit from the continued improvement in the economy and from the recently enacted tax reform.

Deposits: Deposit growth in 4Q18 extended the rebound from a slow 2Q18 showing. However, the drivers of the deposit growth continued the shift we've noted over the last few quarters. Total deposits for the median bank with greater than $1 billion in assets grew 1.4% sequentially, up from the 1.2% growth recorded in 3Q18 and the 0.7% pace posted in 2Q18. The median bank with $1 billion or more in assets experienced a small loans/deposits ratio rise to 92.8%, up 60 bps from the prior quarter.

Figure 3

Median Deposit Growth by Category, Banks with Assets > $1B

	1Q18	2Q18	3Q18	4Q18	4Q17-4Q18
Non-interest Bearing	0.7%	2.0%	0.8%	0.2%	4.3%
Savings & MMD	1.5%	-1.1%	0.1%	0.7%	3.4%
Total CDs	1.8%	2.6%	2.9%	1.9%	15.4%
Total Deposits	1.7%	0.7%	1.2%	1.4%	6.7%

	4Q17	1Q18	2Q18	3Q18	4Q18
Loans/Deposits	92.3%	91.5%	92.5%	92.2%	92.8%
Non-interest Deps/Total Deps	24.2%	23.7%	23.9%	23.7%	23.0%

Source: SNL Financial

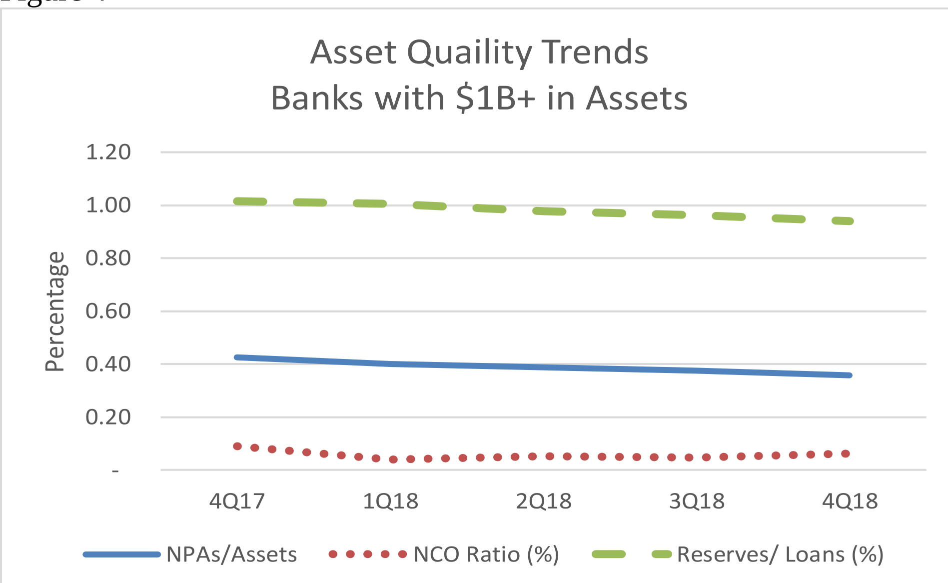
We have seen a considerable shift in deposit trends since the Fed began hiking short-term interest rates just over two years ago. Whereas non-interest bearing accounts were a leading category in terms of deposit growth in the years following the Great Recession, the stronger economy of recent years has left savers with higher yielding options. Now, after several years of Fed rate hikes and competition for deposits heating up, CDs are once again back in style. Non-interest bearing deposits grew just 0.2% in 4Q18, a marked decrease from the 0.8% growth posted in the previous quarter. CDs, on the other hand, registered growth of 1.9% in 4Q18. While this is down from the 2.9% growth recorded in 3Q18, it is still much faster growth than core deposits could muster during the quarter. These trends confirm the impact that rising interest rates are having on depositor behavior, causing savers to shift from non-interest bearing accounts to accounts that offer higher returns while driving banks to offer higher CD rates in order to attract funding.

This continuing behavioral shift is affecting the deposit mix at many banks. Non-interest bearing deposits declined to a median of 23.0% of total deposits, down from 23.7% of total deposits at September 30, 2018, and 24.2% at December 31, 2017. At the same time, CDs have risen to 23.6% of total deposits from 23.2% at September 30, 2018 and 20.7% at December 31, 2017. As the deposit mix continues to shift in this manner, the value of a strong base of non-interest bearing deposits will become increasingly apparent.

The Fed's H8 data release shows just a 0.7% advance in overall deposits from January 2, 2019 through March 13, 2019 for small, domestically chartered banks. If we extend this same pace out for the final weeks of the full quarter, it still works out to a quarterly growth rate of just 0.8%. This is well below the growth of 1.2%, and 1.4% increases registered 3Q18, and 4Q18, respectively. For the banks we follow, we are projecting continued modest growth in deposits of roughly 0.5%-1.5% for the median bank in 1Q19, with commercial relationships providing much of the rise. We suspect the pace of deposit growth will continue to slow going forward, as higher interest rates provide more profitable outlets for savers.

Asset Quality: Asset quality throughout the industry remains very strong. At this point in the cycle, we improvements have diminished, but overall asset quality remains stable at very good levels. As demonstrated in Figure 4, the NPAs/Assets ratio maintained its overall downward trend in 4Q18. The net charge-off ratio remained near the low end of the 4 bps – 9 bps range it has occupied for more than two years. Loan loss reserves are declining slightly, but we suspect this could be at least partially driven by ongoing consolidation in the industry and the impact of merger accounting on reported reserve levels. Still, reduced reserves would conform to the overall path of NPAs and NCOs. The median bank with $1B+ in assets reported an NPAs/Assets ratio of just 0.36% at December 31, 2018, an improvement from 0.42% a year earlier. The median net charge-off ratio edged up to at 0.06% in 4Q18, up from 0.05% in 3Q18. We saw no signs to indicate any significant changes in credit quality on an industry-wide basis that we would expect to appear in 1Q19 results. Though the credit cycle will inevitably move on from the largely benign environment we currently enjoy, we still see no indications that the turn is coming in the near-term.

