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blueharbor bank (BLHK – OTC Pink)

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Price:	\$12.70	EPS *	2018A:	\$ 0.83	Price/ EPS	2018A:	15.3 x
52 Wk. Range:	\$12.15 - \$13.00	(FY: DEC)	2019A:	\$ 1.01		2019A:	12.6 x
Div/Div Yld:	\$0.00 / 0.0%		2020E:	\$ 1.08		2020E:	11.8 x
Shrs/Mkt Cap:	2.9 mm / \$37 mm	Book Value:		\$10.99	Price/Book Value:		1.16 x

* Earnings per share are diluted.

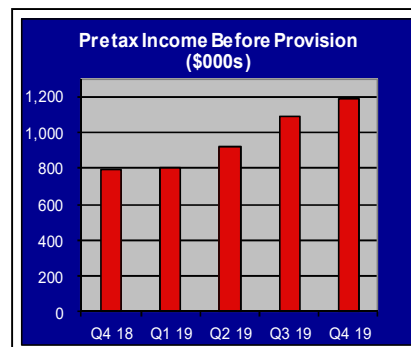
Background

With \$245 million in assets, blueharbor bank (the Bank uses lower case letters in all of its branding) is a community bank headquartered in Mooresville, North Carolina. The Bank currently operates four branch locations in Mooresville, Huntersville and Statesville, which are located in Iredell and Mecklenburg Counties. The Bank offers personal checking, savings, money market accounts, CDs, IRAs, Health Savings Accounts, and personal loans, including HELOCs. Business services offered include checking, savings and business loans, and complete treasury management services including remote deposit capture. The Bank also provides wealth management, investments, estate planning and family office services through blueharbor wealth advisors (www.blueharborwealthadvisors.com), which has offices in Charlotte, NC, Mooresville, NC, and Naples, FL. One unique aspect of the Bank is that its offices are located in and around the affluent Lake Norman area of North Carolina, which has excellent demographics. blueharbor bank's shares are traded on the OTC Bulletin Board under the symbol "BLHK."

Net Income Increased 72% for the Fourth Quarter of 2019

blueharbor bank reported outstanding results for the fourth quarter and full year of 2019. Net income for the fourth quarter of 2019 was up 72% from the fourth quarter of 2018 and earnings per share exceeded our projections by \$0.08. Profitability and efficiency ratios remained quite impressive, balance sheet growth was in the double-digits and asset quality was commendable as well. Based on the strength of the quarterly results, we are increasing our earnings projection for the year.

Net income for 2019's fourth quarter totaled \$889,000, or \$0.29 per diluted share, up from \$518,000, or \$0.17 per diluted share, in the year-ago quarter. Total revenues had strong growth, especially noninterest income, which continued to sequentially accelerate. The primary driver behind earnings, net interest income, grew 16% to \$2,263,000 in the fourth quarter of 2019 from \$1,958,000 in the year-ago quarter. The higher net interest income was attributable to both higher average earning assets (up 13%) as well as margin improvement (the net interest margin was 4.09% in 2019's fourth quarter, versus 4.02% in the year-ago quarter). Noninterest income, which has been accelerating over the past few quarters, was up 70% to \$353,000 in 2019's fourth quarter from \$207,000 in the year-ago quarter. Noninterest expense increased modestly and was up 4% to \$1,421,000 in 2019's fourth quarter from \$1,373,000 in the year-ago quarter. Earnings also benefited from a decrease in the provision for loan losses to \$81,000 in 2019's fourth quarter, from \$133,000 in the year-ago quarter, although as can be seen from the above chart, the pretax income before the provision is clearly in an uptrend.



ASSETS: \$245 MM

HQ: MOORESVILLE, NC

CONTACT:
JIM MARSHALL
PRESIDENT & CEO

(704) 662-7700

4TH QUARTER HIGHLIGHTS:

EPS: \$0.29 vs. \$0.17

EPS OUTPERFORMED PROJECTIONS BY \$0.08

NET INTEREST INCOME INCREASED 16%

THE NET INTEREST MARGIN IMPROVED AND AVERAGE EARNING ASSETS GREW 13%

NONINTEREST INCOME WAS UP 70% FROM THE YEAR-AGO QUARTER AND 10% ON A LINKED QUARTER BASIS

Earnings for the Year 2019 Increased 27%, Balance Sheet Growth Was In the Double-Digits

