open bank

2021 Fourth Quarter Earnings Presentation

January 27, 2022

Cautionary Note Regarding Forward-Looking Statements

Certain matters set forth herein constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including forward-looking statements relating to the Company’s current business plans and expectations regarding future operating results. These forward-looking statements are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those projected. These risks and uncertainties, some of which are beyond our control, include, but are not limited to: the uncertainties related to the coronavirus pandemic including, but not limited to, the potential adverse effect of the pandemic on the economy, our employees and customers, and our financial performance; the impact of the federal CARES Act and the significant additional lending activities undertaken by the Company in connection with the Small Business Administration’s Paycheck Protection Program enacted thereunder, including risks to the Company with respect to the uncertain application by the Small Business Administration of new borrower and loan eligibility, forgiveness and audit criteria; business and economic conditions, particularly those affecting the financial services industry and our primary market areas; our ability to successfully manage our credit risk and the sufficiency of our allowance for loan losses; factors that can impact the performance of our loan portfolio, including real estate values and liquidity in our primary market areas, the financial health of our commercial borrowers, the success of construction projects that we finance, including any loans acquired in acquisition transactions; our ability to effectively execute our strategic plan and manage our growth; interest rate fluctuations, which could have an adverse effect on our profitability; liquidity issues, including fluctuations in the fair value and liquidity of the securities we hold for sale and our ability to raise additional capital, if necessary; external economic and/or market factors, such as changes in monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve, inflation or deflation, changes in the demand for loans, and fluctuations in consumer spending, borrowing and savings habits, which may have an adverse impact on our financial condition; continued or increasing competition from other financial institutions, credit unions, and non-bank financial services companies, many of which are subject to different regulations than we are; challenges arising from unsuccessful attempts to expand into new geographic markets, products, or services; restraints on the ability of Open Bank to pay dividends to us, which could limit our liquidity; increased capital requirements imposed by banking regulators, which may require us to raise capital at a time when capital is not available on favorable terms or at all; a failure in the internal controls we have implemented to address the risks inherent to the business of banking; inaccuracies in our assumptions about future events, which could result in material differences between our financial projections and actual financial performance; changes in our management personnel or our inability to retain motivate and hire qualified management personnel; disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems; disruptions, security breaches, or other adverse events affecting the third-party vendors who perform several of our critical processing functions; an inability to keep pace with the rate of technological advances due to a lack of resources to invest in new technologies; risks related to potential acquisitions; political developments, uncertainties or instability, catastrophic events, acts of war or terrorism, or natural disasters, such as earthquakes, fires, drought, pandemic diseases (such as the coronavirus) or extreme weather events, any of which may affect services we use or affect our customers, employees or third parties with which we conduct business; incremental costs and obligations associated with operating as a public company; the impact of any claims or legal actions to which we may be subject, including any effect on our reputation; compliance with governmental and regulatory requirements, including the Dodd-Frank Act and others relating to banking, consumer protection, securities and tax matters, and our ability to maintain licenses required in connection with commercial mortgage origination, sale and servicing operations; changes in federal tax law or policy; and our ability the manage the foregoing and other factors set forth in the Company’s public reports. We describe these and other risks that could affect our results in Item 1A. “Risk Factors,” of our latest Annual Report on Form 10-K for the year ended December 31, 2021 and in our other subsequent filings with the Securities and Exchange Commission.

4Q-2021 Highlights vs 4Q-2020

Net Income	Diluted EPS	ROAA	ROAE	NIM	Efficiency
$9.1M	$0.59	2.11%	22.72%	4.07%	39.34%

Earnings & Profitability

- Net income of $9.1 million, up $5.3 million or 140%
- Diluted earnings per share of $0.59, up $0.34 or 136%
- Net interest margin of 4.07%, up from 3.73%
- ROAA and ROAE of 2.11% and 22.72%, up from 1.13% and 10.72%, respectively
- Efficiency ratio of 39.34%, an improvement from 54.02%

Balance Sheet Growth

- Total assets of $1.73 billion, up $359.9 million, or 26%
- Total loans(1) of $1.40 billion, up $277.1 million, or 25%
- Total deposits of $1.53 billion, up $334.0 million, or 28%
- Noninterest-bearing deposits to total deposits of 51%, up from 44%

Credit Quality

- Adjusted allowance to gross loans of 1.36%, compared to 1.54%
- Net loan charge-offs to average gross loans of 0.05%, compared to 0.00%
- Nonperforming loans to gross loans of 0.24%, compared to 0.09%.
- Criticized loans to gross loans of 0.31%, down from 0.71%

Capital Adequacy

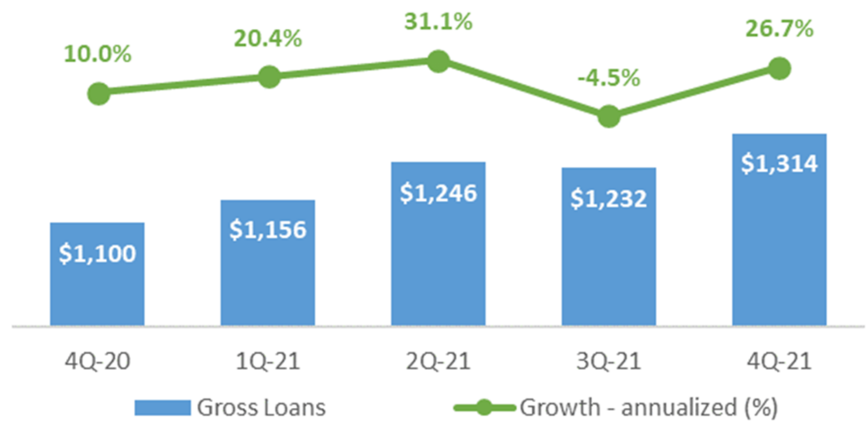
- Quarterly cash dividend of $0.10 per share, a 43% increase from $0.07 per share
- Capital position remained solid with a Common Equity Tier 1 ratio of 12.42%

(1) Includes loans held for sale.

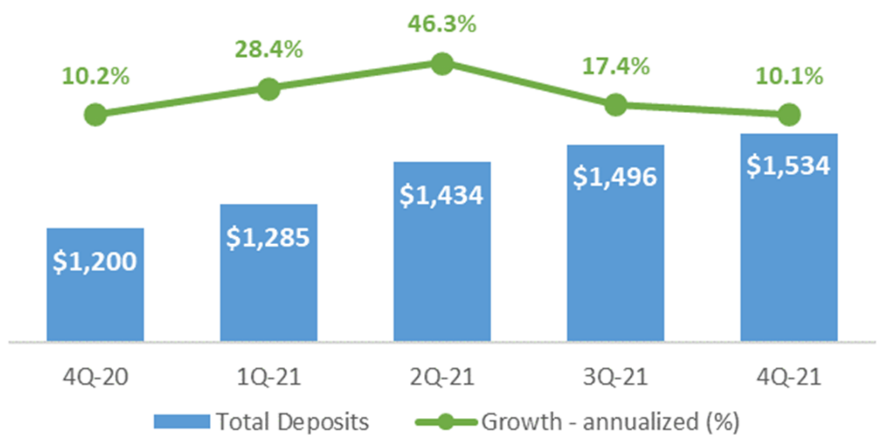
Balance Sheet Trend

Total Assets ($mm)