Figure 4



	4Q17	1Q18	2Q18	3Q18	4Q18
NPAs/Assets	0.42%	0.40%	0.39%	0.38%	0.36%
NCOs/Avg Lns	0.09%	0.04%	0.05%	0.05%	0.06%
ALLL/Loans	1.01%	1.00%	0.98%	0.96%	0.94%

Source: SNL Financial

Individual Company Earnings Previews

Bryn Mawr Bank Corporation (BMTC)

Price: $35.55 Mkt Cap: $716.8M Div. Yld: 2.8% ADTV (shrs): 51,714

- Bryn Mawr Bank Corporation is a $4.7 billion in assets bank headquartered in Bryn Mawr, Pennsylvania. The bank primarily serves the needs of commercial borrowers in the relatively affluent suburbs of Philadelphia. Acquisitions have supplemented the banks organic growth and have helped the bank boost its insurance and wealth management businesses.
- We are projecting 1Q19 EPS of $0.76, down $0.08 from the $0.84 posted in 4Q18 and $0.01 below the $0.77 median Street estimate.
- Our model shows 0.7% growth in gross loans held for investment, pushing total gross loans to $3.45 billion. Our model shows a deposit decline of 1.5% to $3.54 billion.
- We anticipate 14 bps of NIM compression from the 3.77% (on a tax equivalent basis) recorded in 4Q18. We expect a smaller boost from accretion income than the 27 bps provided in 4Q18.
- We anticipate a 0.9% sequential decline in noninterest income, driven by smaller loan sale gains and capital markets revenues, to $17.9 million. We expect a 1.5% decrease in noninterest expenses to $34.3 million.
- We are projecting a 2.6% decrease in NPAs, but a stable NPAs/Assets ratio of roughly 0.28%, unchanged from December 31, 2018. We anticipate NCOs to average loans of 0.17%, down from 0.19% in 4Q18. Our forecast for the loan loss provision is $1.8 million versus $2.4 million in 4Q18.

Bryn Mawr Bank Corporation: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.75	$0.84	$0.76	-2.0%	-330.5%
Gross Loans HFI	3,305,795	3,427,154	3,452,696	0.5%	3.4%
Total Deposits	3,315,539	3,599,087	3,544,990	1.1%	0.6%
NIM	3.93%	3.77%	3.63%	0.2%	2.5%
Loan Loss Provision	1,030	2,362	1,762	82.2%	12.4%
Non-interest Income	19,536	18,097	17,927	-0.5%	17.0%
Non-interest Expense	36,030	34,845	34,330	-0.8%	7.3%
ROAA	1.46%	1.54%	1.34%	-2.5%	-318.3%
ROAE	11.78%	12.22%	10.81%	-3.2%	-303.2%
Efficiency Ratio	54.29%	60.18%	60.30%	0.2%	0.7%
NPLs/Loans	0.39%	0.66%	0.64%	2.1%	-8.2%
TBV per share	16.14	17.75	18.62	2.1%	8.1%

Customers Bancorp, Inc. (CUBI)

Price: $18.25 Mkt Cap: $587.7M Div. Yld: 0.0% ADTV (shrs): 194,183

- Headquartered in Wyomissing, PA, Customers Bancorp is the holding company for Customers Bank, a $9.8 billion in assets bank serving privately held businesses primarily in the Philadelphia to Boston corridor. Customers also operates BankMobile, a branchless bank targeting millennials. The spin-off of this unit to shareholders is still planned for some time over the next few years.
- We are projecting 1Q19 EPS of $0.48, up $0.04 from the $0.44 reported in 4Q18 and $0.09 above the $0.39 median Street estimate.
- With the spin-off of BankMobile delayed again, the constraints on asset growth are back in place. We are projecting a sequential advance of 1.8% in gross loans held for investment to $7.3 billion, but a negligible rise in total assets to $9.83 billion. We expect deposits to advance 4.1%, due largely to a seasonal rise in BankMobile deposits, to $7.4 billion.
- For 1Q19, we are projecting a 4 bps rise in the NIM to 2.61% from the 2.57% recorded in 4Q18.
- We expect asset quality to remain solid in 1Q19. We are anticipating that NPAs (excluding performing TDRs) will rise approximately 2.0%, but dip 1 bps sequentially to 0.28% of total assets. We are projecting a loan loss provision of roughly $2.1 million, up from the $1.4 million recorded in 4Q18. We expect NCOs/average loans to drop from 0.10% in 4Q18 to 0.08% in 1Q19.
- We are projecting noninterest income of $21.1 million versus $19.9 million in 4Q18, due mainly to higher interchange income and loan sale gains, offset partly by lower swap gains. We anticipate a decrease in noninterest expenses to $54.2 million, down 5.0% compared to the $57.0 million recorded in 4Q18, with roughly $1.9 million of the drop related to executive severance pay recorded in the prior quarter.

Customers Bancorp, Inc.: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.64	$0.44	$0.48	8.7%	-24.0%
Gross Loans HFI	6,943,566	7,138,074	7,266,559	1.8%	4.7%
Total Deposits	7,042,459	7,142,236	7,438,620	4.1%	5.6%
NIM (TE)	2.68%	2.57%	2.61%	1.6%	-2.4%
Loan Loss Provision	2,117	1,385	2,102	51.8%	-0.7%
Non-interest Income	20,910	19,877	21,134	6.3%	1.1%
Non-interest Expense	52,280	57,045	54,180	-5.0%	3.6%
ROAA	0.95%	0.71%	0.78%	9.1%	-18.4%
ROAE	10.56%	7.36%	7.92%	7.6%	-25.0%
Efficiency Ratio	60.67%	69.58%	66.27%	-4.8%	9.2%
NPLs/Loans	0.26%	0.32%	0.32%	-1.9%	20.1%
TBV per share	21.74	23.32	23.72	1.7%	9.1%

