



**Hanover Bancorp, Inc.**  
**Investor Presentation**  
**May 2022**

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# Disclaimer

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This presentation includes statements that are, or may be deemed, "forward-looking statements." In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "plans," "intends," "may," "could," "might," "will," "should," "approximately," "potential," "projected," "pro forma" or, in each case, their negatives or other variations thereon or comparable terminology, although not all forward-looking statements contain these words.

By their nature, forward-looking statements involve risks and uncertainties because they relate to future events, competitive dynamics, and banking, regulatory, and other developments and depend on anticipated circumstances that may or may not occur or may occur on longer or shorter timelines than anticipated. Although we believe that we have a reasonable basis for each forward-looking statement contained in this presentation, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition, and liquidity, and the development of the industry in which we operate may differ materially from the forward-looking statements contained in this presentation.

In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this presentation, they may not be predictive of results or developments in future periods. Any forward-looking statements that we make in this presentation speak only as of the respective dates of such statements, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this presentation, except as required by law.

## **Non-GAAP Financial Measures**

This presentation contains supplemental financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Our management uses these non-GAAP measures in its analysis of our performance. These measures should not be considered a substitute for GAAP basis measures nor should they be viewed as a substitute for operating results determined in accordance with GAAP. Management believes the presentation of tangible common equity ("TCE"), tangible book value ("TBV") per share, and return on average tangible common equity ("ROATCE"), non-GAAP financial measures that exclude the impact of intangible assets, provide useful supplemental information that is essential to a proper understanding of our financial condition and results. Non-GAAP measures are not formally defined under GAAP, and other entities may use calculation methods that differ from those used by us. As a complement to GAAP financial measures, our management believes these non-GAAP financial measures assist investors in comparing the financial condition and results of operations of financial institutions due to the industry prevalence of such non-GAAP measures.

## Offering Summary

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<b>Issuer</b>	<ul style="list-style-type: none"><li>• Hanover Bancorp, Inc.</li></ul>
<b>Exchange / Ticker</b>	<ul style="list-style-type: none"><li>• Nasdaq / HNVR</li></ul>
<b>Base Shares Offered</b>	<ul style="list-style-type: none"><li>• 1,363,636 Shares (100% Primary)</li></ul>
<b>Base Offering Size</b>	<ul style="list-style-type: none"><li>• \$30 million (at the Midpoint)</li></ul>
<b>Filing Range</b>	<ul style="list-style-type: none"><li>• \$21.00 - \$23.00 Per Share</li></ul>
<b>Overallotment Option</b>	<ul style="list-style-type: none"><li>• 15% (100% Primary)</li></ul>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"><li>• Enhance regulatory capital to support organic and future potential strategic growth</li></ul>
<b>Lock-up</b>	<ul style="list-style-type: none"><li>• 180 days for directors and officers</li></ul>
<b>Joint Book-running Managers</b>	<ul style="list-style-type: none"><li>• Stephens Inc. and Piper Sandler</li></ul>

## Introduction – Hanover Executive Management Team

	Name	Position with Hanover	Age	Years of Banking Experience	Year Started at Hanover
	Michael P. Puorro	CEO & Chairman	62	30 +	2012
	Brian K. Finneran	President	64	40 +	2017
	Lance P. Burke	Exec. VP & Chief Financial Officer	42	20 +	2021
	McClelland Wilcox	Senior Exec. VP & Chief Lending & Revenue Officer	50	20 +	2021
	Kevin Corbett	Exec. VP & Chief Credit Officer	62	35 +	2020
	Denise Chardavoyne	Exec. VP & Chief Operations Officer	44	20 +	2018
	Lisa A. Diorio	First Senior VP & Chief Accounting Officer	58	25 +	2016
	Michael Locorriere	Exec. VP & Chief Municipal Officer	53	30 +	2020
	Alice Rouse	Exec. VP & Chief Risk Officer	56	25 +	2017

Source: SEC Filings; Company Documents.

Note: Throughout the presentation, unless otherwise specified, references to "Hanover" may be to either the holding company or the bank.