Results for the full year 2019 likewise were exemplary, with net income of \$3,052,000, or \$1.01 per diluted share, up 27% (22% on an EPS basis) from \$2,405,000, or \$0.83 per diluted share, for the year 2018. Net interest income was up 12% and noninterest income grew an excellent 46% from 2018 to 2019. Noninterest expense increased 10% over this period, and the provision for loan losses totaled \$202,000 for the twelve months ended December 31, 2019, up from \$175,000 in the year-ago period. blueharbor bank's balance sheet growth remains very good, with total assets and loans up 15% and deposits growing 17% from December 31, 2018 to December 31, 2019. The Bank's capital position was solid, with shareholders' equity increasing 12% to \$32.0 million (13.1% of total assets) at December 31, 2019, from \$28.7 million (13.4% of assets), at the year ago date. Given the strength of the capital base, the Company is in excellent shape to maintain its rapid balance sheet growth or to even consider shareholder value enhancement strategies such as stock buybacks.

blueharbor bank has Superior Performance Compared to its NC Peers

As can be seen from the table below, blueharbor bank performs very well in terms of profitability, efficiency and growth compared to North Carolina peer banks, which we have loosely defined as NC banks with assets between \$100 million and \$2 billion. The Bank's ROAA for the year 2019 of 1.32% was higher than 0.91% for the peer group median; its return on average tangible common equity ("ROATCE") of 10.11% for 2019 was better than the peer group median of 8.88%, and both its efficiency and overhead ratios were lower (better) than the peer group median. blueharbor bank's growth has also been better. Loan growth over the last twelve months was excellent (15% versus 5% for the peer group median) as was its deposit growth over the past year (17% compared to 6%). Despite the superior performance, BLHK shares generally trade in line with its peer group in terms of multiples of price and tangible book value.

	ROAA LTM	ROATCE LTM	Efficiency Ratio LTM	Overhead Ratio LTM	Loan Growth LTM	Deposit Growth LTM	Price/ TTM EPS	Price/Tang. Book Value
<i>BLHK</i>	1.32%	10.11%	57.6%	52.0%	15.3%	16.8%	12.6x	1.16x
<i>Peer Median</i>	0.91%	8.88%	71.8%	62.3%	4.7%	5.6%	12.0x	1.19x

NPAs Were Essentially Unchanged From September 30, 2019 But Improved From a Year Ago

blueharbor's nonperforming assets were essentially unchanged from September 30, 2019 but were much improved from the level at December 31, 2018. NPAs (including nonaccruing loans and OREO) totaled \$779,000, or 0.32% of total assets, at December 31, 2019, versus \$782,000, or 0.33% of total assets, at September 30, 2019, and \$1,948,000, or 0.91% of total assets, at the end of 2018. As can be seen from the adjacent table, the Bank's NPAs/assets were in line with the peer median, while its reserve coverage was better compared to the peer group median. At December 31, 2019, the allowance for loan losses was \$2.1 million, or 1.00% of loans, up 13% from \$1.8 million, or 1.02% of loans, at the year-ago date.

ASSET QUALITY VS. NC PEER GROUP		
	<u>BLHK</u>	<u>NC Peer Group</u>
NPAs/Assets (%)	0.32	0.31
Reserves/NPAs (x)	2.66	1.93
Reserves/Loans (%)	1.00	0.90

Projections Increased

Based on the strength of the recent results, we are increasing our 2020 earnings projections to \$3.3 million, or \$1.08 per diluted share, up from \$3.2 million, or \$1.05 per diluted share, estimated previously. We would note that these projections may vary considerably based on changing economic and credit conditions.

ADDITIONAL INFORMATION UPON REQUEST

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YEAR-TO-DATE HIGHLIGHTS:

EPS: \$1.01 vs. \$0.83

NET INTEREST INCOME GREW 12%

NONINTEREST INCOME WAS UP 46%

BLUEHARBOR BANK'S PROFITABILITY RATIOS (ROAA AND ROATCE) WERE BETTER THAN THE PEER GROUP MEDIAN...

...AS WERE BOTH ITS EFFICIENCY AND OVERHEAD RATIOS

BLUEHARBOR BANK'S BALANCE SHEET GROWTH OUTPACES THE MAJORITY OF ITS PEERS

THE STOCK IS TRADING AT A VERY REASONABLE PRICE GIVEN THE COMPANY'S PERFORMANCE

NONPERFORMING ASSETS WERE DOWN 60% FROM 12/31/18

NPAs/ASSETS: 0.32%

RESERVES/LOANS HFI: 1.00%

REPORTED EPS:

2018A: \$0.83

2019A: \$1.01

2020E: \$1.08