Eagle Bancorp, Inc. (EGBN)

Price: $50.45 Mkt Cap: $1,736.3M Div. Yld: 0.0% ADTV (shrs): 253,414

- Headquartered in Bethesda, MD, Eagle Bancorp is the holding company for Eagle Bank, an $8.4 billion in assets bank serving businesses in the greater Washington, D.C. area.
- We are projecting 1Q19 EPS of $1.10, down from the $1.17 reported in 4Q18 and $0.02 below the $1.12 median Street estimate.
- We anticipate loan growth of around 1.6% sequentially in 1Q19, down from the 2.1% posted in the previous quarter. That would push gross loans held for investment to roughly $7.10 billion. We expect deposits to climb 1.6% to $7.08 billion.
- We are projecting the NIM will climb 4 bps to 4.01% in 1Q19, up from 3.97% in 4Q18.
- We anticipate a 3.0% rise in NPAs in 1Q19, generally reflecting loan growth, with NPAs (excluding performing TDRs) remaining steady at 0.21% of assets, unchanged from December 31, 2018. We are projecting a loan loss provision of $2.5 million, down slightly from the $2.6 million recorded in the prior quarter.
- We expect a 6.8% drop in noninterest income to $5.7 million, reflecting decreases in "other" noninterest income, and a 3.0% increase in noninterest expenses to $32.6 million.

Eagle Bancorp, Inc.: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$1.04	$1.17	$1.10	-5.6%	6.4%
Gross Loans HFI	6,602,526	6,991,447	7,103,310	1.6%	7.6%
Total Deposits	6,121,801	6,974,285	7,082,988	1.6%	15.7%
NIM (TE)	4.17%	3.97%	4.01%	1.1%	-3.7%
Loan Loss Provision	1,969	2,600	2,494	-4.1%	26.7%
Non-interest Income	5,304	6,089	5,672	-6.8%	6.9%
Non-interest Expense	31,121	31,687	32,643	3.0%	4.9%
ROAA	1.91%	1.90%	1.83%	-3.9%	-4.2%
ROAE	14.99%	14.82%	13.70%	-7.5%	-8.6%
Efficiency Ratio	38.40%	36.10%	37.89%	5.0%	-1.3%
NPLs/Loans	0.20%	0.23%	0.24%	1.5%	16.7%
TBV per share	25.60	29.17	30.27	3.8%	18.3%

First BanCorp (FBP)

Price: $11.14 Mkt Cap: $2,409.3M Div. Yld: 1.1% ADTV (shrs): 1,473,110

- First BanCorp is a bank holding company headquartered in San Juan, Puerto Rico with $12.2 billion in assets. The company serves individuals and business through its 47 branches located in Puerto Rico, 11 branches in Florida, and 9 branches in the Virgin Islands.
- We are projecting 1Q19 EPS of $0.17, down from the $0.46 posted in the previous sequential quarter, and a penny below the $0.18 median Street estimate.
- We are projecting sequential loan growth of 0.3%, following a 1.6% rise in 4Q18, resulting in a projected gross loan balance of $8.88 billion. We expect deposits to climb 0.9% sequentially to $9.07 billion.
- We anticipate 4 bps of NIM expansion to 4.81% in 1Q19, (5.03% on a taxable equivalent basis). We expect average earning asset yields to climb 4 bps from the prior quarter, offsetting a 3 bps advance in the cost of interest bearing liabilities.
- We are projecting a 4.3% increase in noninterest income to $21.4 million, due largely to a seasonal jump in insurance income. We anticipate a 0.4% sequential decrease in noninterest expenses to $90.4 million, down from $90.7 million in the prior quarter, with lower OREO and foreclosure expenses accounting for much of the expected drop.
- We are forecasting a 3.3% rise in NPAs, resulting in a 3.74% NPAs/Assets ratio (excluding performing TDRs), up from 3.68% in 4Q18. We expect an increase in the NCOs/Average Loans ratio from 0.54% in 4Q18 to 0.80% in 1Q19. We are projecting an increase in the loan loss provision to $13.5 million from $7.6 million in 4Q18.

First BanCorp: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.15	$0.46	$0.17	-62.6%	15.3%
Gross Loans HFI	8,695,890	8,858,123	8,884,697	0.3%	2.2%
Total Deposits	9,066,465	8,994,714	9,071,707	0.9%	0.1%
NIM (TE)	4.57%	4.99%	4.91%	-1.5%	7.5%
Loan Loss Provision	20,544	7,649	13,486	76.3%	-34.4%
Non-interest Income	22,784	20,531	21,416	4.3%	-6.0%
Non-interest Expense	86,027	90,694	90,350	-0.4%	5.0%
ROAA	1.08%	3.30%	1.25%	-62.2%	15.4%
ROAE	7.03%	20.75%	7.42%	-64.2%	5.6%
Efficiency Ratio	58.33%	57.29%	57.35%	0.1%	-1.7%
NPLs/Loans	4.86%	3.65%	3.71%	1.6%	-23.8%
TBV per share	8.32	9.07	9.21	1.6%	10.8%

First Bank (FRBA)

Price: $11.33 Mkt Cap: $211.5M Div. Yld: 1.1% ADTV (shrs): 67,103

- First Bank is a New Jersey state-chartered bank headquartered in Hamilton, NJ with $1.75 billion in assets. The bank serves individuals and business through its seventeen branches located in the Philadelphia to New York corridor.
- We are projecting 1Q19 EPS of $0.19, down $0.03 compared to the $0.22 recorded in the previous sequential quarter and $0.02 below the $0.21 median Street estimate.
- We are projecting sequential loan growth of 2.5%, resulting in a projected gross loan balance of $1.50 billion. We expect deposits to rise 2.5% sequentially to $1.43 billion.
- We anticipate a 2 bps decline in the NIM to 3.41% in 1Q19 (also 3.41% on a taxable equivalent basis), following a 16 bps NIM drop in the prior quarter.
- We are expecting a 26.2% sequential decline in noninterest income to $726K from $984K in 4Q18, primarily reflecting lower loan sale and other gains. Noninterest expenses are projected to drop 4.1% to $8.8 million.
- We are forecasting NCOs/Avg. Loans of 0.11%, up from the 0.03% reported in 4Q18. We are projecting a relatively stable loan loss provision to $1.0 million compared to $1.0 million in 4Q18.