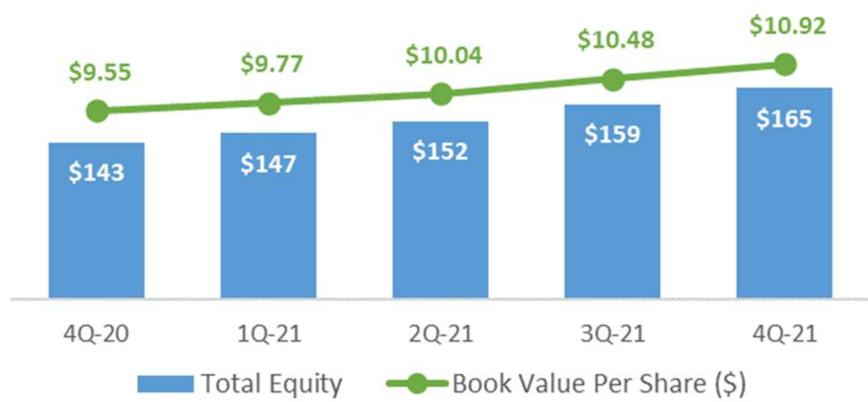
Gross Loans ($mm)



Total Deposits ($mm)

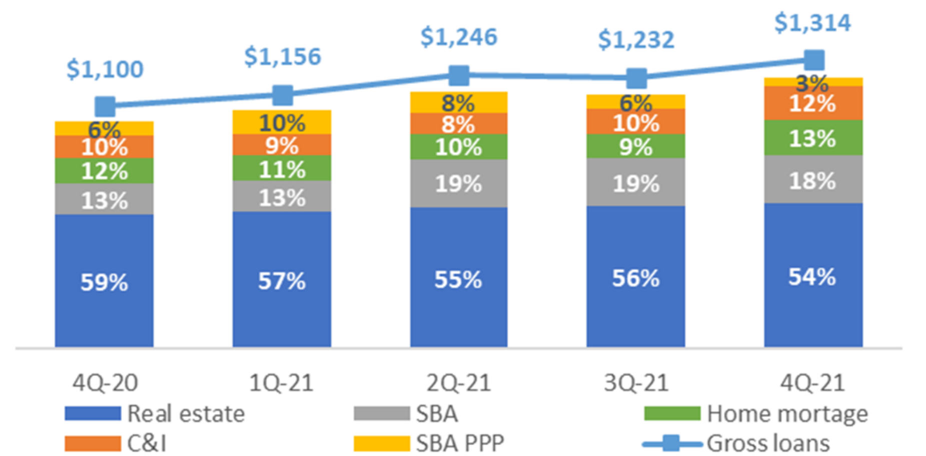


Total Equity ($mm) & Book Value Per Share ($)

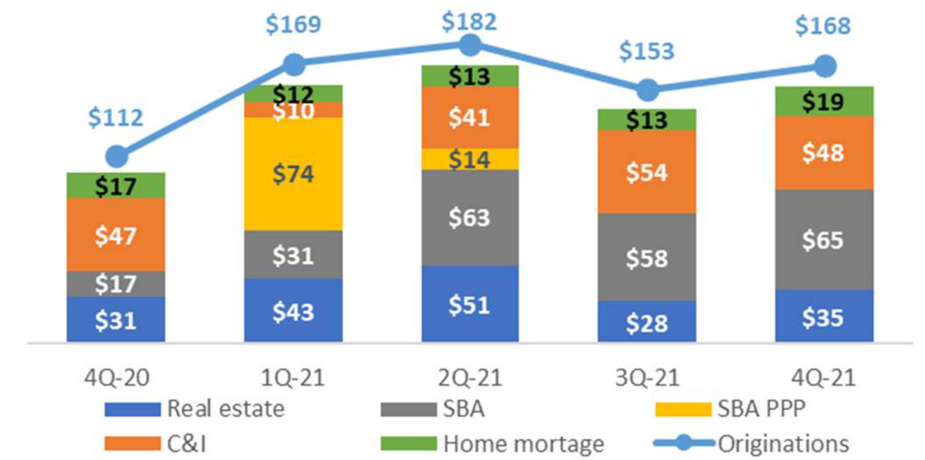


Loan Trend

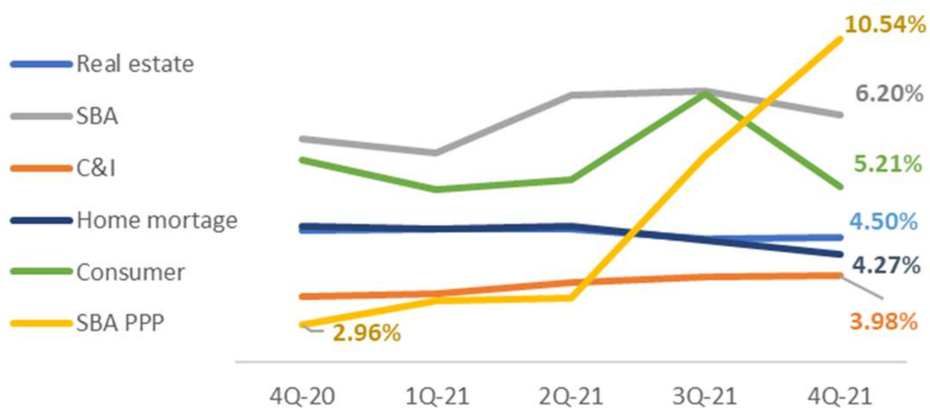
Loan Composition ($mm)



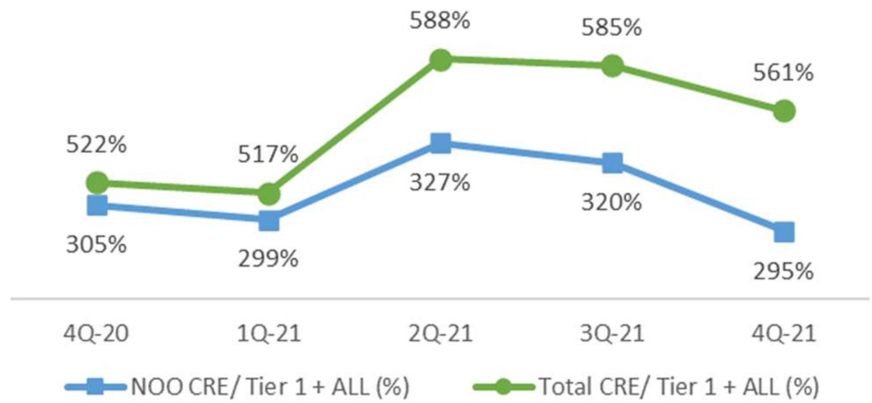
Loan Originations ($mm)



Loan Yields (%)

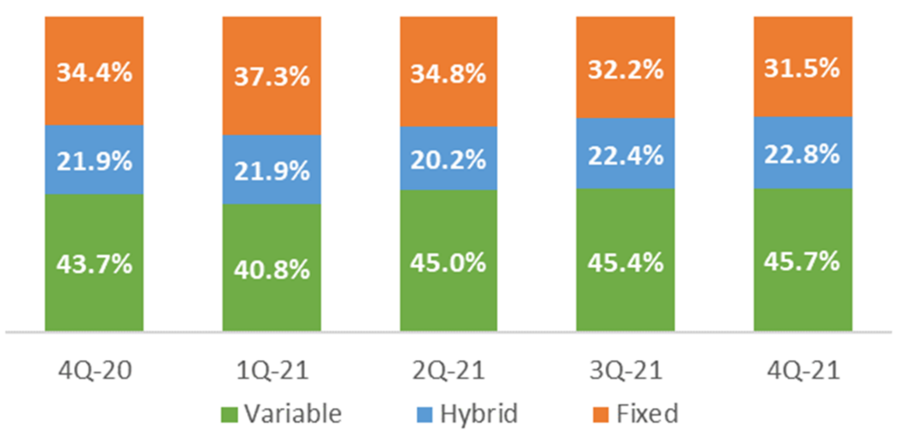


Commercial Real Estate Concentration (%)