# Overview of Hanover Bancorp, Inc.

## Financial Snapshot

Dollars in millions	Quarter End 12/31/2021	Fiscal Year End 9/30/2021	Quarter End 12/31/2021
<b>Balance Sheet</b>		<b>Profitability</b>	
Total Assets	\$1,458	Net Income	\$10.9
Total Net Loans	1,268	Adj. Net Income <sup>(1)</sup>	6.5
Total Deposits	1,177	Adj. ROAA <sup>(1)</sup>	1.80%
Tangible Common Equity	110	Adj. ROATCE <sup>(1)</sup>	24.3%
TCE / TA	7.63%	NIM	3.97%
TBV per Share	\$19.73		4.39%

- **Founded in 2009, with a focus on serving the South Asian community in Nassau County, NY**
- **The Bank was recapitalized in 2012 by a group led by our current Chairman and CEO Michael Puorro and current members of our Board of Directors**
- **Franchise expansion beginning in 2012:**
  - ✓ Adopted a strategic plan focused on providing differentiated consumer and commercial banking services to clients in the western Long Island markets and New York City boroughs, particularly Queens and Brooklyn
  - ✓ From 2012 until 2018 we grew exclusively through an organic strategy focused primarily on the non-qualified mortgage niche residential lending business
  - ✓ Successfully recruited seasoned bankers and banking teams from local, regional and national financial institutions
  - ✓ Completed two successful M&A transactions, acquiring Chinatown Federal Savings Bank in 2019 and Savoy Bank in 2021

Source: S&P Global Market Intelligence; SEC Filings; Company Documents.  
 Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30th. FDIC deposit data as of 6/30/2021.  
 (1) Adjusted for acquisition costs and related income tax effects.  
 (2) Includes closed Canal St branch deposits.

## Banking Footprint



#	Branch Name	Address	Deposits (\$M)
1	Headquarters & Mineola	80 East Jericho Turnpike, Mineola, NY	\$133
2	Garden City Park	2131 Jericho Turnpike, Garden City Park, NY	516
3	Flushing	138-29 39th Avenue, Flushing, NY	34
4	Forest Hills	71-15 Austin Street, Forest Hills, NY	42
5	Sunset Park	5512 8th Avenue, Brooklyn, NY	25
6	Bowery <sup>(2)</sup>	109 Bowery, New York, NY	99
7	Midtown	600 5th Ave., 17th Floor, New York, NY	312
8	Freehold	4400 Route 9, Freehold, NJ	-

## M&A History

Company Name	Date Completed	Seller Assets Prior to Closing (\$M)
 SAVOY BANK	5/26/2021	\$648
 CHINATOWN FEDERAL SAVINGS BANK	8/9/2019	\$141

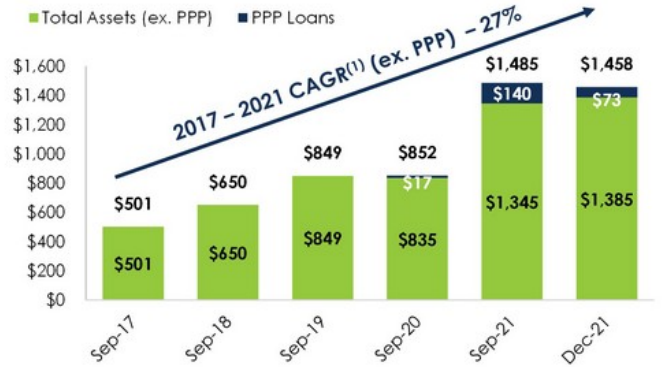
QoQ Annualized Growth	
IBV per Share	27%
Total Assets (ex. PPP)	12%
Gross Loans (ex. PPP)	35%
Total Deposits	4%

## Robust TBV Per Share & Balance Sheet Growth

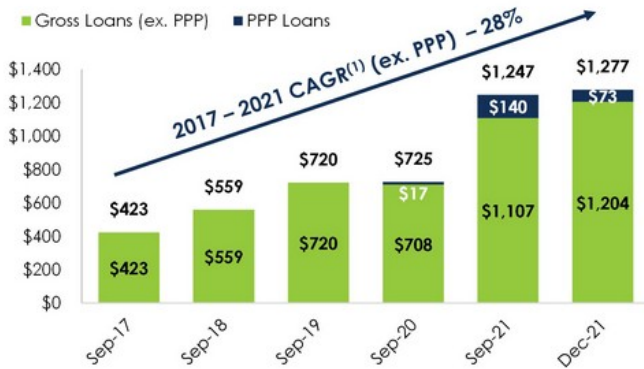
### Tangible Book Value per Share



### Total Assets (\$mm)



### Gross Loans (\$mm)



### Total Deposits (\$mm)



Source: S&P Global Market Intelligence; SEC Filings; Company Documents.  
 Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30<sup>th</sup>. Dollars in millions.  
 (1) CAGR calculated from September 2017 through December 2021.