First Bank: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 4Q18	QoQ Change	YoY Change
Diluted EPS	$0.23	$0.22	$0.19	-10.2%	-14.4%
Gross Loans HFI	1,270,550	1,462,516	1,499,079	2.5%	18.0%
Total Deposits	1,190,593	1,393,204	1,427,894	2.5%	19.9%
NIM (TE)	3.62%	3.44%	3.43%	-0.4%	-5.3%
Loan Loss Provision	999	1,026	1,022	-0.4%	2.3%
Non-interest Income	523	984	726	-26.2%	38.8%
Non-interest Expense	7,256	9,190	8,812	-4.1%	21.4%
ROAA	1.11%	0.94%	0.86%	-8.6%	-22.2%
ROAE	9.90%	8.42%	7.62%	-9.5%	-23.0%
Efficiency Ratio	53.65%	61.80%	60.33%	-2.4%	12.5%
NPLs/Loans	0.39%	0.41%	0.27%	-34.6%	-31.9%
TBV per share	8.87	9.50	9.66	1.7%	9.0%

Freedom Bank of Virginia (FDVA)

Price: $10.01 Mkt Cap: $69.9M Div. Yld: 0.0% ADTV (shrs): 15,047

- Freedom Bank of Virginia is a $479 million in assets bank headquartered in Fairfax, VA. The bank primarily serves small- to mid-size businesses through its 4 branches in the northern Virginia suburbs of Washington, D.C.
- We are projecting 1Q19 EPS of $0.02, up from the $0.00 recorded in the previous sequential quarter. There are no other analyst estimates for FDVA.
- We are projecting sequential growth in loans held-for-investment of 1.0% in 1Q19, leading to a projected gross loan balance of $398 million. The bank recorded a 2.6% decrease in gross loans in 4Q18. We expect deposits to rise 0.6% sequentially to $403 million.
- We anticipate 1 bps of NIM compression to 3.47% in 1Q19, following 7 bps of compression in 4Q18.
- We expect a 2.3% decrease in core noninterest income to $0.7 million, driven by lower mortgage banking income, and a 4.4% decrease in noninterest expenses to $4.4 million, led by reduced employee compensation and professional fees.
- We are forecasting a 2.4% rise in NPAs. This should push a 1 bps rise in the NPAs/Assets (including performing TDRs) ratio to 0.71% from 0.70% in 4Q18. We expect NCOs/Avg. Loans to fall from the 0.13% posted in the prior quarter to 0.07% in 4Q18. We expect a loan loss provision of $105,000, following the $406,000 provision recorded in the prior quarter.

Freedom Bank of Virginia: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.05	$0.00	$0.02	1013.6%	-47.6%
Gross Loans HFI	396,454	394,080	398,021	1.0%	0.4%
Total Deposits	444,471	400,732	403,073	0.6%	-9.3%
NIM	3.39%	3.48%	3.47%	-0.3%	2.2%
Loan Loss Provision	-	406	105	-74.2%	#DIV/0!
Non-interest Income	680	753	736	-2.3%	8.1%
Non-interest Expense	4,631	4,610	4,409	-4.4%	-4.8%
ROAA	0.24%	0.01%	0.14%	1038.2%	-41.3%
ROAE	2.27%	0.10%	1.13%	992.1%	-50.3%
Efficiency Ratio	90.83%	90.70%	92.18%	1.6%	1.5%
NPLs/Loans	0.16%	0.84%	0.85%	1.3%	435.1%
TBV per share	8.40	8.47	8.49	0.2%	1.0%

Fulton Financial Corporation (FULT)

Price: $15.48 Mkt Cap: $2,629.8M Div. Yld: 3.4% ADTV (shrs): 1,162,035

- Headquartered in Lancaster, PA, Fulton Financial Corporation is the holding company for six subsidiary banks with total assets of $20.7 billion, though the company is in the process of consolidating its bank charters. The company's banks operate 235 branches located in PA, NJ, MD, DE and VA. Fulton focuses on small- to mid-size businesses, but offers a range of banking services including investment management, trust, and residential mortgage lending.
- We are projecting 1Q19 EPS of $0.33, in-line with the $0.34 median Street estimate, and unchanged from the $0.33 reported for 4Q18.
- We expect sequential loan growth of 0.1%, following the 1.5% rise posted in 4Q18. This should result in a projected gross loan balance of $16.2 billion. We expect deposits to rise 0.6% sequentially to roughly $16.5 billion.
- We are projecting that the NIM will rise 1 bps to 3.45% compared to the 3.44% reported in 4Q18, on a taxable equivalent basis.
- We expect noninterest income to decline 3.2% sequentially to $47.9 million on lower service charges and other fees. Noninterest expense should fall 2.0% to $137.8 million on lower depreciation and amortization charges.
- We are anticipating a 0.6% drop in NPAs and a 0.96% NPAs (including performing TDRs)/Assets ratio. We expect NCOs/Average Loans of 0.11%, down from the 0.16% posted in 4Q18. We are projecting a $4.5 million loan loss provision, down from the $8.2 million posted in 4Q18.