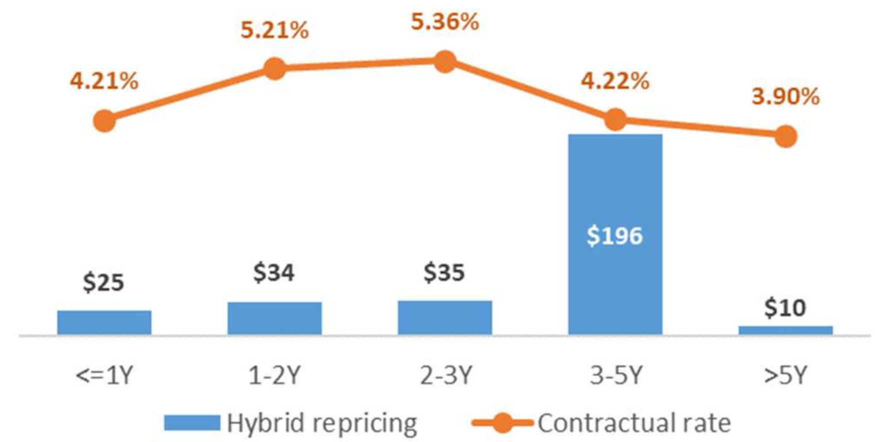


Loan by Interest Rate Type

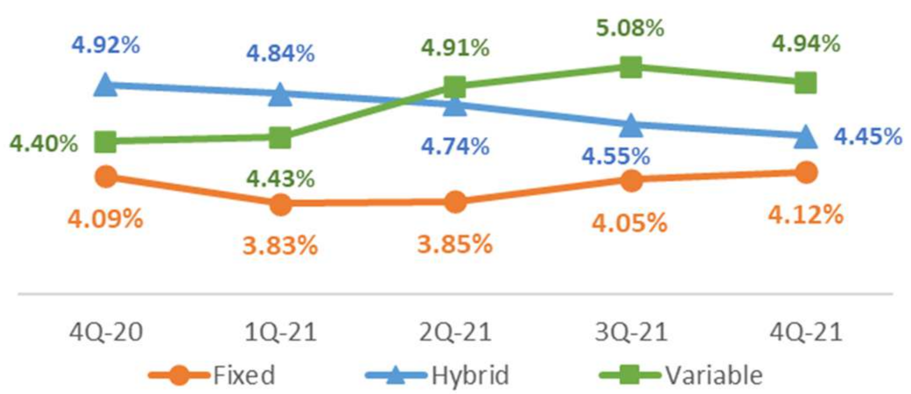
Composition by Interest Rate Type (%)



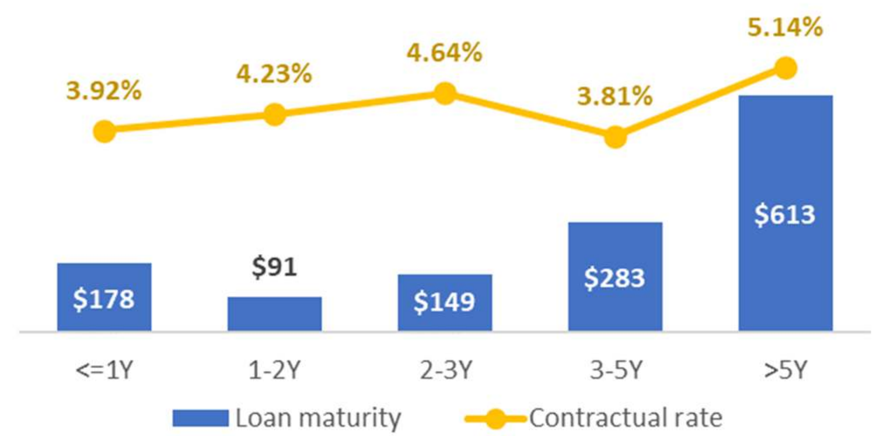
Hybrid Loan Repricing Schedule ($mm)



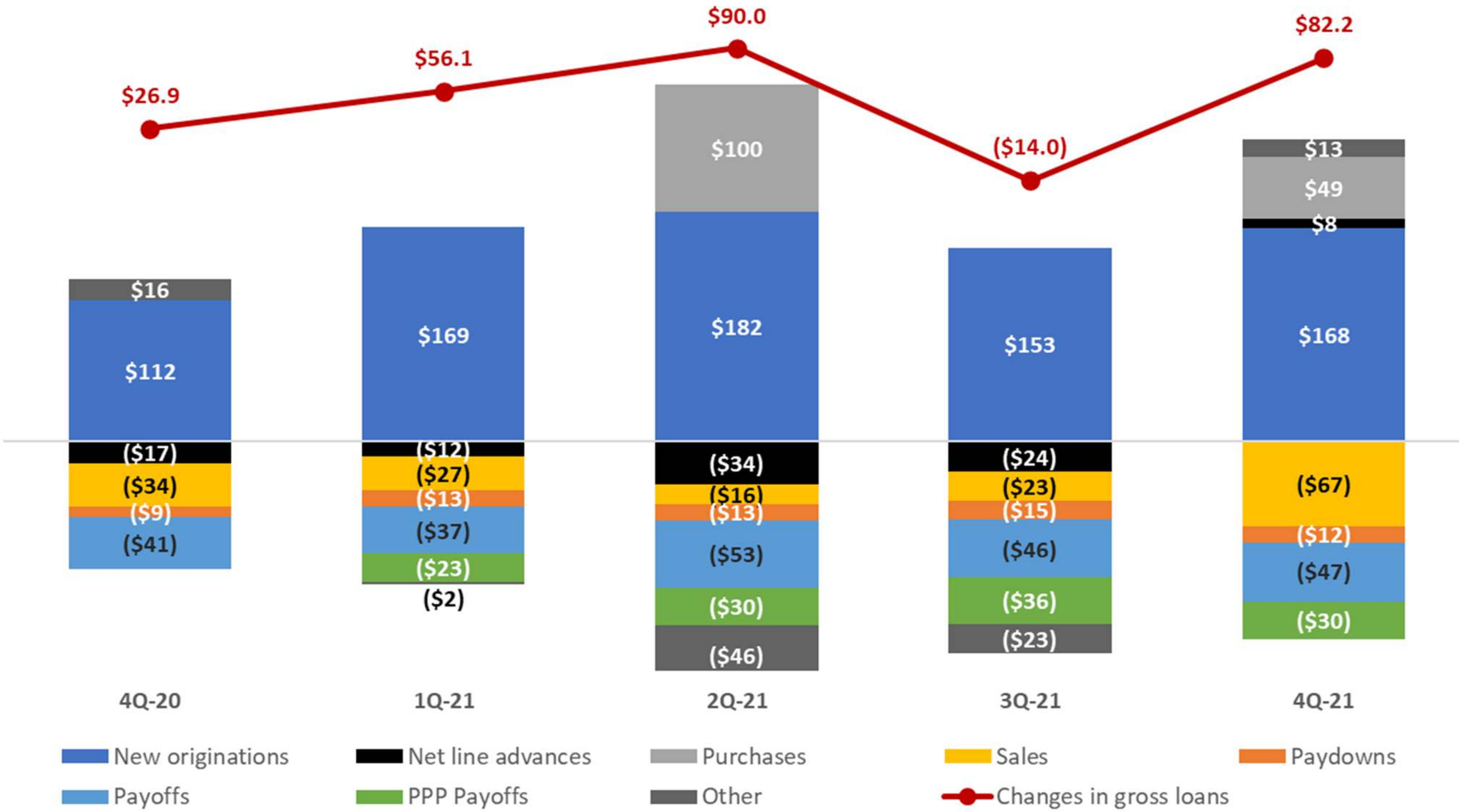
Contractual Rates by Interest Rate Type (%)



