

Lakeland Bancorp, Inc. (NASDAQ: LBAI; Oak Ridge, NJ) has agreed to acquire Highlands Bancorp, Inc. (OTC Pink: HSBK; Vernon, NJ)

Deal Value: Approximately \$56.7 million

Sandler O'Neill acted as sole financial advisor and rendered a fairness opinion to Lakeland Bancorp, Inc. in this transaction.

This transaction represents Sandler O'Neill's 189th bank or thrift transaction nationwide since January 1, 2015 representing \$61.5 billion in aggregate transaction value. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions and for a greater aggregate deal value than any other investment bank during that time period.¹

Oak Ridge, NJ and Vernon, NJ—August 23, 2018. The Boards of Directors of Lakeland Bancorp, Inc. (NASDAQ: LBAI) ("Lakeland Bancorp"), the parent company of Lakeland Bank, and Highlands Bancorp, Inc. (OTC Pink: HSBK) ("Highlands Bancorp"), the parent company of Highlands State Bank, announced today that the companies have entered into a definitive Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Highlands Bancorp will be merged with and into Lakeland Bancorp, with Lakeland Bancorp as the surviving bank holding company, and Highlands State Bank will merge with and into Lakeland Bank, with Lakeland Bank as the surviving bank. The Merger Agreement provides that shareholders of Highlands Bancorp will receive, for each outstanding share of Highlands Bancorp common stock that they own at the effective time of the merger, 1.015 shares of Lakeland Bancorp common stock.

Lakeland Bancorp expects to issue an aggregate of approximately 2.8 million shares of its common stock in the merger, and will cash out outstanding Highlands Bancorp options. The transaction is valued at approximately \$56.7 million on a fully diluted basis, or \$19.79 per share, which represents a 20% premium over the closing sale price per share of Highlands Bancorp common stock on August 22, 2018. The transaction is expected to be approximately 4% accretive to Lakeland Bancorp's earnings per share in 2019 and approximately 1.5% dilutive to tangible book value with an estimated earnback in under 2.0 years using the crossover method.

Thomas J. Shara, Lakeland Bancorp's President and Chief Executive Officer, remarked: "We are delighted to be combining with Highlands, and expanding Lakeland's presence in Sussex, Passaic and Morris counties. Both banks share a focus on community banking and providing the highest level of service to our customers. We look forward to working with the Highlands team in delivering to all of our customers and shareholders the benefits that we expect from this transaction."

"Steven C. Ackmann, Highlands Bancorp's President and CEO, stated: "We are very excited to be partnering with such a strong, well managed organization as Lakeland. Together, our franchises create a great presence in one of the most attractive banking markets in the country."

Financial Highlights

(Dollars in thousands)

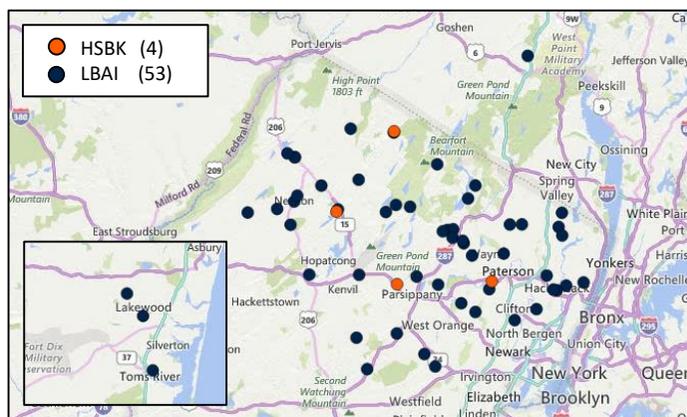
	LBAI	HSBK
Total Assets	\$5,534,488	\$487,870
Total Net Loans	\$4,242,627	\$429,007
Total Deposits	\$4,400,019	\$404,230
Total Equity	\$597,864	\$30,276
TCE / TA	8.51%	5.98%

1) Includes majority and minority transactions; Excludes terminated transactions and self-advisory roles

Note: Financial data as of June 30, 2018

Source: S&P Global Market Intelligence, Company documents

Pro Forma Branch Map



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