Fulton Financial Corporation: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.28	$0.33	$0.33	0.9%	19.1%
Gross Loans HFI	15,696,284	16,165,800	16,181,966	0.1%	3.1%
Total Deposits	15,477,103	16,376,159	16,474,416	0.6%	6.4%
NIM (TE)	3.36%	3.43%	3.44%	0.3%	2.4%
Loan Loss Provision	3,970	8,200	4,492	-45.2%	13.1%
Non-interest Income	45,875	49,523	47,920	-3.2%	4.5%
Non-interest Expense	136,661	140,685	137,835	-2.0%	0.9%
ROAA	1.01%	1.12%	1.12%	-0.4%	10.9%
ROAE	9.02%	10.10%	10.25%	1.5%	13.7%
Efficiency Ratio	67.48%	62.21%	64.30%	3.4%	-4.7%
NPLs/Loans	0.78%	0.79%	0.79%	-1.1%	0.4%
TBV per share	9.71	10.08	10.27	1.8%	5.7%

Howard Bancorp, Inc. (HBMD)

Price: $14.14 Mkt Cap: $269.5M Div. Yld: 0.0% ADTV (shrs): 19,785

- Howard Bancorp, Inc., the parent of Howard Bank, is a $2.3 billion in assets bank headquartered in Baltimore, MD. The bank primarily serves small- to mid-size businesses through its 22 branches in the greater Baltimore MD market.
- We are projecting 1Q19 EPS of $0.22, up from the $0.01 recorded in the previous sequential quarter and $0.02 above the $0.20 median Street estimate.
- We are projecting sequential organic loan growth of 1.3% in 1Q19, leading to a projected gross loan balance of $1.67 billion. We expect deposits to rise 1.6% sequentially to $1.71 billion.
- We anticipate 11 bps of NIM compression to 3.63% in 1Q19, driven by rising costs of interest bearing liabilities.
- We are projecting a 4.8% sequential increase in noninterest income to $3.9 million. Meanwhile, we anticipate a 16.3% decrease in noninterest expenses (excluding merger-related expenses) to $15.4 million, driven by lower occupancy expenses.
- We anticipate a 0.9% rise in NPAs, with the NPAs/Assets ratio expected to remain stable at 1.28%. We expect NCOs/Avg. Loans to increase from the 0.05% posted in the prior quarter to 0.15% in 1Q19. We are projecting a loan loss provision of $852k, down from $2.9 million in 4Q18.

Howard Bancorp, Inc.: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	-$0.43	$0.01	$0.22	2792.5%	-150.8%
Gross Loans HFI	1,605,477	1,649,751	1,671,198	1.3%	4.1%
Total Deposits	1,549,960	1,685,806	1,713,203	1.6%	10.5%
NIM (TE)	3.55%	3.74%	3.66%	-2.2%	3.1%
Loan Loss Provision	1,120	2,850	852	-70.1%	-23.9%
Non-interest Income	4,704	3,683	3,861	4.8%	-17.9%
Non-interest Expense	23,151	18,425	15,417	-16.3%	-33.4%
ROAA	-1.51%	0.03%	0.75%	2716.1%	-149.5%
ROAE	-12.32%	0.19%	5.74%	2853.2%	-146.6%
Efficiency Ratio	134.01%	78.83%	65.98%	-16.3%	-50.8%
NPLs/Loans	1.78%	1.41%	1.44%	1.6%	-19.1%
TBV per share	10.83	11.16	11.43	2.4%	5.5%

OceanFirst Financial Corp. (OCFC)

Price: $23.98 Mkt Cap: $1,208.9M Div. Yld: 2.8% ADTV (shrs): 172,319

- Headquartered in Toms River, NJ, OceanFirst Financial Corp is the holding company for OceanFirst Bank, a $7.5 billion in assets community bank serving the Philadelphia to New York corridor in central and southern New Jersey.
- We are projecting 1Q19 EPS of $0.50, down from the $0.57 recorded in 4Q18 (excluding merger-related costs) and a penny below the $0.51 median Street estimate.
- We anticipate loan growth of around 7.0% sequentially in 1Q19, resulting in gross loans held for investment of roughly $5.99 billion. We expect deposits to climb 8.2% to $6.29 billion.
- We are projecting a NIM of 3.68%, unchanged from the 3.68% registered in the prior quarter.
- We are expecting a rise of 2.1% in NPAs in 1Q19, and we anticipate that NPAs (excluding performing TDRs) will fall from 0.25% of assets at December 31, 2018, to 0.24% at March 31, 2019. We are projecting a $1.4 million loan loss provision, up from $0.5 million in the prior quarter. This should result in a reserve-to-loans ratio of 0.28%, down from 0.30% at December 31, 2018.
- We expect a 15.4% advance in noninterest income to $10.1 million, driven by the Capital Bank of New Jersey acquisition completed on January 31, 2019, and a 5.2% increase in noninterest expenses (excluding merger-related expenses) to $40.1 million.

OceanFirst Financial Corp.: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.12	$0.55	$0.50	-9.1%	314.8%
Gross Loans HFI	5,430,597	5,595,799	5,987,949	7.0%	10.3%
Total Deposits	5,907,336	5,814,569	6,292,472	8.2%	6.5%
NIM (FTE)	-0.47%	-0.63%	3.72%	-694.3%	-886.3%
Loan Loss Provision	1,371	506	1,411	178.9%	2.9%
Non-interest Income	8,910	8,748	10,094	15.4%	13.3%
Non-interest Expense	56,818	39,082	41,109	5.2%	-27.6%
ROAA	0.32%	1.41%	1.31%	-7.2%	307.6%
ROAE	2.54%	10.24%	9.41%	-8.1%	270.4%
Efficiency Ratio	58.17%	53.11%	52.92%	-0.3%	-9.0%
NPLs/Loans	0.96%	0.72%	0.69%	-4.5%	-28.3%
TBV per share	13.51	14.26	15.32	7.4%	13.4%

Old Line Bancshares, Inc. (OLBK)