Loan Maturity Schedule ($mm)



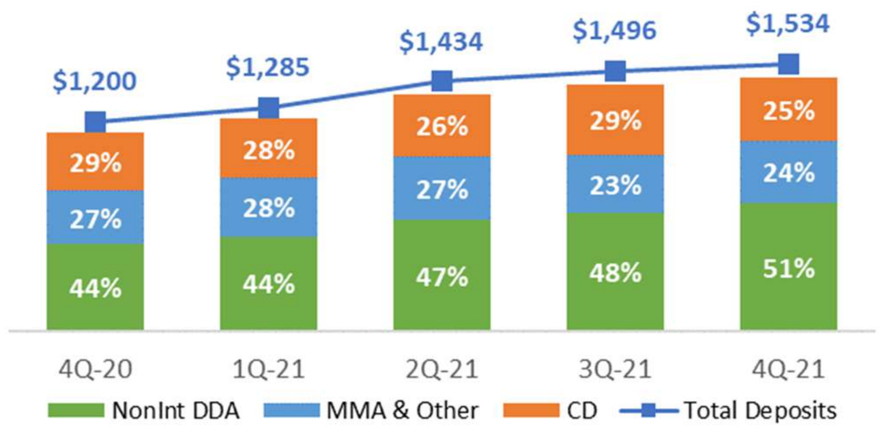
Gross Loan Changes by Activity



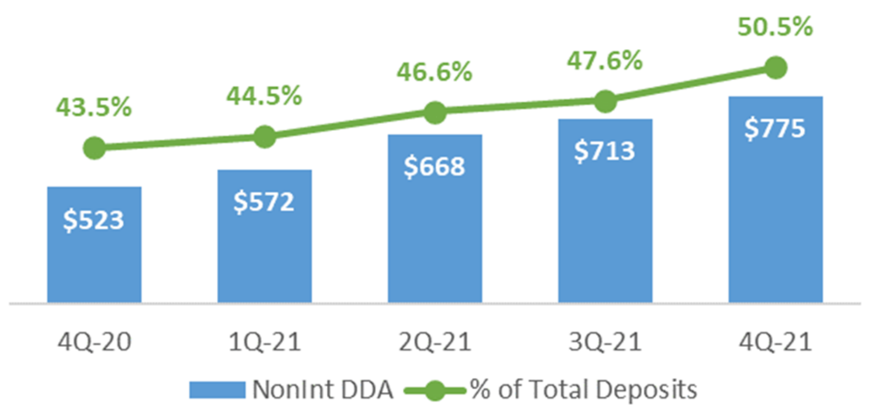
openbank

Deposit Trend

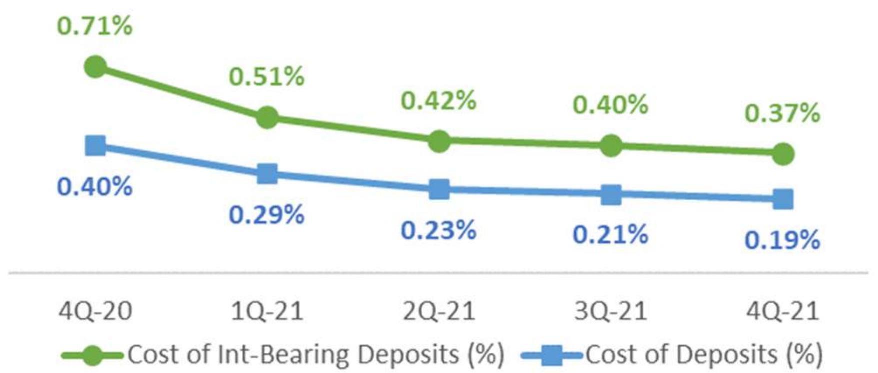
Deposit Composition ($mm)



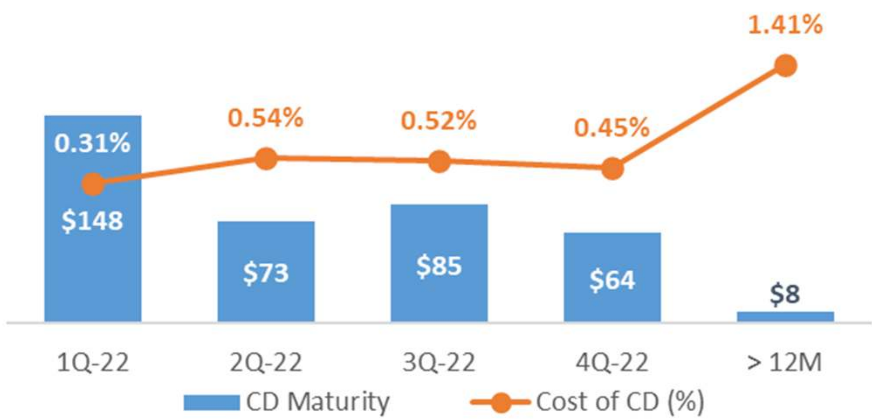
Noninterest Bearing Deposits ($mm)



Cost of Deposits (%)

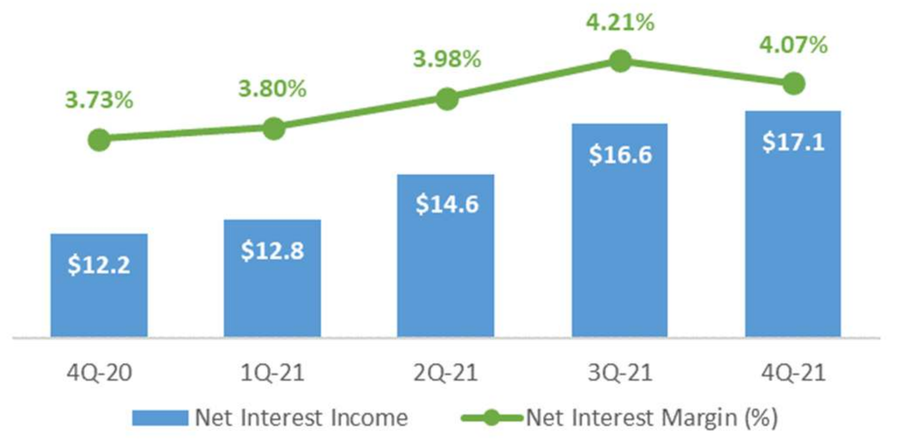


CD Maturity Schedule ($mm)