## Creating a Differentiated Community Bank

### Organic Growth

- Build the premier community bank franchise serving customers and small to mid-size business in the New York City metro area and western Long Island
- Continue to penetrate the potential customer bases in multiple niche areas
- Continue to serve the local economies in their geographic footprint by capitalizing on a focus on personalized service, the ability to realize greater economies of scale than smaller community banks and ability to provide better and more responsive service than larger regional banks

### Strategic Acquisitions

- Expanded commercial banking capabilities significantly, due to the Savoy acquisition, with a particular focus on small business clients and Small Business Administration (SBA) lending
- Leverage the Savoy acquisition and expand presence in the New York City market
- Continue to pursue prudent and commercially attractive acquisitions

### Diversifying Loan Portfolio through Niche Segments

- Focus on diversifying the loan portfolio through niche lending segments to generate appropriate risk-adjusted returns
- Focus our niche lending on: residential real estate, commercial real estate and multi-family
- Average loan-to-value of the mortgage underwriting portfolio at origination was 55%

### Complementing the Lending Efforts and Diversifying Funding

- The deposit and treasury management products and services complement the niche lending focus
- Established a municipal banking business in 2020 with potential to produce a significant level of deposits at cost effective rates with the effort led by Michael Locorriere
- Initiative is consistent with a branch-lite and highly efficient approach

## Focus on Delivering Shareholder Value

## Investment Highlights

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### High Degree of Franchise Scarcity Value

- Recent market consolidation has resulted in a lack of sub-\$5 billion asset sized banks in the Long Island and Greater New York City Metro Area.
- Since June 2020, there have been 12 bank transactions in the tri-state area, 7 of which involved targets with total assets less than \$5 billion.

### Niche Lending & Funding Expertise Drives Pricing Power

- Since 2014, the residential mortgage operation has been highly focused on non-conforming lending in New York City. With the recent addition of Savoy, the Company has acquired a niche in SBA and small business commercial banking platform.
- Hanover's municipal deposit banking business is differentiated in that it is focused on long-term relationships that typically have less pricing volatility, particularly in rising rate environments.

### Efficient, Profitable and Scalable Business Model

- Demonstrated track record of profitability and investing in the business. Hanover is highly focused around profitability and a highly efficient operating platform and branch network.
- The Company's level of assets, loans, deposits and revenue relative to the number of branch offices is well above peers. Management believes a continued focus on operating efficiently will result in above average levels of profitability over the long-term.

### Disciplined Underwriting and High Quality Balance Sheet

- Since 2016, Hanover has incurred \$907k in cumulative net charge-off's, representing less than 10 basis points of average loans over that time period.
- Total non-accrual loans at December 31, 2021 were \$6.1 million, or 0.48% of total loans, excluding loans Held-for-Sale and Small Business Administration Paycheck Protection loans.
- Hanover's reserves represent 0.78% of total loans, excluding Held-for-Sale and Small Business Administration Paycheck Protection loans.

### Demonstrated Ability to Integrate M&A Transactions

- Hanover's executive team, which is led by Chairman and CEO Michael Puorro, and Brian Finneran, our President, has significant experience with M&A transactions and post-closing integration efforts.
- In August 2019, the Company closed the CFSB acquisition and has successfully grown the former CFSB deposit franchise significantly.
- In May 2021, the Company closed the Savoy merger, an approximately \$650 million total asset single branch commercial bank located in NYC. The transaction significantly diversified revenue and lending mix while boosting profitability and leveraging Savoy's expertise in commercial and SBA lending.

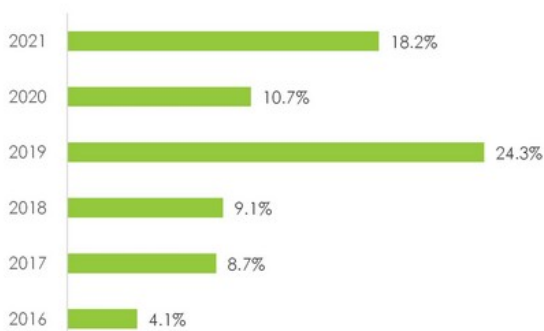
Source: S&P Global Market Intelligence; SEC Filings; Company Documents.  
Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30<sup>th</sup>. Data as of 12/31/2021.



# Significant Consolidation of NYC Metro Community Banks Provides Growth Opportunities

## % of Banks Acquired in NYC<sup>(1)</sup>

Approximately 49% of banks<sup>(1)</sup> in NYC MSA were consolidated in the last 5 years



## Long Island Significantly Consolidated



## Top 20 NYC MSA Banks in 2016<sup>(2)</sup>

Acquired			Institutions ranked by asset size		
Rank	Institution	2016 Deposits (\$mm)	Rank	Institution	2016 Deposits (\$mm)
1	kearny	\$2,695	11	Blue Foundry Bank	\$1,167
2	ConnectOne	\$3,344	12	PCSB FINANCIAL CORPORATION	\$1,113
3	BRIDGE BANCORP, INC.	\$2,926	13	Metropolitan Commercial Bank	\$946
4	amalgamated FINANCIAL CORP.	\$3,009	14	Metropolitan Commercial Bank	\$946
5	PEAPACK-GLADSTONE BANK	\$3,412	15	UNITY BANCORP INC	\$835
6	Northfield Bancorp	\$2,714	16	1st Constitution Bank Corp	\$777
7	ORITANI FINANCIAL CORP.	\$2,260	17	TWO RIVER BANCORP	\$746
8	1NFirst of Long Island Corporation	\$2,609	18	First Commerce Bank	\$661
9	SUFFOLK BANCORP	\$1,880	19	SB One Bancorp	\$718
10	BCB Bank	\$1,392	20	Bank of New Jersey	\$578

Source: SEC Filings; Company Documents; S&P Global Market Intelligence. Note: Dollars in millions.