Price: $25.73 Mkt Cap: $438.5M Div. Yld: 1.9% ADTV (shrs): 47,727

- Old Line Bancshares, Inc. is a $3.0 billion in assets bank holding company headquartered in Bowie, MD. The company provides commercial banking services through its 37 branches in the Washington, DC and Baltimore, Maryland markets.
- We are projecting 1Q19 EPS of $0.52, which compares to $0.59 per share in 4Q18. Our estimate is a penny below the $0.53 median Street estimate.
- Gross loans held for investment are expected to grow 1.8%. With this growth, gross loans should reach $2.46 billion. We are expecting sequential deposit growth of 2.0% to $2.34 billion.
- We expect the NIM to remain relatively flat at 3.66% (on an FTE basis), unchanged from 4Q18.
- We are projecting continued pristine asset quality. We expect a 1.4% drop in NPAs, which will result in the NPAs (excluding performing TDRs)/Assets ratio of 0.18%, down from 0.19% at December 31, 2018. We project NCOs to average loans of 0.04%, compared to the 0.02% recorded in 4Q18. Our forecast for the loan loss provision is $478,000 versus the $614,000 posted in 4Q18.
- We are projecting a 27.6% sequential decrease in noninterest income to $3.0 million, due largely to lower loan sale gains and lower recoveries of previous charge-offs. We anticipate a 3.9% rise in noninterest expenses (excluding merger & integration expenses), due to higher compensation expenses.

Old Line Bancshares, Inc.: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.48	$0.59	$0.52	-12.4%	8.8%
Gross Loans HFI	1,762,834	2,416,699	2,460,199	1.8%	39.6%
Total Deposits	1,785,704	2,296,049	2,343,088	2.0%	31.2%
NIM (TE)	3.76%	3.66%	3.68%	0.7%	-2.0%
Loan Loss Provision	395	614	478	-22.1%	21.1%
Non-interest Income	1,795	4,193	3,034	-27.6%	69.0%
Non-interest Expense	10,992	13,960	14,505	3.9%	32.0%
ROAA	1.16%	1.37%	1.22%	-11.2%	5.0%
ROAE	11.36%	10.70%	9.63%	-10.0%	-15.2%
Efficiency Ratio	54.83%	47.05%	51.65%	9.8%	-5.8%
NPLs/Loans	0.25%	0.29%	0.28%	-3.2%	12.1%
TBV per share	14.27	15.39	15.94	3.6%	11.7%

OFG Bancorp (OFG)

Price: $19.48 Mkt Cap: $999.7M Div. Yld: 1.4% ADTV (shrs): 326,874

- OFG Bancorp, the parent of Oriental Bank, is a $6.6 billion in assets bank headquartered in San Juan, Puerto Rico. The bank primarily serves the needs of mid- and high-net worth individuals as well as small and medium sized businesses through its 38 financial centers throughout Puerto Rico.
- We are projecting 1Q19 EPS of $0.36, compared to the $0.45 recorded in the previous sequential quarter. Our estimate is $0.02 below the mean Street estimate of $0.38.
- We are projecting a sequential loan advance of 1.6% in 1Q19, leading to a projected gross loan balance of $4.63 billion. The bank recorded a loan increase of 1.7% in 4Q18. We expect deposits to rise 1.1% sequentially to $4.96 billion.
- We anticipate roughly 2 bps of NIM expansion to 5.28% (5.45% on a taxable equivalent basis) compared to the 5.26% reported in 4Q18.
- We are forecasting a 2 bps increase in the NPAs/Assets ratio to 2.47% from the 2.45% registered at December 31, 2018. We expect NCOs/Avg. Loans to rise from the 0.97% posted in the prior quarter to 0.98% in 1Q19. We expect a loan loss provision of $14.9 million, up from $11.3 million in 4Q18.
- We expect a 24.0% sequential decline in noninterest income to $18.4 million due largely to the absence of a $5.0 million insurance payment received in the prior quarter. We anticipate a 1.7% sequential increase in noninterest expenses to $52.6 million.

OFG Bancorp: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.30	$0.45	$0.36	-19.4%	20.7%
Gross Loans HFI	4,266,106	4,560,491	4,633,459	1.6%	8.6%
Total Deposits	4,833,428	4,908,115	4,963,007	1.1%	2.7%
NIM (TE)	5.31%	5.35%	5.37%	0.4%	1.2%
Loan Loss Provision	15,460	11,300	14,862	31.5%	-3.9%
Non-interest Income	18,514	24,258	18,425	-24.0%	-0.5%
Non-interest Expense	52,121	51,719	52,616	1.7%	0.9%
ROAA	1.11%	1.48%	1.24%	-16.6%	11.6%
ROAE	7.21%	9.99%	8.20%	-17.9%	13.8%
Efficiency Ratio	56.34%	48.66%	53.63%	10.2%	-4.8%
NPLs/Loans	3.00%	2.73%	2.77%	1.5%	-7.8%
TBV per share	15.71	16.15	16.64	3.0%	6.0%

Popular, Inc. (BPOP)

Price: $51.48 Mkt Cap: $4,973.9M Div. Yld: 2.3% ADTV (shrs): 620,333

- Popular is a $47.6 billion in assets holding company headquartered in San Juan, Puerto Rico. BPOP is among the thirty largest publicly-traded banks in the U.S. and is the largest financial institution headquartered in Puerto Rico. BPOP's two main subsidiaries are Banco Popular de Puerto Rico (BPPR), which provides banking services in Puerto Rico and the Virgin Islands under the name Banco Popular, and Banco Popular North America (BPNA) which provides banking services in New York, New Jersey and Florida under the name Popular Community Bank.
- We are projecting 1Q19 EPS of $1.44. Our estimate is in line with the median Street estimate and up $0.29 from the $1.05 posted in 4Q18.
- Our model anticipates 0.6% sequential growth in gross loans, resulting in gross loans of $26.7 billion. Deposits are expected to rise 1.3%, taking total deposits to $40.2 billion.
- We are projecting 5 bps of NIM expansion to 4.28% in 1Q19.
- We are anticipating a 0.2% increase in NPAs, with the NPAs/Assets ratio slipping to 1.55% from 1.57% at December 31, 2018. We expect NCOs/Average Loans to fall from 1.61% in 4Q18 to 0.81% in 1Q19. We are projecting a $54.6 million loan loss provision, up from $42.6 million in 4Q18.
- We anticipate a 14.0% drop in noninterest income to $131.7 million in 1Q19, driven largely by lower mortgage banking and insurance income, and a 9.8% decrease in noninterest expenses to $357.5 million.