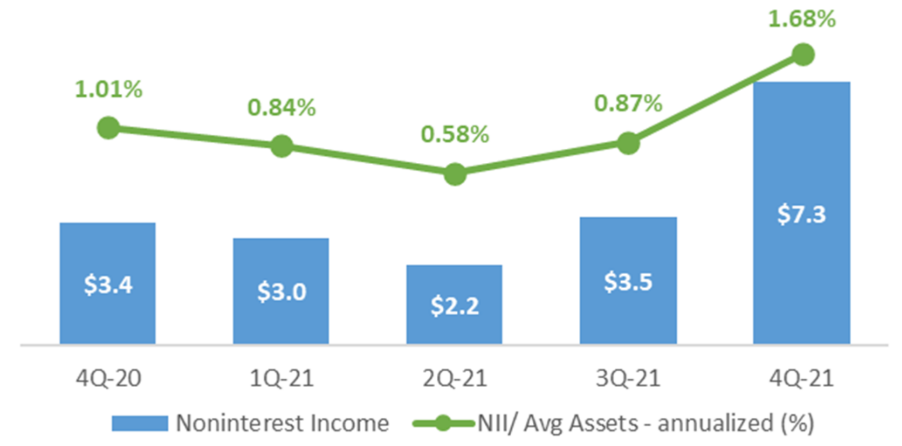


Earnings & Profitability

Net Interest Income ($mm) & Net Interest Margin (%)

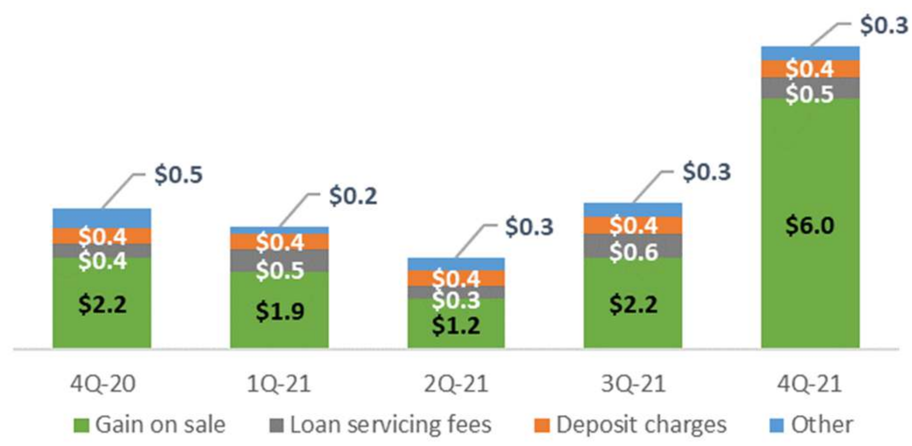


Noninterest Income ($mm)



Interest Income & Interest Expense ($mm)

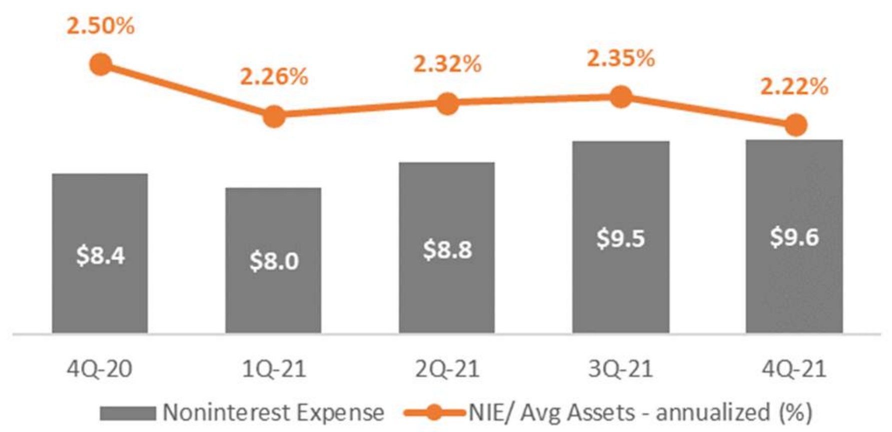
Noninterest Income Components ($mm)



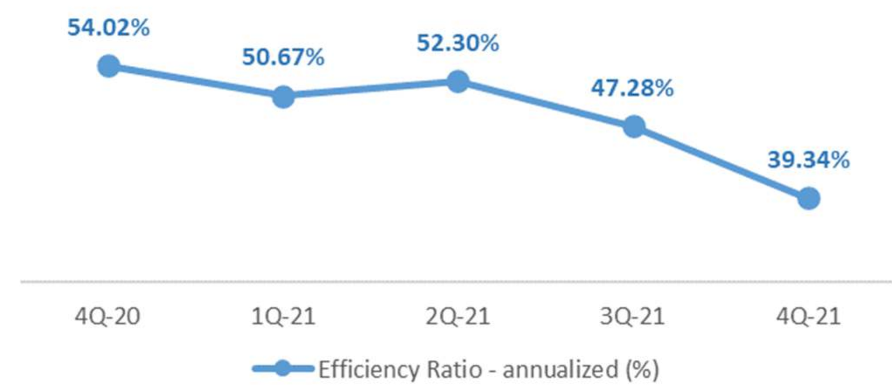
* Ratios for interest income & interest expense are percentages of average assets and are annualized.

Earnings & Profitability

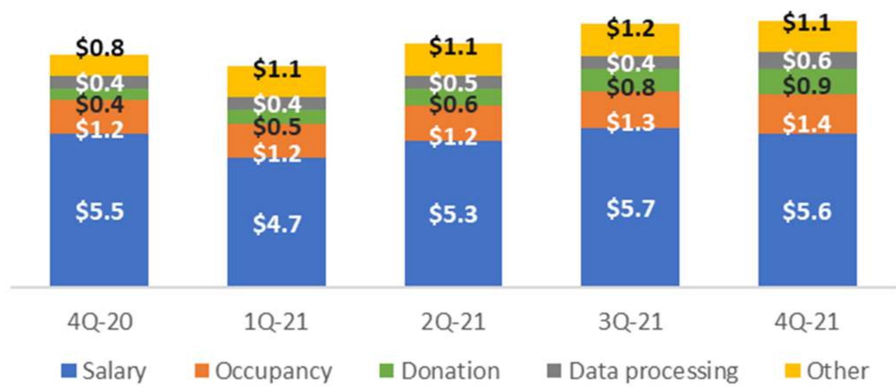
Noninterest Expense ($mm)



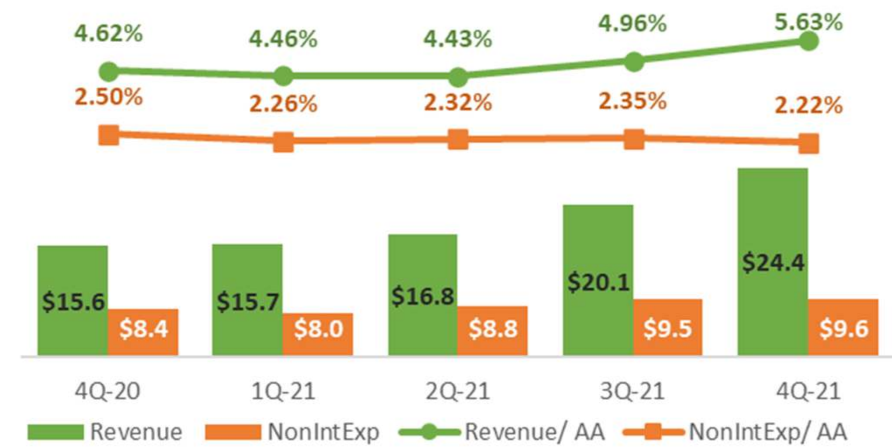
Efficiency Ratio (%)



Noninterest Expense Components ($mm)



