

# Yadkin Financial Corporation Announces Third Quarter 2013 Results; Strong EPS Continues in Back Half of the Year

# **Third Quarter Highlights:**

- Net income available to common shareholders for the third quarter of 2013 was \$4.3 million, or \$0.30 per diluted share.
- The average net interest margin for the quarter was 3.93%, an increase of 3 basis points compared to the prior quarter.
- Total loan balances increased \$18.7 million compared to the prior quarter, our second consecutive quarter of loan growth.
- Nonperforming assets decreased for the fourth consecutive quarter, ending the quarter at 1.15% of total assets.
- The Company continues to demonstrate a strong capital position, as evidenced by our Tier 1 leverage, Tier 1 risk-based, and total risk-based capital levels at the Bank. These ratios were 10.9%, 12.9%, and 14.2%, respectively, at September 30, 2013

Elkin, NC – October 24, 2013 – Yadkin Financial Corporation (NASDAQ: YDKN), the holding company for Yadkin Bank, announced today financial results for the third quarter ended September 30, 2013. Net income available to common shareholders for the quarter was \$4.3 million, or \$0.30 per diluted share, compared to net income of \$4.2 million, or \$0.30 per diluted share, in the second quarter of 2013, and net loss of \$81,000, or \$0.01 per diluted share, in the third quarter of 2012.

Joe Towell, President and CEO of Yadkin Financial, commented, "We continue to demonstrate that 2013 is about solid profitability at Yadkin. I'm proud of our team for driving results as we work in a very competitive banking environment in the Carolinas. We continued our trends in growing loans, reducing nonperforming assets, and increasing our net interest margin. We are pleased to maintain attractive credit metrics while growing our loan portfolio, primarily in our desired categories of commercial and industrial, owner occupied real estate, and consumer.

Clearly, we have shown that our Board, management team, and employees are laser-focused on our success. We are looking forward to finishing the year strong and moving into 2014 with momentum and opportunity ahead of us. Our core bank continues to show its strengths in terms of quality loan growth and core deposit acquisition. Our mortgage and wealth management divisions continue to drive our non-interest income with their strong performances during 2013, and our focus on enhancing the customer experience has allowed us to better serve our existing customers and attract new customers.

While our industry and our economy continue to improve, we are pleased with our results through three quarters of 2013."

# Third Quarter 2013 Financial Highlights

## **Asset Quality**

The Bank's key asset quality metrics continue to be strong as we maintain a clean credit profile. First, our adversely classified items to Tier 1 capital and loan loss reserve ratio has continued to decrease, down to 22.02% at the end of the third quarter. Our nonperforming loans decreased \$1.8 million compared to the prior quarter, to \$17.9 million at September 30, 2013. In addition, the nonperforming loans to total loans ratio decreased to 1.33% at September 30, 2013, compared to 1.47% at June 30, 2013.

### **Nonperforming Loan Analysis**

(Dollars in thousands)

		September 30	, 2013	June 30, 2013				
			% of			% of		
	Ou	tstanding	Total	Out	tstanding	Total		
Loan Type	I	Balance	Loans	В	Salance	Loans		
Construction/land development	\$	2,917	0.22%	\$	3,545	0.27%		
Residential construction		548	0.04%		553	0.04%		
HELOC		1,373	0.10%		2,003	0.15%		
1-4 Family residential		3,312	0.25%		2,749	0.21%		
Commercial real estate		7,831	0.58%		7,739	0.58%		
Commercial & industrial		1,622	0.12%		2,743	0.21%		
Consumer & other		271	0.02%		366	0.03%		
Total	\$	17,874	1.33%	\$	19,698	1.47%		

Other real estate owned (OREO) totaled \$3.0 million at September 30, 2013, a decrease of \$823,000 compared to \$3.8 million at June 30, 2013. Total nonperforming assets at September 30, 2013 were \$20.9 million, or 1.15% of total assets, a decrease of \$2.6 million from June 30, 2013.

During the third quarter of 2013, the provision for loan losses was \$40,000, a decrease of \$15,000 from the second quarter of 2013. This decrease is due to the continued clean credit profile of the Company and the reduction in loans moving to nonperforming and classified status. Total net charge-offs for the third quarter of 2013 were \$2.0 million, or 0.58% of average loans on an annualized basis.