Popular, Inc.: 1Q19 Earnings Preview

($ in millions)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.89	$1.05	$1.44	36.6%	62.1%
Gross Loans HFI	24,603	26,508	26,667	0.6%	8.4%
Total Deposits	37,134	39,710	40,234	1.3%	8.3%
NIM (GAAP)	3.90%	4.23%	4.28%	1.0%	9.5%
Loan Loss Provision	71	43	55	28.3%	-23.1%
Non-interest Income	113	153	132	-14.0%	16.1%
Non-interest Expense	322	396	358	-9.8%	11.0%
ROAA	0.84%	0.88%	1.21%	37.4%	44.7%
ROAE	7.07%	7.58%	10.47%	38.1%	48.1%
Efficiency Ratio	63.20%	62.35%	58.98%	-5.4%	-6.7%
NPLs/Loans	2.53%	2.36%	2.34%	-0.7%	-7.6%
TBV per share	42.61	46.90	49.06	4.6%	15.1%

The Community Financial Corporation (TCFC)

Price: $28.55 Mkt Cap: $159.4M Div. Yld: 1.8% ADTV (shrs): 9,327

- The Community Financial Corporation is a $1.7 billion in assets bank holding company headquartered in Waldorf, Maryland. The company's main operating subsidiary is Community Bank of the Chesapeake, which provides a broad range of financial services, with a focus on commercial real estate lending, through its 14 branches in Southern Maryland and Fredericksburg, VA.
- We are projecting 1Q19 EPS of $0.64, down from the $0.69 recorded in the previous sequential quarter and in line with the $0.64 median Street estimate.
- We are projecting sequential organic loan growth of 1.4% in 1Q19, leading to a projected gross loan balance of $1.37 billion. We expect deposits to rise 1.3% sequentially to $1.45 billion.
- We expect the NIM to contract 2 bps to 3.30% in 1Q19, down from 3.32% in 4Q18.
- We are projecting a 0.2% sequential increase in noninterest income to $1.1 million. Meanwhile, we anticipate noninterest expenses (excluding merger-related expenses) will be $8.6 million, an increase of $346k or 4.1% from the $8.2 million posted in 4Q18.
- We anticipate a 1.3% drop in NPAs, with the NPAs/Assets ratio (excluding performing TDRs) expected to fall 5 bps sequentially to 1.57%. We expect NCOs/Avg. Loans to rise from the 0.07% posted in the prior quarter to 0.11% in 1Q19. We are projecting a loan loss provision of $492,000, up from $465,000 in 4Q18.

The Community Financial Corporation: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.22	$0.69	$0.64	-6.6%	191.4%
Gross Loans HFI	1,280,773	1,348,105	1,366,978	1.4%	6.7%
Total Deposits	1,285,936	1,429,629	1,448,842	1.3%	12.7%
NIM (non-FTE)	3.59%	3.32%	3.30%	-0.6%	-8.0%
Loan Loss Provision	500	465	492	5.7%	-1.7%
Non-interest Income	1,031	1,074	1,076	0.2%	4.4%
Non-interest Expense	11,667	8,249	8,587	4.1%	-26.4%
ROAA	0.31%	0.92%	0.85%	-7.2%	172.6%
ROAE	3.38%	9.93%	9.29%	-6.5%	175.2%
Efficiency Ratio	60.66%	56.99%	58.82%	3.2%	-3.0%
NPLs/Loans	1.44%	1.93%	1.86%	-3.3%	29.6%
TBV per share	23.68	25.25	25.89	2.5%	9.3%

Union Bankshares Corporation (UBSH)

Price: $32.26 Mkt Cap: $2,645.8M Div. Yld: 2.9% ADTV (shrs): 374,427

- Union Bankshares is a $13.8 billion in assets holding company headquartered in Richmond, Virginia. UBSH's main subsidiary, Union Bank & Trust, provides financial services to businesses and individuals through its 155 branches located primarily in Virginia, but extending into Maryland and North Carolina.
- We are projecting 1Q19 EPS of $0.51, $0.16 below the $0.67 median Street estimate and $0.19 above the adjusted $0.70 results (excluding merger and integration charges) recorded in 4Q18. Our $0.51 estimate includes roughly $0.16 per share of merger-related charges associated with the Access National acquisition that closed on February 1, 2019. Excluding these charges, our estimate of $0.67 is in line with the median Street estimate.
- We expect a sequential increase of 23.4% in gross loans held for investment, which should take total gross loans to roughly $12.0 billion. Deposit growth is projected at 24.2%, taking total deposits to $12.4 billion. The Access National transaction will drive the loan and deposit growth.
- We are projecting 3 bps of NIM compression to 3.59% (3.67% on a fully taxable basis), down from the 3.62% recorded in 4Q18.
- We are anticipating a 2.9% rise in NPAs, leading to a 0.20% NPAs/Assets ratio (excluding performing TDRs), compared to the 0.25% recorded at December 31, 2018. We expect NCOs/Average Loans to fall from 0.21% in 4Q18 to 0.11% in 1Q19. We are projecting a $4.5 million loan loss provision, down from the $4.8 million recorded in 4Q18.
- We are projecting a 20.5% sequential advance in noninterest income to $28.3 million. We anticipate a 19.6% rise in noninterest expenses to $86.4 million (excluding merger-related expenses).