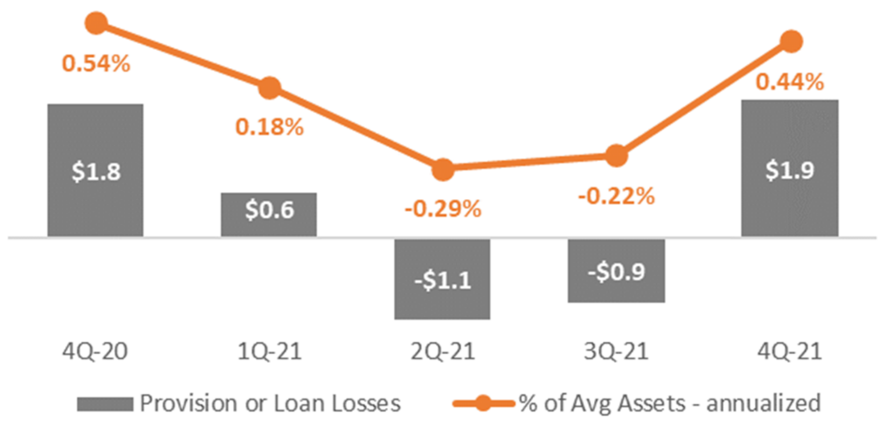
Efficiency Ratio Components (%)



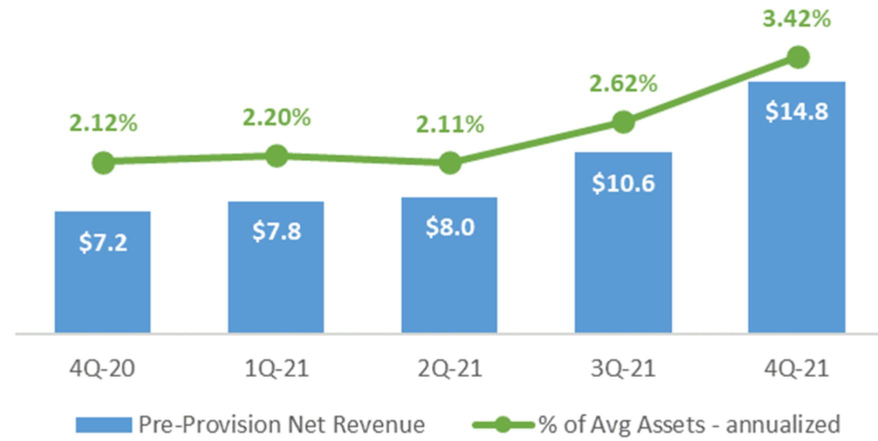
* Ratios for Efficiency Ratio Components are percentages of average assets and are annualized.

Earnings & Profitability

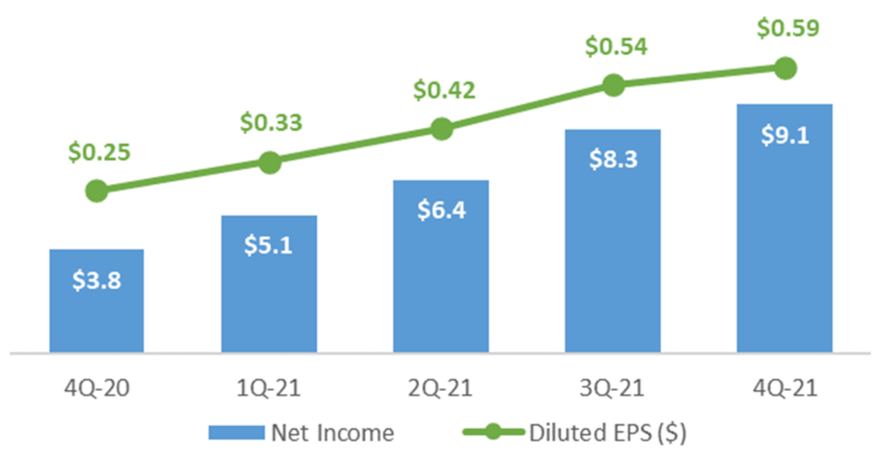
Provision for Loan Losses ($mm)



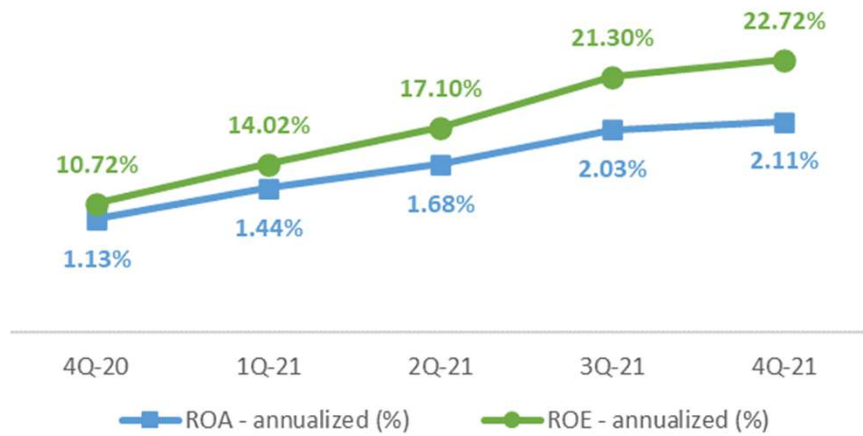
Pre-Provision Net Revenue ($mm)



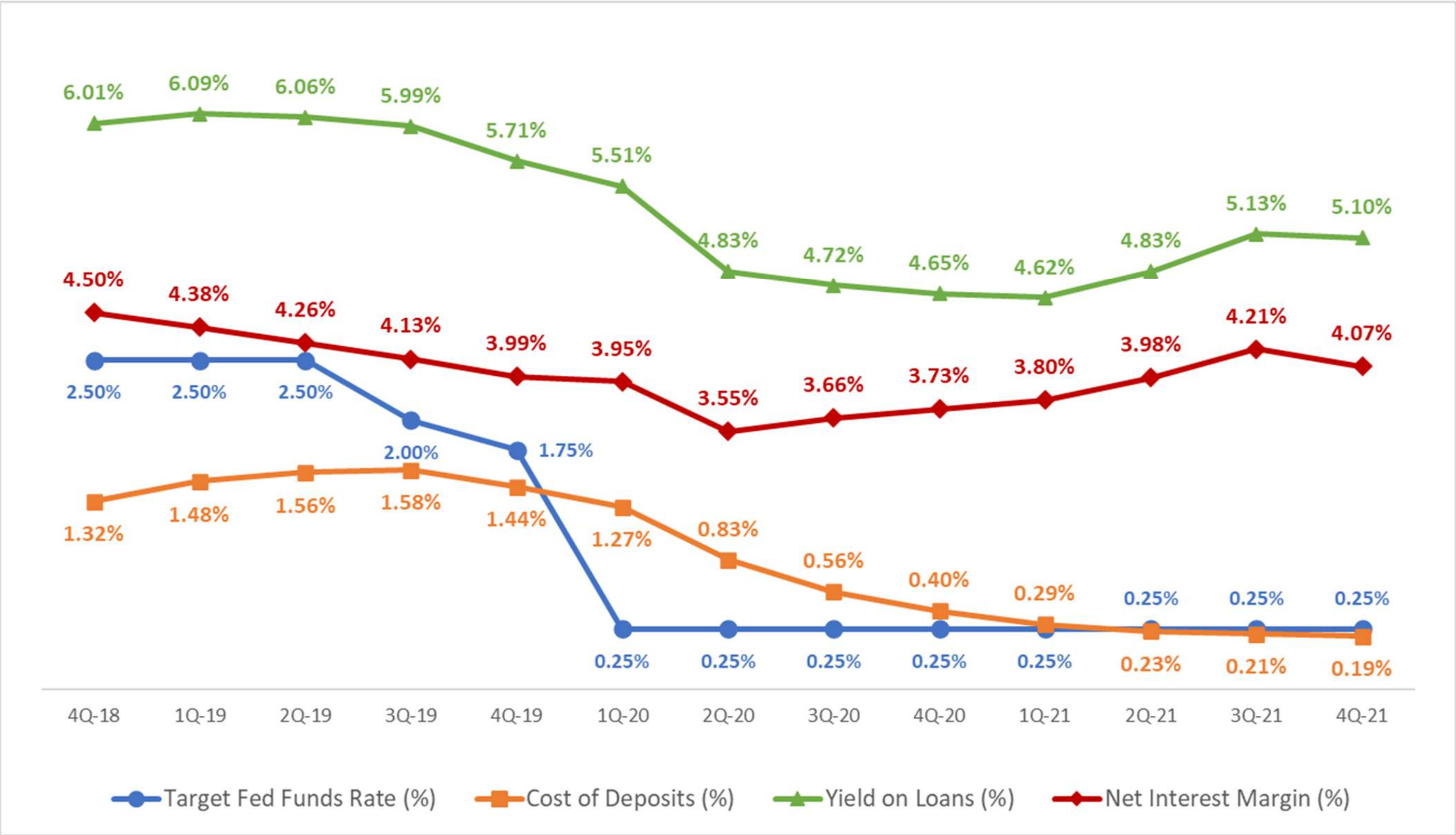
Net Income ($mm) & Diluted EPS ($)