At September 30, 2013, the allowance for loan losses was \$21.0 million, compared to \$22.9 million at June 30, 2013. As a percentage of total loans held-for-investment, the allowance for loan losses was 1.58% in the third quarter of 2013, down from 1.74% in the second quarter of 2013. While credit quality has improved, the reserve remains at a robust level due to continued economic uncertainty and other external factors in our markets. Out of the \$21.0 million in total allowance for loan losses at September 30, 2013, the specific allowance for impaired loans accounted for \$400,000, down from \$2.0 million in the second quarter. The remaining general allowance of \$20.6 million attributed to unimpaired loans was down from \$20.9 million at the end of the second quarter.

#### **Net Interest Income and Net Interest Margin**

Net interest income was essentially flat at \$16.1 million compared to the prior quarter. Our net interest margin continued to expand with the quarterly average margin increasing 3 basis points to 3.93%, up

from 3.90% at June 30, 2013. This increase in margin is due to our continued loan growth, consistent yield on loans, lower cost of deposits, and slower prepayment speeds in our securities portfolio.

In the third quarter of 2013, we continued to strategically shift our deposit mix and lower our cost of deposits. Core deposits now represent 63.3% of total deposits, our highest percentage in the last eight quarters, as we focus on core deposit growth. As a result of this strategy, our cost of deposits decreased to 0.51% for the quarter as compared to 0.55% in the second quarter of 2013.

#### **Non-Interest Income**

Non-interest income decreased \$803,000 to \$5.4 million in the third quarter compared to \$6.2 million in the second quarter of 2013. This decrease is due primarily to a slowdown in the velocity of rate increases during the quarter, which impacts our mortgage income. This was offset by \$310,000 in gains as a result of the branch sale executed during July 2013. While our mortgage portfolio is strong, income from this portfolio could moderate over the coming quarters due to anticipated trends in rate movement.

# **Non-Interest Expense**

Non-interest expense decreased \$693,000 during the third quarter, down to \$14.2 million as compared to \$14.8 million in the second quarter. The second quarter of 2013 included expenses related to our rebranding initiative, as well as additional fees incurred as a result of the Company's 1-for-3 reverse stock split, which caused the increase in expense during the prior quarter.

## **Balance Sheet and Capital**

Total assets increased \$11.6 million during the third quarter of 2013 as we begin to expand our loan portfolio due to our focus on quality loan growth. Total loans increased \$18.7 million as compared to the prior quarter, marking our second consecutive quarter of loan growth. The decrease in total deposits of \$31.8 million consisted primarily of a reduction in higher cost time deposits. Core deposits increased \$4.4 million compared to the prior quarter, representing our fifth consecutive quarter of core deposit increase.

The Company's capital ratios have strengthened and continue to exceed all regulatory requirements. As of September 30, 2013, the Bank's leverage ratio, Tier 1 risk-based capital ratio, and total risk-based capital ratio were 10.9%, 12.9%, and 14.2%, respectively. Leverage ratio, Tier 1 risk-based capital ratio, and total risk-based capital ratio were 11.1%, 13.2%, and 14.4% respectively, for the holding company as of September 30, 2013. In addition, the Company's tangible common equity to total tangible assets ratio was 8.2% at the end of the third quarter, compared to 8.0% at June 30, 2013. For capital adequacy purposes, leverage ratio, Tier 1 risk-based capital ratio, and total risk-based capital ratio must be in excess of 5.0%, 6.0%, and 10.0%, respectively, to be considered well-capitalized.

### **Conference Call**

Yadkin Financial Corporation will host a conference call at 10:00 a.m. EST on Thursday, October 24, 2013 to discuss financial results, business highlights, and outlook. The call may be accessed by dialing 877-312-5527 at least 10 minutes prior to the call. A webcast of the call audio may be accessed at <a href="http://www.media-server.com/m/p/9y7f997f">http://www.media-server.com/m/p/9y7f997f</a>. A replay of the call will be available until October 30, 2013 by dialing 855-859-2056 or 404-537-3406 and entering Conference ID 87522497.