(1) Banks in the NYC MSA acquired in a given year as a percentage of the number of institutions with total assets less than \$5 billion as of December 31st of the prior year.

(2) Institutions ranked by asset size. Includes banks with total assets less than \$5 billion as of 12/31/2016.

# New York MSA – A Leading U.S. Banking Market

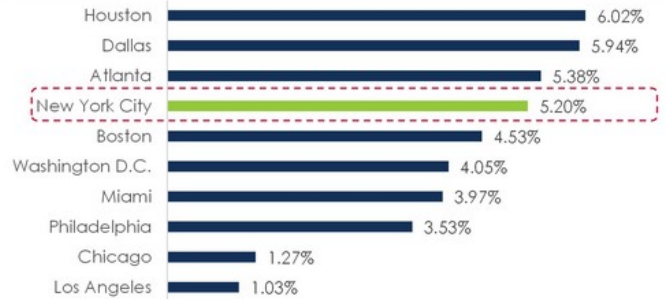
## Most Populated MSA

### Population (mm)



## 4<sup>th</sup> Fastest Growing MSA (1)

### Projected Population Growth ('22-'27)



## 4<sup>th</sup> Most Small Businesses by State

### Small Businesses (mm)



## Largest Deposit Market (MSA)

### Deposits (\$bn)



Source: S&P Global Market Intelligence; SEC Filings; US Census. Note: Small Business data as of 2018.  
 (1) Ranking amongst ten largest populated MSAs of 2022.

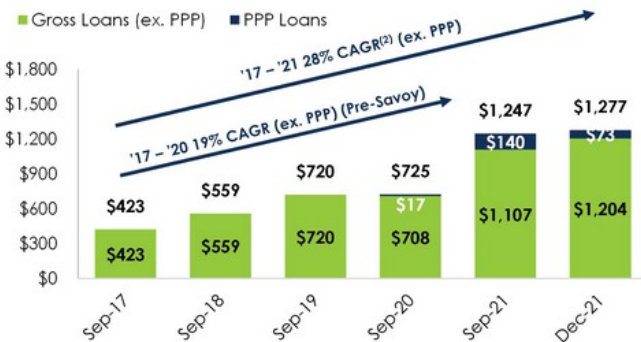
# Niche Lending Segments

## Loan Portfolio Composition<sup>(1)</sup>

For the quarter ended December 31, 2021



## Gross Loan Growth (\$mm)



Source: S&P Global Market Intelligence; Company documents; Call Report.  
 Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30<sup>th</sup>.  
 (1) Commercial & Industrial excludes \$72.9M in PPP loans. (2) CAGR calculated from September 2017 – December 2021.

## 1

### Residential Real Estate

- ✓ Initiated our residential lending platform in 2013 with a focus on the boroughs of New York City
- ✓ We originate mainly non-qualified, alternative documentation single-family residential mortgage loans through broker referrals, our branch network and retail channels.
- ✓ We offer multiple products including those designed specifically for two- to four-family units

Residential RE	For the years ended September 30,				
	2017	2018	2019	2020	2021
Loans originated	\$157,461	\$268,283	\$334,099	\$96,031	\$104,567
Loans sold	79,286	134,464	194,978	36,982	36,375

## 2

### Commercial Real Estate (including Multi-family)

- ✓ CRE lending is an area of expertise for us, with the Savoy acquisition re-enforcing what we believe was an already strong CRE lending foothold in New York City
- ✓ We maintain a loan-to-value policy limit of 75% for commercial real estate loans

## 3

### Commercial and Industrial

- ✓ We provide a mix of variable and fixed rate commercial and industrial loans which are typically made to small and medium sized businesses
- ✓ Prior to the acquisition of Savoy, we had a very limited portfolio of commercial and industrial loans

# Niche Lending & Branch-Lite Model Drives Outsized Margins

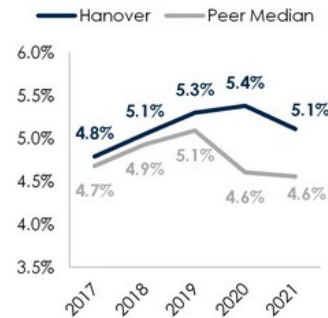
## Niche Lending & Funding Expertise Drives Pricing Power