Return on Assets & Return on Equity (%)



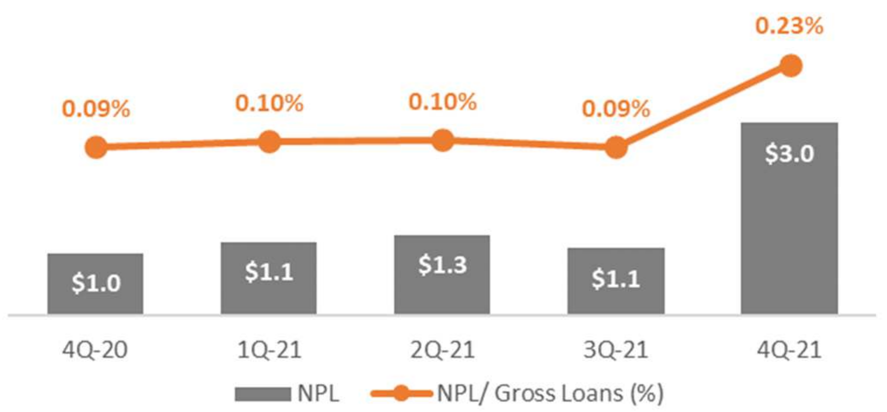
Net Interest Margin Trend



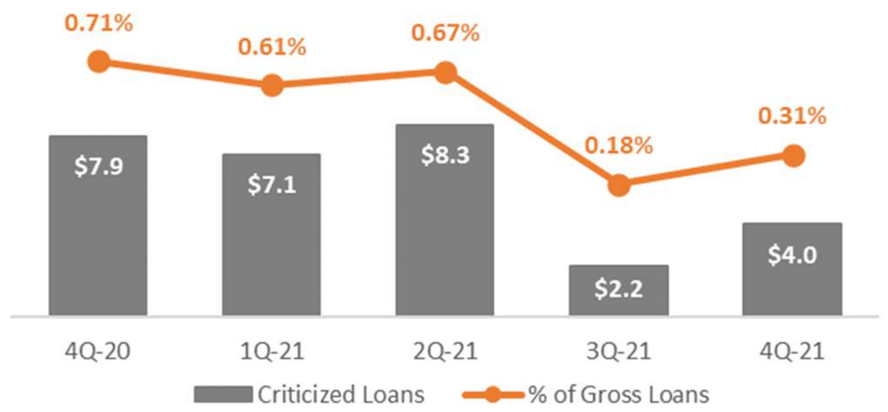
Source: Target Fed Funds Rate per Federal Open Market Committee guidance.

Asset Quality

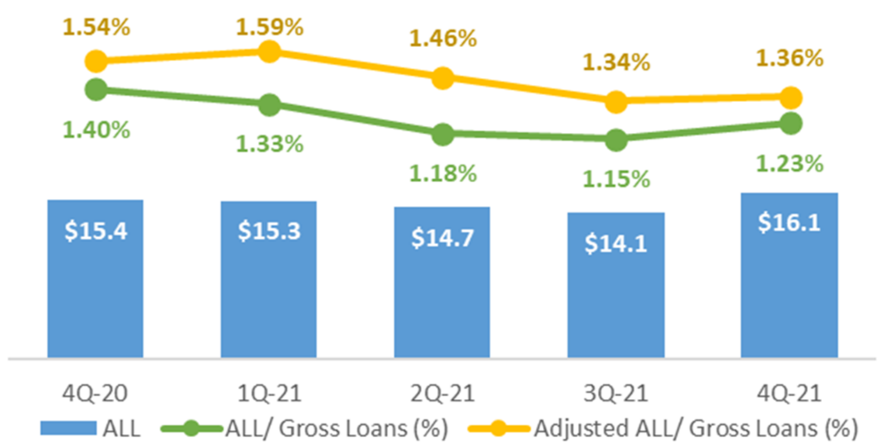
Nonperforming Loans ($mm)



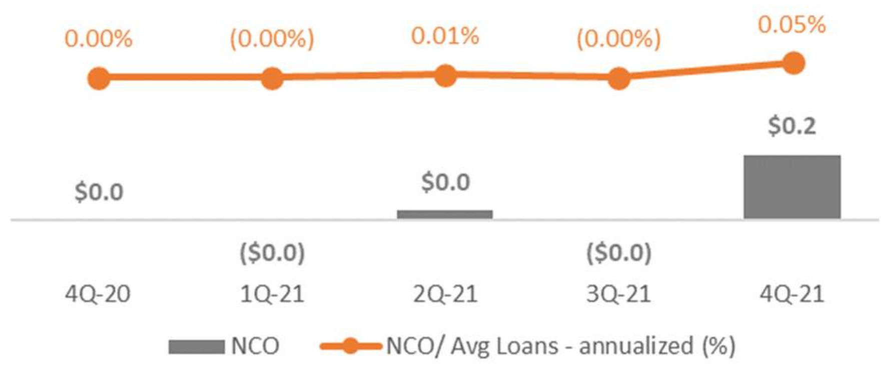
Criticized Loans ($mm)



Allowance for Loan Losses ($mm)

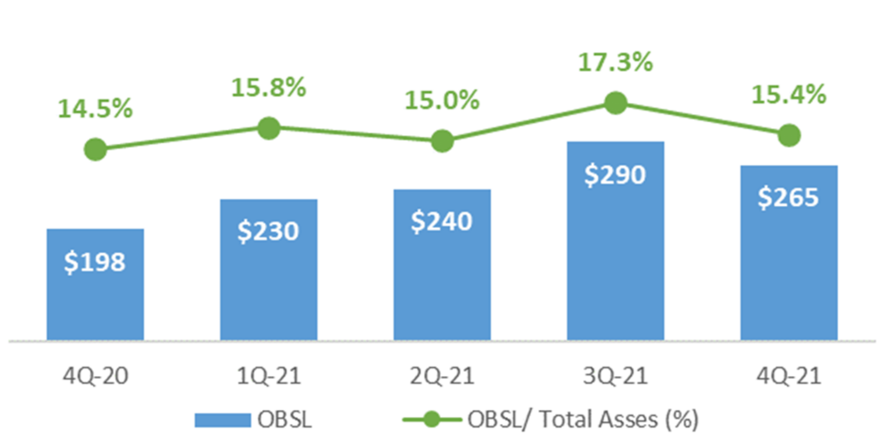


Net Charge-Offs ($mm)