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#### **About Yadkin Financial Corporation**

Yadkin Financial Corporation is the holding company for Yadkin Bank, a full-service community bank with 33 branches throughout its two regions in North Carolina and South Carolina. The Western Region serves Avery, Watauga, Ashe, Surry, Wilkes, Yadkin, Durham, and Orange Counties. The Southern Region serves Iredell, Mecklenburg, and Union Counties in North Carolina, and Cherokee and York Counties in South Carolina. The Bank provides mortgage-lending services through its mortgage division, Yadkin Mortgage, headquartered in Greensboro, NC. Securities brokerage services are provided by Yadkin Wealth, Inc., a Bank subsidiary with offices located throughout the branch network. Yadkin Financial Corporation's website is <a href="https://www.yadkinbank.com">www.yadkinbank.com</a>. Yadkin shares are traded on NASDAQ under the symbol YDKN.

#### SAFE HARBOR

This news release contains forward-looking statements, as defined by Federal Securities Laws, including statements about financial outlook and business environment. Forward looking statements generally include words such as "expects," "projects," "anticipates," "believes," "intends," "estimates," "strategy," "plan," "potential," "possible" and other similar expressions. These statements are provided to assist in the understanding of future financial performance and such performance involves risks and uncertainties that may cause actual results to differ materially from those anticipated in such statements. Any such statements are based on current expectations and involve a number of risks and uncertainties. For a discussion of some factors that may cause such forward-looking statements to differ materially from actual results, please refer to the section entitled "Forward Looking Statements" on pages 44-45 of Yadkin Financial Corporation's quarterly report filed on Form 10-Q with the SEC for the quarter ended September 30, 2013 and in the sections entitled "Forward Looking Statements" in quarterly reports filed on Form 10-Q for the quarters ended June 30, 2013, March 31, 2013, and September 30, 2012, and in the section entitled "Risk Factors" in the annual report filed on Form 10-K for the year ended December 31, 2012. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements.

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# Yadkin Financial Corporation Consolidated Balance Sheets (Unaudited)

	September 30, 2013		(Amounts in thous June 30, 2013		ands except share a March 31, 2013		Dec	er share data) cember 31, 2012 (a)	Sep	September 30, 2012	
Assets:		2013		2013		2013		2012 (u)		2012	
Cash and due from banks	\$	32,417	\$	28,104	\$	22,210	\$	36,125	\$	26,048	
Federal funds sold	_	15	-	50	-	50	7	50	-	50	
Interest-earning deposits with banks		6,695		4,654		20,447		102,221		97,124	
U.S. government agencies		16,536		16,625		17,232		27,527		32,869	
Mortgage-backed securities		199,492		203,173		248,030		230,894		221,806	
State and municipal securities		109,626		110,410		115,435		84,567		54,769	
Common and preferred stocks		3,036		137		149		132		1,112	
Total investment securities		328,690		330,345		380,846		343,120		310,556	
Construction loans		128,951		127,564		133,200		131,981		147,408	
Commercial, financial and other loans		191,874		186,965		182,268		193,810		190,294	
Residential mortgages		171,747		167,784		166,565		140,931		174,728	
Commercial real estate loans		616,116		604,667		596,790		617,468		615,733	
Installment loans		31,450		32,133		32,037		33,426		34,216	
Revolving 1-4 family loans		193,299		195,648		193,404		191,888		196,489	
Total loans		1,333,437		1,314,761		1,304,264		1,309,504		1,358,868	
Allowance for loan losses		(21,014)		(22,924)		(24,492)		(25,149)		(27,231)	
Net loans		1,312,423		1,291,837		1,279,772		1,284,355		1,331,637	
Loans held for sale		12,632		22,545		18,461		27,679		24,766	
Accrued interest receivable		6,339		6,546		6,502		6,376		6,229	
Bank premises and equipment		41,050		42,410		42,454		41,849		41,460	
Foreclosed real estate		2,989		3,812		5,449		8,738		22,294	
Non-marketable equity securities at cost		5,273		3,473		3,474		4,154		4,155	
Investment in bank-owned life insurance		26,888		26,736		26,587		26,433		26,274	
Core deposit intangible		2,133		2,301		2,475		2,653		2,914	
Other assets		35,973	-	39,102		37,865		39,685		26,871	
Total assets	\$	1,813,518	\$	1,801,915	\$	1,846,592	\$	1,923,438	\$	1,920,378	
Liabilities and shareholders' equity:											
Deposits:											
Non-interest bearing	\$	266,951	\$	252,618	\$	257,388	\$	273,896	\$	256,402	
NOW, savings and money market accounts		676,502		686,438		656,524		624,460		606,220	
Time certificates:											
\$100 or more		236,787		251,168		281,652		316,146		342,356	
Other		311,096		332,873		366,095		417,160		446,482	
Total deposits		1,491,336		1,523,097		1,561,659		1,631,662		1,651,460	
Borrowings		131,080		91,896		99,160		105,136		102,299	
Accrued expenses and other liabilities		12,229		12,306		10,922		15,846		11,383	
Total liabilities		1,634,645		1,627,299	_	1,671,741		1,752,644		1,765,142	
Total shareholders' equity		178,872		174,616		174,851		170,794		155,236	
Total liabilities and shareholders' equity	\$	1,813,517	\$	1,801,915	\$	1,846,592	\$	1,923,438	\$	1,920,378	
Period end shares outstanding	1	4,383,986	1	4,383,986		14,383,884	1	4,383,882		6,667,896	