Union Bankshares Corporation: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$0.25	$0.67	$0.51	-23.9%	100.6%
Gross Loans HFI	9,805,723	9,716,207	11,986,950	23.4%	22.2%
Total Deposits	9,677,955	9,970,960	12,386,495	24.2%	28.0%
NIM (FTE)	3.72%	3.70%	3.66%	-1.0%	-1.7%
Loan Loss Provision	3,500	4,725	4,502	-4.7%	28.6%
Non-interest Income	22,309	23,487	28,294	20.5%	26.8%
Non-interest Expense	104,008	74,533	101,387	36.0%	-2.5%
ROAA	0.52%	1.30%	1.01%	-22.4%	94.2%
ROAE	3.70%	9.25%	7.21%	-22.1%	94.9%
Efficiency Ratio	56.79%	51.47%	55.34%	7.5%	-2.6%
NPLs/Loans	0.39%	0.48%	0.40%	-16.5%	1.4%
TBV per share	16.13	17.41	15.88	-8.8%	-1.5%

WSFS Financial Corporation (WSFS)

Price: $38.93 Mkt Cap: $2,216.7M Div. Yld: 1.1% ADTV (shrs): 265,309

- Headquartered in Wilmington, DE, WSFS Financial Corporation is the $7.2 billion in assets holding company for WSFS Bank. WSFS operates branches in DE, PA, VA and NV that provide commercial and retail banking services, trust and wealth management.
- We are projecting 1Q19 EPS of $(0.35), well below the $0.83 median Street estimate and down compared to the $0.93 EPS recorded for 4Q18. If we exclude merger & integration expenses, our $0.71 forecast for 1Q19 is much closer to the consensus estimate.
- We are forecasting sequential loan growth of 80.3% to $8.84 billion in 1Q19, up from the 0.5% decline registered in the prior quarter. We anticipate a 74.7% sequential increase in deposits to $9.85 billion. The loan and deposit growth will be driven by the Beneficial Bancorp acquisition, which was completed on March 1, 2019.
- We are projecting 4 bps of NIM expansion to 4.17% in 1Q19.
- Though we expect modest growth in BOLI income and ATM/debit/credit revenues in 1Q19, these advances will be offset by the absence of $2.2 million in realized and unrealized gains on equity investments recorded in the prior quarter, resulting in a 4.0% sequential decrease in noninterest income to $36.6 million. Meanwhile, we anticipate an 18.3% rise in core noninterest expenses to $70.0 million (excluding merger & integration expenses).
- We expect a modest 1.8% sequential advance in NPAs, and a 35.6% decrease in net charge-offs to 0.30% of average loans from 0.45% in 4Q18. We are projecting a $3.8 million loan loss provision, up from the $3.3 million provision in the prior quarter.

WSFS Financial Corporation: 1Q19 Earnings Preview

($ in thousands)	Actual 1Q18	Actual 4Q18	Projected 1Q19	QoQ Change	YoY Change
Diluted EPS	$1.16	$0.93	-$0.35	-137.7%	-130.3%
Gross Loans HFI	4,846,568	4,903,458	8,842,133	80.3%	82.4%
Total Deposits	5,202,515	5,640,431	9,854,835	74.7%	89.4%
NIM (TE)	3.98%	4.13%	4.17%	0.9%	4.8%
Loan Loss Provision	3,650	3,306	3,752	13.5%	2.8%
Non-interest Income	47,467	38,186	36,644	-4.0%	-22.8%
Non-interest Expense	53,412	61,350	113,982	85.8%	113.4%
ROAA	2.20%	1.66%	-0.60%	-136.4%	-127.5%
ROAE	20.87%	14.89%	-5.55%	-137.3%	-126.6%
Efficiency Ratio	50.79%	57.50%	67.80%	17.9%	33.5%
NPLs/Loans	1.12%	0.91%	0.51%	-43.7%	-54.0%
TBV per share	17.75	20.24	18.53	-8.4%	4.4%

Disclosure Appendix

Analyst Certification:

I, Joe Gladue, the primary analyst covering this issuer, certify that: 1) all of the views expressed in this report accurately reflect my personal views about the subject security or issuer, and 2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Risk Factors:

The realization of any or all of the following risk factors, among others, may adversely affect the company's stock price and prevent it from reaching our target price, if one is established:

- a weakening of the United States economy and the regional and local economies in which the company conducts operations
- unanticipated loan losses or securities-related losses
- a weakening of local real estate markets or the soundness and liquidity of the securities market for real-estate backed assets
- failure to maintain sufficient excess capital or liquidity to conduct operations
- the effects of trade, monetary, and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System
- the effects of increased inflation, a flatter yield curve, or increased volatility in financial markets
- inability to attract core deposits or continue to obtain third party financing on favorable terms
- adverse legal action against the company or litigation initiated by the company
- inability to successfully integrate acquired operations or to maintain sufficient excess capital post the close of a transaction

Investment Rating Definitions:

Investment ratings reflect the analyst's assessment of the subject stock's return potential relative to the NASDAQ Bank Index. There are three investment rating tiers:

- **Outperform/Buy:** The subject stock's total return is expected to exceed the return of the NASDAQ Bank Index by 10% or more over the next 12-month period.
- **Neutral/Hold:** The subject stock's total return is expected to be comparable with the return of the NASDAQ Bank Index over the next 12-month period.
- **Underperform/Sell:** The subject stock's total return is expected to be less than the return of the NASDAQ Bank Index by 10% or more over the next 12-month period.

Investment Rating Distributions (as of February 21, 2019)

	All Covered Companies		Investment Banking Services Provided in the Last 12 Months	
Rating Categories	**Count**	**% of Total**	**Count**	**% of Category**
Outperform/Buy	11	69%	0	0%
Neutral/Hold	5	31%	0	0%
Underperform/Sell	NA	0%	0	0%
Total	16	100%		

Other Important Disclosures:

J. Alden Associates, Inc. (DBA Alden Securities) is a FINRA-registered broker-dealer.

Alden Securities expects to receive compensation for investment banking services from the subject company in the next three months and/or seeks to receive such compensation.

Analyst compensation is based, in part, on Alden Securities' profitability, which includes revenues from investment banking.

Target prices, if applicable, are derived from our 12 Month Valuation Assessment. Our 12 Month Valuation Assessment is based on a blend of several relative value methodologies.

Alden Securities shares in the commissions for trades that are executed through Tourmaline Partners, LLC.