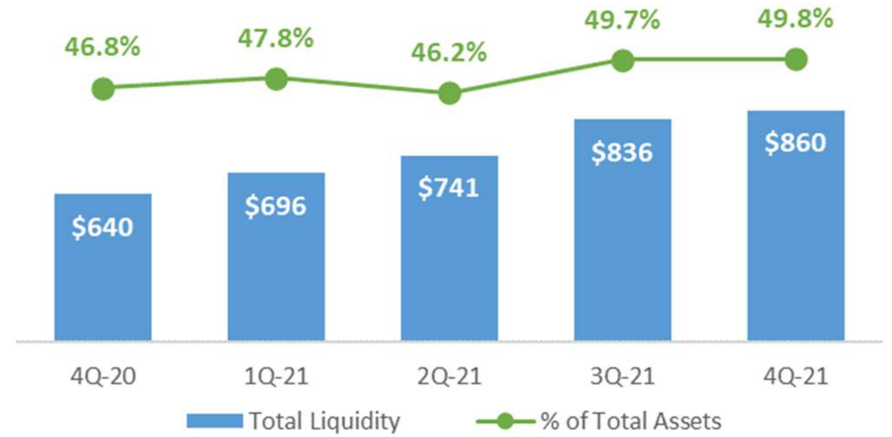


Liquidity & Capital

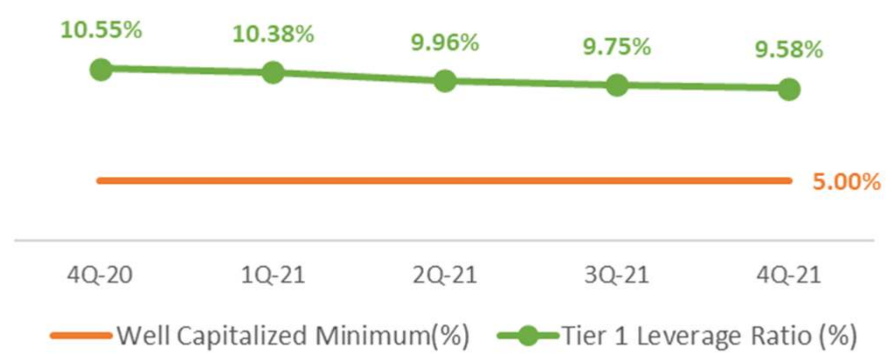
On Balance Sheet Liquidity ($mm)



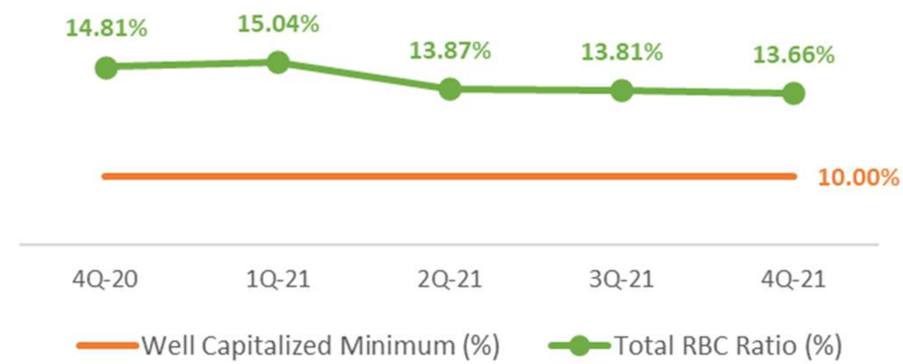
Total Liquidity ($mm)



Tier 1 Leverage ($mm)



Total Risk Based Capital ($mm)



Non-GAAP Reconciliation

Pre-Provision Net Revenue

Pre-provision net revenue removes provision for loan losses and income tax expense. Management believes that this non-GAAP measure, when taken together with the corresponding GAAP financial measures (as applicable), provides meaningful supplemental information regarding our performance. This non-GAAP financial measure also facilitates a comparison of our performance to prior periods.

		For the Three Months Ended				
($ in thousands)		4Q21	3Q21	2Q21	1Q21	4Q20
Interest income		$ 17,822	$ 17,355	$ 15,349	$ 13,632	$ 13,375
Interest expense		726	766	763	877	1,194
Net interest income		17,096	16,589	14,586	12,755	12,181
Noninterest income		7,289	3,542	2,220	2,966	3,392
Noninterest expense		9,591	9,519	8,789	7,966	8,412
Pre-Provision Net Revenue	(a)	$ 14,794	$ 10,612	$ 8,017	$ 7,755	$ 7,161
Reconciliation to Net Income:						
(Reversal of) provision for loan losses	(b)	1,898	(884)	(1,112)	620	1,831
Provision for income taxes	(c)	3,747	3,246	2,750	2,058	1,513
Net income	(a) + (b) + (c)	$ 9,149	$ 8,250	$ 6,379	$ 5,077	$ 3,817

Non-GAAP Reconciliation

Adjusted Allowance to Gross Loans Ratio

Adjusted allowance to gross loans ratio removes the impacts of purchased loans, PPP loans and allowance on accrued interest receivable. Management believes that this ratio provides greater consistency and comparability between the Company's results and those of its peer banks.

		For the Three Months Ended				
($ in thousands)		4Q21	3Q21	2Q21	1Q21	4Q20
Gross loans		$ 1,314,019	$ 1,231,821	$ 1,245,866	$ 1,155,872	$ 1,099,736
Less: Purchased loans		(77,170)	(83,025)	(88,438)	—	—
PPP loans [1]		(38,918)	(64,574)	(97,673)	(113,551)	(64,906)
Adjusted gross loans	(a)	$ 1,197,931	$ 1,084,222	$ 1,059,755	$ 1,042,321	$ 1,034,830
Accrued interest receivable on loans		$ 4,231	$ 3,659	$ 3,179	$ 2,839	$ 3,729
Less: Accrued interest receivable on purchased loans		(340)	(375)	(290)	—	—
Accrued interest receivable on PPP loans [2]		(340)	(416)	(461)	(481)	(445)
Add: Allowance on accrued interest receivable		205	465	792	1,279	634
Adjusted accrued interest receivable on loans	(b)	$ 3,756	$ 3,333	$ 3,220	$ 3,637	$ 3,918
Adjusted gross loans and accrued interest receivable	(a) + (b) = (c)	$ 1,201,687	$ 1,087,555	$ 1,062,975	$ 1,045,958	$ 1,038,748
Allowance for loan losses		$ 16,123	$ 14,134	$ 14,687	$ 15,339	$ 15,351
Add: Allowance on accrued interest receivable		205	465	792	1,279	634
Adjusted Allowance	(d)	$ 16,328	$ 14,599	$ 15,479	$ 16,618	$ 15,985
Adjusted allowance to gross loans ratio	(d)/(c)	1.36%	1.34%	1.46%	1.59%	1.54%

(1) Excludes purchased PPP loans of $1.7 million and $4.7 million as of December 31, 2021 and September 30, 2021, respectively.

(2) Excludes purchased accrued interest receivable on PPP loans of $15 thousand and $30 thousand as of December 31, 2021 and September 30, 2021, respectively.