- ✓ A number of our business segments are focused on providing specialized lending and deposit products to specific customer groups within our markets.
- ✓ We are focused on providing expertise and excellent service in the chosen segments in which we operate.
- ✓ Since 2014 our residential mortgage operation has been highly focused on non-conforming lending in New York City.
- ✓ With Savoy, we acquired a niche SBA and small business commercial banking business.
- ✓ Our municipal deposit banking business is differentiated in that we are focused on long-term relationships and our customers are not transactional in nature.
- ✓ Consistently achieving a higher yield on loans than peers.
- ✓ Low deposit cost coupled with SBA lending growth drives Net Interest Margin Expansion.
- ✓ This leads to us greatly surpassing peers in Net Interest Margin performance.

Net Interest Margin



Yield on Loans

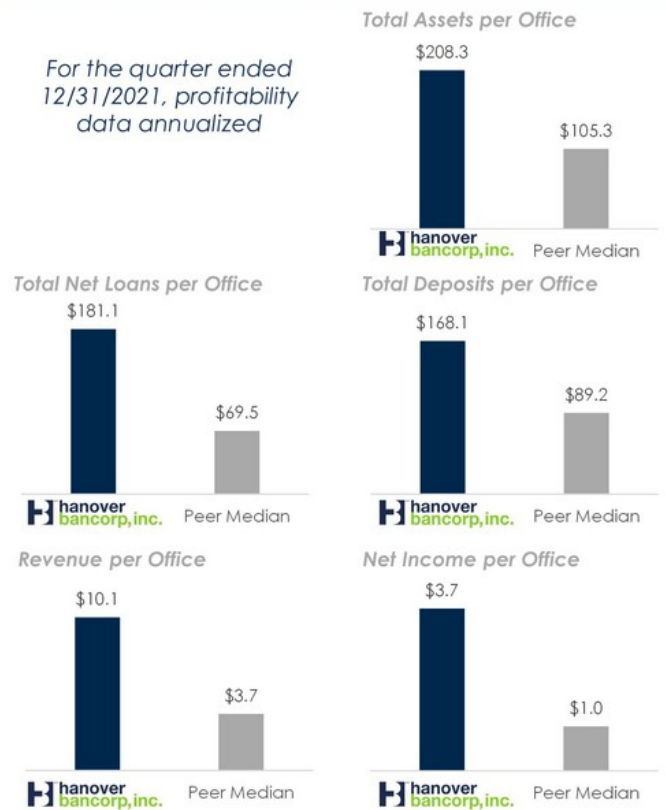


Source: S&P Global Market Intelligence; SEC Filings; Company Documents.

Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30<sup>th</sup>. Peers include major exchange-traded banks and thrifts with most recent quarter total assets between \$1 and \$3 billion, excluding merger targets and mutuals. Note: Annual data as of the fiscal years ended 9/30. Per office metrics calculated using 7 branches, excludes recently opened branch in Freehold, NJ.

## Efficient, Profitable and Scalable Business Model

For the quarter ended 12/31/2021, profitability data annualized



# Asset Quality Managed Through Disciplined Policies and Procedures

## Credit Philosophy

- Management utilized strong local community ties along with their experience with both federal and New York bank regulatory agencies to create a bank that emphasizes strong credit quality.
- Total loans having credit risk ratings of Special Mention or Substandard were \$42.4 million at December 31, 2021 versus \$51.9 million at September 30, 2021 and \$16.7 million at December 31, 2020. The increase in both the Special Mention and Substandard levels is due to the acquired loan portfolio of Savoy Bank.
- Total non-accrual loans at December 31, 2021 were \$6.1 million, or 0.48% of total loans and Management believes all of the Company's non-accrual loans are well collateralized and no specific reserves have been taken with regard to these loans.

## Credit Underwriting and Administration

- The Company has been prudently working with borrowers negatively impacted by the COVID-19 pandemic while managing credit risks and recognizing an appropriate allowance for loan losses. The Company modified 519 loans totaling \$367.1 million under the CARES Act which are excluded from TDR classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking agencies. As of December 31, 2021, 12 loans totaling \$11.0 million were still in forbearance, of which 5 loans totaling \$2.9 million were loans qualified under Section 9-x of the New York Banking Law.
- Non-performing assets as a % of total assets was 0.42% as of December 31, 2021 vs 0.46% as of December 31, 2020.

Nonperforming Assets / Total Assets



Net Charge-off's / Average Loans



Source: SEC Filings; S&P Global Market Intelligence; Company Documents.  
 Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30<sup>th</sup>.  
 (1) Annualized figure; 2022Q1 data for the quarter ended 12/31/2021.