<sup>(</sup>a) Derived from audited consolidated financial statements.

## Yadkin Financial Corporation Consolidated Income Statements (Unaudited)

Three Months Ended

	September 2013		June 30,	March 31, 2013		er share data) ecember 31, 2012		ptember 30, 2012
Interest and fees on loans	\$ 16,8	349 <b>\$</b>	16,950	\$ 16,679	\$	17,338	\$	17,735
Interest on securities	1,6		1,686	1,548		1,381	-	1,674
Interest on federal funds sold	-,-		2	6		8		9
Interest-bearing deposits		5	13	42		66		28
Total interest income	18,4	70	18,651	18,275		18,793		19,446
Time deposits of \$100 or more	8	377	1,009	1,352		1,346		1,762
Other deposits	1,0		1,112	1,432		2,132		2,018
Borrowed funds		23	409	439		570		477
Total interest expense		34	2,530	3,223		4,048		4,257
Net interest income	16,1		16,121	15,052		14,745		15,189
Provision for loan losses	10,1	40	55	237		31,554		4,251
Net interest income after	-					31,331		1,231
provision for loan losses	16,0	196	16,066	14,815		(16,809)		10,938
Non-interest income		<del></del>	- ,			(		
Service charges on deposit accounts	1.3	36	1,317	1,269		1,398		1,319
Other service fees	1,2		1,401	927		986		857
Income on investment in bank-owned life insurance		52	150	153		159		159
Mortgage banking activities	1,7		2,546	3,288		1,448		1,599
Gains on sale of securities		253	272	4		96		1,348
Other than temporary impairment of investments	-		-	(39	)	(50)		-
Loss on sale of subsidiary	-		-	(1	)	(1,019)		-
Loss on sale of loans	-		-	-		(2,132)		(900)
Gain on sale of branch	3	10	-	-		-		-
Other		58	498	56		100		283
Total non-interest income	5,3	81	6,184	5,657		986		4,665
Non-interest expense								
Salaries and employee benefits	7,7		7,953	7,389		6,935		6,914
Occupancy and equipment	2,0		1,951	1,815		1,562		1,794
Printing and supplies		59	150	163		157		168
Data processing Communication expense		574 550	350 338	395 332		447 354		456 314
Advertising and marketing		48	433	256		334 77		103
Amortization of core deposit intangible		66	175	178		260		266
FDIC assessment expense		63	642	592		664		650
Attorney fees		90	178	90		263		311
Other professional fees	2	.37	497	476		736		491
Loan collection expense	2	203	201	217		569		69
(Gain) loss on fixed assets	1	54	-	-		153		-
Net cost of operation of other real estate owned		93	(174)	(822	)	8,136		1,322
Other	1,8		2,149	2,134		2,395		1,934
Total non-interest expense	14,1	50	14,843	13,215		22,708		14,792
Income (loss) before income taxes	7,3	27	7,407	7,257		(38,531)		811
Provision for income taxes (benefit)	2,6	16	2,598	2,608		(14,632)		54
Net income (loss)	4,7	'11	4,809	4,649		(23,899)		757
Preferred stock dividend and amortization of			,,,,,,,	, , , , ,		( - , /		
preferred stock discount	4	21	590	445		1,419		838
Net income (loss) available to common shareholders	\$ 4,2		4,219	\$ 4,204		(25,318)	\$	(81)
Net income (loss) per common share (a)			·					`
Basic	\$ 0.	.30 \$	0.30	\$ 0.30	\$	(3.63)	\$	(0.01)
Diluted		.30 \$	0.30	\$ 0.30		(3.63)	\$	(0.01)
	Ψ 0.	y	0.50	ψ 0.50	Ψ	(3.03)	Ψ	(0.01)
Weighted average number of common shares outstanding								
Basic	14,205,7		14,205,223	14,198,382		6,972,526		6,463,084
Diluted	14,249,1	.52	14,223,604	14,200,424		6,972,526		6,463,084