# Growing Core Deposit Franchise

## Diversifying our Deposit Composition

For the quarter ended September 30, 2012

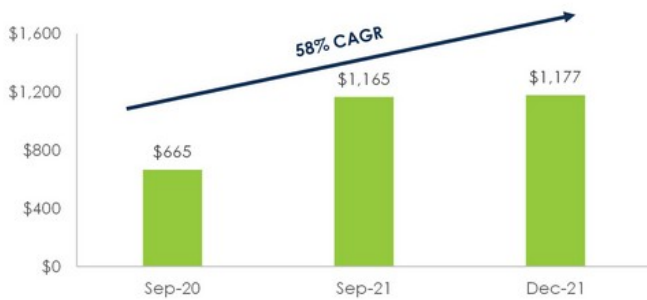


For the quarter ended December 31, 2021



- Hired a Chief Municipal Officer and supporting personnel to initiate our municipal banking business, which has grown our municipal deposit balances from \$74.3 at December 31, 2020 to \$407.1 million at December 31, 2021, with an average rate of 0.19%;
- Implemented a core processor IT conversion that resulted in a platform with a comprehensive suite of commercial deposit account capabilities; and
- Reduced wholesale funding levels (defined as Federal Home Loan Bank ("FHLB") borrowings, brokered deposits and Quick Rate accounts).

Deposit Growth (\$mm)



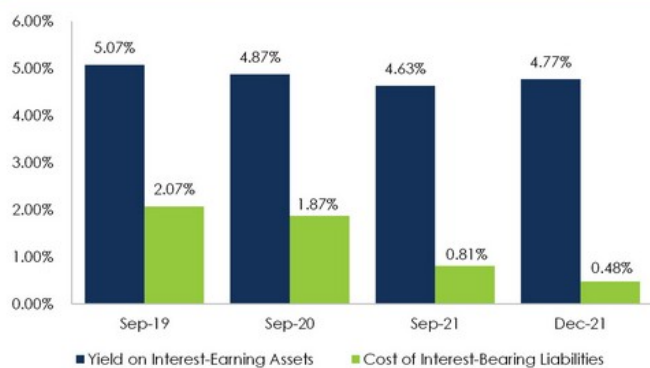
Noninterest-Bearing Deposit Growth (\$mm)



Source: SEC Filings; Company documents.  
Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30<sup>th</sup>.

# Asset Liability Management and Net Interest Margin Trends

### Yield/Cost Analysis



### Net Interest Margin



Source: S&P Global Market Intelligence; SEC Filings; Company Documents.  
 Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30<sup>th</sup>.

## Non-GAAP Reconciliation Tangible Book Value per Common Share

Non-GAAP Reconciliation Table	As of December 31,		As of September 30,				
	2021	2020	2021	2020	2019	2018	2017
	(dollars in thousands, except share data)						
<b>Book value per Common Share</b>	<b>\$23.26</b>	<b>\$19.12</b>	<b>\$22.02</b>	<b>\$18.69</b>	<b>\$17.28</b>	<b>\$15.14</b>	<b>\$13.41</b>
Less: goodwill and other intangible assets	(3.53)	(0.46)	(3.53)	(0.46)	(0.36)	—	—
<b>Tangible book value per common share</b>	<b>\$19.73</b>	<b>\$18.66</b>	<b>\$18.49</b>	<b>\$18.23</b>	<b>\$16.92</b>	<b>\$15.14</b>	<b>\$13.41</b>
Common stockholders' equity	\$129,379	\$80,024	\$122,529	\$78,043	\$71,950	\$54,230	\$41,778
Less: goodwill and other intangible assets	(19,627)	(1,921)	(19,648)	(1,922)	(1,508)	—	—
Tangible common stockholders' equity	\$109,752	\$78,103	\$102,881	\$76,121	\$70,442	\$54,230	\$41,778
Total assets	\$1,458,180	\$876,883	\$1,484,641	\$851,606	\$848,836	\$649,963	\$501,358
Less: goodwill and other intangible assets	(19,627)	(1,921)	(19,648)	(1,922)	(1,508)	—	—
Tangible assets	\$1,438,553	\$874,962	\$1,464,993	\$849,684	\$847,328	\$649,963	\$501,358
<b>Tangible common equity ratio</b>	<b>7.63%</b>	<b>8.93%</b>	<b>7.02%</b>	<b>8.96%</b>	<b>8.31%</b>	<b>8.34%</b>	<b>8.33%</b>

Source: S&P Global Market Intelligence; SEC Filings; Company Documents.  
Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30<sup>th</sup>.



## Non-GAAP Reconciliation

### Adjusted Net Income / Diluted Earnings per Share

Non-GAAP Reconciliation Table	As of or For the Three Months Ended December 31,		As of or For the Years Ended September 30,				
	2021	2020	2021	2020	2019	2018	2017
	(dollars in thousands, except share data)						
<b>Net income</b>	<b>\$6,537</b>	<b>\$1,519</b>	<b>\$10,851</b>	<b>\$4,974</b>	<b>\$8,085</b>	<b>\$4,601</b>	<b>\$2,152</b>
Adjustments:							
Acquisition costs	—	145	4,430	450	737	97	—
Income tax effect of adjustment above	—	(30)	(1,019)	(89)	(177)	(36)	—
<b>Adjusted net income (non-GAAP)</b>	<b>\$6,537</b>	<b>\$1,634</b>	<b>\$14,262</b>	<b>\$5,335</b>	<b>\$8,645</b>	<b>\$4,662</b>	<b>\$2,152</b>
<b>Diluted earnings per share</b>	<b>\$1.16</b>	<b>\$0.36</b>	<b>\$2.28</b>	<b>\$1.18</b>	<b>\$2.06</b>	<b>\$1.36</b>	<b>\$0.78</b>
Adjustments:							
Acquisition costs	—	0.04	0.93	0.11	0.19	0.03	—
Income tax effect of adjustment above	—	(0.01)	(0.21)	(0.03)	(0.04)	(0.01)	—
<b>Adjusted diluted earnings per share (non-GAAP)</b>	<b>\$1.16</b>	<b>\$0.39</b>	<b>\$3.00</b>	<b>\$1.26</b>	<b>\$2.21</b>	<b>\$1.38</b>	<b>\$0.78</b>

# Non-GAAP Reconciliation

## Adjusted ROAA / Adjusted ROATCE

Non-GAAP Reconciliation Table	As of or For the Three Months Ended December 31,		As of or For the Years Ended September 30,				
	2021	2020	2021	2020	2019	2018	2017
	(dollars in thousands, except share data)						
<b>Return on average total assets</b>	<b>1.80%</b>	<b>0.71%</b>	<b>0.99%</b>	<b>0.58%</b>	<b>1.16%</b>	<b>0.81%</b>	<b>0.51%</b>
Adjustments:							
Acquisition costs	0.00%	0.07%	0.41%	0.06%	0.11%	0.02%	—
Income tax effect of adjustment above	0.00%	(0.01%)	(0.09%)	(0.01%)	(0.03%)	(0.01%)	—
<b>Adjusted return on average total assets</b>	<b>1.80%</b>	<b>0.77%</b>	<b>1.31%</b>	<b>0.63%</b>	<b>1.24%</b>	<b>0.82%</b>	<b>0.51%</b>
Average common stockholders' equity	\$126,397	\$79,063	\$94,072	\$74,976	\$63,588	\$46,545	\$35,312
Less: average goodwill and other intangible assets	(19,638)	(1,922)	(7,672)	(1,549)	(492)	—	—
Average tangible common stockholders' equity	\$106,759	\$77,141	\$86,400	\$73,427	\$63,096	\$46,545	\$35,312
<b>Return on average common stockholders' equity</b>	<b>20.52%</b>	<b>7.62%</b>	<b>11.53%</b>	<b>6.63%</b>	<b>12.71%</b>	<b>9.89%</b>	<b>6.09%</b>
Adjustments:							
Acquisition costs	0.00%	0.73%	4.71%	0.60%	1.16%	0.21%	—
Income tax effect of adjustment above	0.00%	(0.15%)	(1.08%)	(0.12%)	(0.28%)	(0.08%)	—
<b>Adjusted return on average common stockholders' equity</b>	<b>20.52%</b>	<b>8.20%</b>	<b>15.16%</b>	<b>7.11%</b>	<b>13.59%</b>	<b>10.02%</b>	<b>6.09%</b>
<b>Return on average tangible common stockholders' equity</b>	<b>24.29%</b>	<b>7.81%</b>	<b>12.56%</b>	<b>6.77%</b>	<b>12.81%</b>	<b>9.89%</b>	<b>6.09%</b>
Adjustments:							
Acquisition costs	0.00%	0.75%	5.13%	0.61%	1.17%	0.21%	—
Income tax effect of adjustment above	0.00%	(0.16%)	(1.18%)	(0.11%)	(0.28%)	(0.08%)	—
<b>Adjusted return on average tangible common stockholders' equity</b>	<b>24.29%</b>	<b>8.40%</b>	<b>16.51%</b>	<b>7.27%</b>	<b>13.70%</b>	<b>10.02%</b>	<b>6.09%</b>