<sup>(</sup>a) Net income (loss) per share for prior periods has been adjusted to reflect the 1-for-3 reverse stock split.

	At or For the Three Months Ended									
	Sep	tember 30, 2013	J	une 30, 2013	M	larch 31, 2013	Dec	cember 31, 2012	Sep	tember 30, 2012
Per Share Data:		2013		2013		2013		2012		2012
Basic Earnings per Share (8)	\$	0.30	\$	0.30	\$	0.30	\$	(3.63)	\$	(0.01)
Diluted Earnings per Share (8)		0.30		0.30		0.30		(3.63)		(0.01)
Book Value per Share (8)		10.47		10.17		10.21		9.93		16.08
Selected Performance Ratios:										
Return on Average Assets (annualized)		0.95%		0.93%		0.91%		-5.15%		-0.02%
Return on Average Equity (annualized)		9.74%		9.63%		9.94%		-53.53%		-0.21%
Net Interest Margin (annualized)		3.93%		3.90%		3.57%		3.28%		3.37%
Net Interest Spread (annualized)		3.80%		3.76%		3.40%		3.08%		3.19%
Non-interest Income as a % of Revenue (6)		25.05%		27.79%		27.63%		-6.23%		29.90%
Non-interest Income as a % of Average Assets		0.30%		0.34%		0.30%		0.05%		0.24%
Non-interest Expense as a % of Average Assets		0.79%		0.82%		0.70%		1.17%		0.76%
Asset Quality:										
Loans 30-89 days past due (000's) (4)	\$	4,412	\$	6,493	\$	6,060	\$	14,000	\$	13,354
Loans over 90 days past due still accruing (000's)		-		-		-		-		-
Nonperforming Loans (000's)		17,874		19,698		23,712		22,817		57,053
Other Real Estate Owned (000's)		2,989		3,812		5,449		8,738		22,294
Nonperforming Assets (000's)(5)		20,864		22,687		29,161		31,555		79,347
Accruing/Performing troubled debt restructurings (000's)		5,599		9,162		8,579		17,667		13,929
Nonperforming Loans to Total Loans		1.33%		1.47%		1.79%		1.71%		4.12%
Nonperforming Assets to Total Assets		1.15%		1.30%		1.58%		1.64%		4.13%
Allowance for Loan Losses to Total Loans		1.56%		1.71%		1.85%		1.88%		1.97%
Allowance for Loan Losses to Total Loans Held for Investment		1.58%		1.74%		1.88%		1.92%		2.00%
Allowance for Loan Losses to Nonperforming Loans		117.57%		116.38%		103.29%		110.22%		47.73%
Net Charge-offs/Recoveries to Average Loans (annualized)		0.58%		0.49%		0.27%		9.74%		1.66%
Capital Ratios:										
Equity to Total Assets		9.86%		9.69%		9.47%		8.88%		8.08%
Tier 1 leverage ratio(1)		10.88%		10.30%		9.72%		8.92%		8.73%
Tier 1 risk-based ratio(1)		12.92%		12.49%		12.23%		11.73%		11.18%
Total risk-based capital ratio(1)		14.17%		13.74%		13.49%		12.99%		12.44%
Non-GAAP disclosures(2):										
Tangible Book Value per Share	\$	10.32	\$	10.01	\$	10.03	\$	9.75	\$	15.64
Return on Tangible Equity (annualized) (3)		9.87%		9.76%		10.09%		-54.34%		-0.21%
Tangible Common Equity to Tangible Assets (3)		8.19%		8.00%		7.83%		7.30%		5.44%
Efficiency Ratio (7)		63.47%		66.55%		66.40%		88.62%		66.46%