## Non-GAAP Reconciliation

### Adjusted Operating Efficiency Ratio / Adjusted Non-interest Expense on Avg. Total Assets

Non-GAAP Reconciliation Table	As of or For the Three Months Ended December 31,		As of or For the Years Ended September 30,				
	2021	2020	2021	2020	2019	2018	2017
	(dollars in thousands, except share data)						
<b>Operating efficiency ratio (non-GAAP)</b>	<b>46.84%</b>	<b>73.43%</b>	<b>66.95%</b>	<b>73.79%</b>	<b>58.43%</b>	<b>56.75%</b>	<b>66.44%</b>
<b>Non-interest expense</b>	<b>\$8,264</b>	<b>\$5,590</b>	<b>\$30,005</b>	<b>\$21,022</b>	<b>\$15,887</b>	<b>\$11,880</b>	<b>\$9,584</b>
Adjustments:							
Acquisition costs	—	145	4,430	450	737	97	—
<b>Adjusted non-interest expense (non-GAAP)</b>	<b>\$8,264</b>	<b>\$5,445</b>	<b>\$25,575</b>	<b>\$20,572</b>	<b>\$15,150</b>	<b>\$11,783</b>	<b>\$9,584</b>
Net interest income - as reported	15,269	7,327	41,708	27,122	22,421	18,221	12,882
Non-interest income - as reported	2,375	286	3,349	1,364	4,770	2,733	1,543
Less: Gain on sale of securities for sale	—	—	240	—	—	20	—
Adjusted total revenues for adjusted efficiency ratio (non-GAAP)	\$17,644	\$7,613	\$44,817	\$28,486	\$27,191	\$20,934	\$14,425
<b>Adjusted operating efficiency ratio (non-GAAP)</b>	<b>46.84%</b>	<b>71.52%</b>	<b>57.07%</b>	<b>72.22%</b>	<b>55.72%</b>	<b>56.29%</b>	<b>66.44%</b>
<b>Non-interest expense to average total assets</b>	<b>2.28%</b>	<b>2.60%</b>	<b>2.75%</b>	<b>2.47%</b>	<b>2.28%</b>	<b>2.09%</b>	<b>2.26%</b>
Acquisition costs	0.00%	0.07%	0.41%	0.06%	0.11%	0.01%	—
<b>Adjusted non-interest expense on average total assets (non-GAAP)</b>	<b>2.28%</b>	<b>2.53%</b>	<b>2.34%</b>	<b>2.41%</b>	<b>2.17%</b>	<b>2.08%</b>	<b>2.26%</b>

## Investment Highlights

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### High Degree of Franchise Scarcity Value

- Recent market consolidation has resulted in a lack of sub-\$5 billion asset sized banks in the Long Island and Greater New York City Metro Area.
- Since June 2020, there have been 12 bank transactions in the tri-state area, 7 of which involved targets with total assets less than \$5 billion.

### Niche Lending & Funding Expertise Drives Pricing Power

- Since 2014, the residential mortgage operation has been highly focused on non-conforming lending in New York City. With the recent addition of Savoy, the Company has acquired a niche in SBA and small business commercial banking platform.
- Hanover's municipal deposit banking business is differentiated in that it is focused on long-term relationships that typically have less pricing volatility, particularly in rising rate environments.

### Efficient, Profitable and Scalable Business Model

- Demonstrated track record of profitability and investing in the business. Hanover is highly focused around profitability and a highly efficient operating platform and branch network.
- The Company's level of assets, loans, deposits and revenue relative to the number of branch offices is well above peers. Management believes a continued focus on operating efficiently will result in above average levels of profitability over the long-term.

### Disciplined Underwriting and High Quality Balance Sheet

- Since 2016, Hanover has incurred \$907k in cumulative net charge-off's, representing less than 10 basis points of average loans over that time period.
- Total non-accrual loans at December 31, 2021 were \$6.1 million, or 0.48% of total loans, excluding loans Held-for-Sale and Small Business Administration Paycheck Protection loans.
- Hanover's reserves represent 0.78% of total loans, excluding Held-for-Sale and Small Business Administration Paycheck Protection loans.

### Demonstrated Ability to Integrate M&A Transactions

- Hanover's executive team, which is led by Chairman and CEO Michael Puorro, and Brian Finneran, our President, has significant experience with M&A transactions and post-closing integration efforts.
- In August 2019, the Company closed the CFSB acquisition and has successfully grown the former CFSB deposit franchise significantly.
- In May 2021, the Company closed the Savoy merger, an approximately \$650 million total asset single branch commercial bank located in NYC. The transaction significantly diversified revenue and lending mix while boosting profitability and leveraging Savoy's expertise in commercial and SBA lending.

Source: S&P Global Market Intelligence; SEC Filings; Company Documents.  
Note: All figures presented on a fiscal basis; Hanover has a fiscal year ending September 30<sup>th</sup>. Data as of 12/31/2021.