#### Notes:

- (1) Tier 1 leverage, Tier 1 risk-based, and Total risk-based ratios are ratios for the bank, Yadkin Bank as reported on Consolidated Reports of Condition and Income for a Bank With Domestic Offices Only FFIEC 041.
- (2) Management uses these non-GAAP financial measures because it believes they are useful for evaluating our operations and performance over periods of time, as well as in managing and evaluating our business and in discussions about our operations and performance. Management believes these non-GAAP financial measures provide users of our financial information with a meaningful measure for assessing our financial results and credit trends, as well as comparison to financial results for prior periods. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled financial measures used by other companies.
- (3) Tangible Common Equity is the difference of shareholders' equity less preferred shares and core deposit intangibles.

  Tangible Assets are the difference of total assets less core deposit intangibles.
- (4) Past due numbers exclude loans classified as nonperforming.
- (5) Nonperforming assets exclude accruing troubled debt restructured loans.
- (6) Ratio is calculated by taking non-interest income as a percentage of net interest income after provision for loan losses plus total non-interest income.
- (7) Efficiency ratio is calculated by taking noninterest expense less the amortization of intangibles and gains on sale of OREO, as a percentage of total taxable equivalent net interest income and noninterest income less gains on sale of securities, gains (losses) on sale of loans, gains on sale of branch and other than temporary impairment of investments.
- (8) Prior period per share amounts have been adjusted to reflect the 1-for-3 reverse stock split.

#### Yadkin Financial Corporation Average Balance Sheets and Net Interest Income Analysis (Unaudited)

	Three Months Ended September 30,								
			2013			2012			
				(Dollars in Tho	ousands)				
		Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate		
INTEREST EARNING ASSETS	<u></u>								
Total loans (1,2)	\$	1,334,620	\$ 16,878	5.02%	\$ 1,393,717	\$ 17,770	5.07%		
Investment securities		326,990	1,969	2.39%	355,133	1,901	2.13%		
Interest-bearing deposits &									
federal funds sold		6,655	5	0.29%	74,243	37	0.20%		
Total average earning assets (1)	<u></u>	1,668,265	18,852	4.48% (6)	1,823,093	19,708	4.30% (6)		
Non-interest earning assets		125,801			129,713				
Total average assets	\$1	,794,066.12			\$ 1,952,806				
INTEREST BEARING LIABILITIES									
Time deposits	\$	561,882	1,622	1.15%	\$ 796,695	3,449	1.72%		
Other deposits	φ	678,071	289	0.17%	610,286	331	0.22%		
Borrowed funds		110,205	423	1.52%	113,048	477	1.68%		
		1,350,158	2,334	0.69% (7)	1,520,029	4,257	1.11% (7)		
Total interest bearing liabilities		1,550,156	2,334	0.09% (7)	1,320,029	4,237	1.11% (7)		
Non-interest bearing deposits		257,357			249,054				
Other liabilities		11,840			28,542				
Total average liabilities		1,619,355			1,797,625				
Shareholders' equity		174,711			155,181				
Total average liabilities and									
shareholders' equity	\$	1,794,066			\$ 1,952,806				
NET INTEREST INCOME/									
YIELD (3,4)			\$ 16,518	3.93%		\$ 15,451	3.37%		
11111 (3,7)			Ψ 10,510	3.73/0		Ψ 15,+51	3.3170		
INTEREST SPREAD (5)				3.80%			3.19%		

- (1) Yields related to securities and loans exempt from Federal income taxes are stated on a fully tax-equivalent basis, assuming a Federal income tax rate of 35%, reduced by the nondeductible portion of interest expense.
- $(2) \ The \ loan \ average \ includes \ loans \ on \ which \ accrual \ of \ interest \ has \ been \ discontinued.$
- (3) Net interest income is the difference between income from earning assets and interest expense.
- (4) Net interest yield is net interest income divided by total average earning assets.
- (5) Interest spread is the difference between the average interest rate received on earning assets and the average rate paid on interest bearing liabilities.
- (6) Interest income for 2013 and 2012 includes \$64,000 and \$55,000, respectively, of accretion for purchase accounting adjustments related to loans acquired in the merger with American Community.
- (7) Interest expense for 2013 and 2012 includes \$9,000 and \$67,000, respectively, of accretion for purchase accounting adjustments related to deposits and borrowings acquired in the merger with American Community.