

**INDEPENDENT** | BANK

Earnings Call:  
Third Quarter 2024

October 24, 2024

(NASDAQ: IBCP)

Be Independent 

# Cautionary note regarding forward-looking statements

*This presentation contains forward-looking statements, which are any statements or information that are not historical facts. These forward-looking statements include statements about our anticipated future revenue and expenses and our future plans and prospects.*

*Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated. For example, deterioration in general business and economic conditions or turbulence in domestic or global financial markets could adversely affect our revenues and the values of our assets and liabilities, reduce the availability of funding to us, lead to a tightening of credit, and increase stock price volatility. Our results could also be adversely affected by changes in interest rates; increases in unemployment rates; deterioration in the credit quality of our loan portfolios or in the value of the collateral securing those loans; deterioration in the value of our investment securities; legal and regulatory developments; changes in customer behavior and preferences; breaches in data security; and management's ability to effectively manage the multitude of risks facing our business. Key risk factors that could affect our future results are described in more detail in our Annual Report on Form 10-K for the year ended December 31, 2023 and the other reports we file with the SEC, including under the heading "Risk Factors." Investors should not place undue reliance on forward-looking statements as a prediction of our future results.*

*Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.*

# Agenda

- Formal Remarks
  - **William B. (Brad) Kessel**  
President and Chief Executive Officer
  - **Gavin A. Mohr**  
Executive Vice President and Chief Financial Officer
  - **Joel F. Rahn**  
Executive Vice President – Commercial Banking
- Question and Answer session
- Closing Remarks

Note:

This presentation is available at [www.IndependentBank.com](http://www.IndependentBank.com) in the Investor Relations area under the “Presentations” tab.

# 3Q'24 Overview



## 3Q'24 Earnings

- Net income of \$13.8 million, or \$0.65 per diluted share
- Increase in net interest income of 6.2% over the prior year quarter and 4.9% over the second quarter of 2024 annualized
- Strong profitability and prudent balance sheet management results in further growth in tangible book value per share



## Solid Loan Growth and Strong Asset Quality

- Total loans increased 9.3% annualized while maintaining a disciplined approach to new loan production
- New loan production continues to be largely focused on new commercial clients that bring deposits to the bank
- Asset quality remained exceptional with NPAs/Total Assets at 0.11% and NCO of 0.00% of average loans in the quarter



## Positive Trends in Key Metrics

- Core deposit growth of \$100.1 million (excluding brokered deposits)
- Brokered deposit balances decreased \$87.6 million
- Continued rotation into higher yielding assets contributed to net interest margin of 3.37%



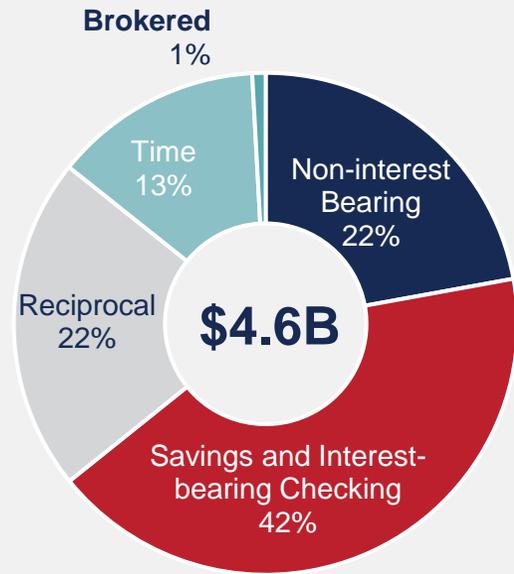
## Healthy Capital & Liquidity Positions

- Achieved growth in all capital ratios for the quarter
- Tangible book value per share increased 5.5% from end of prior quarter
- Balance sheet liquidity remains strong with loan-to-deposit ratio of 85%

# Low-Cost Deposit Franchise

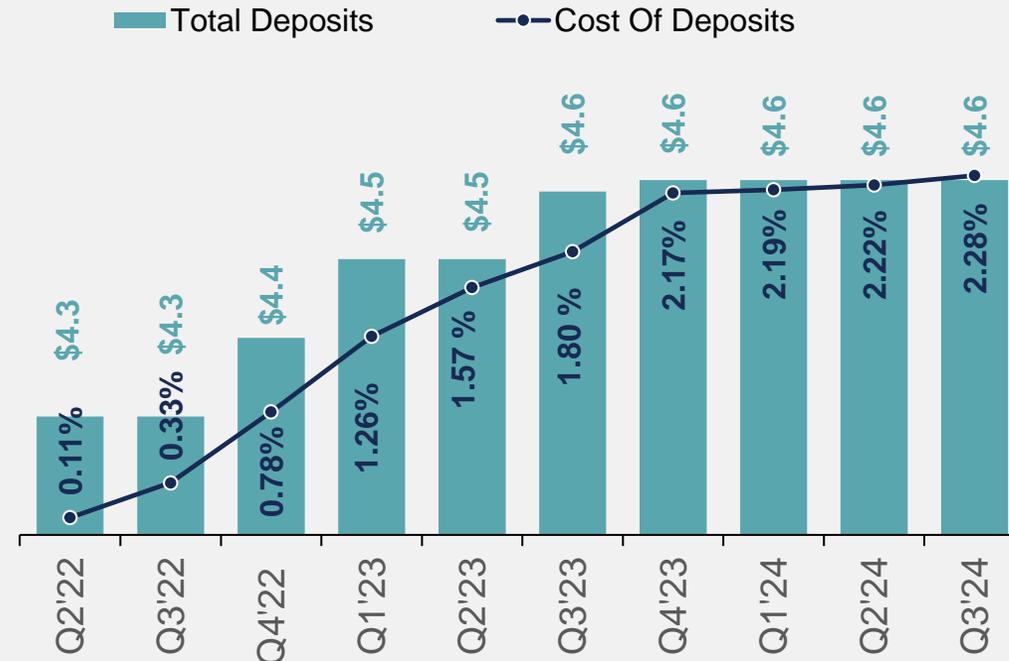
## Focused on Core Deposit Growth

**Deposit Composition 9/30/24**



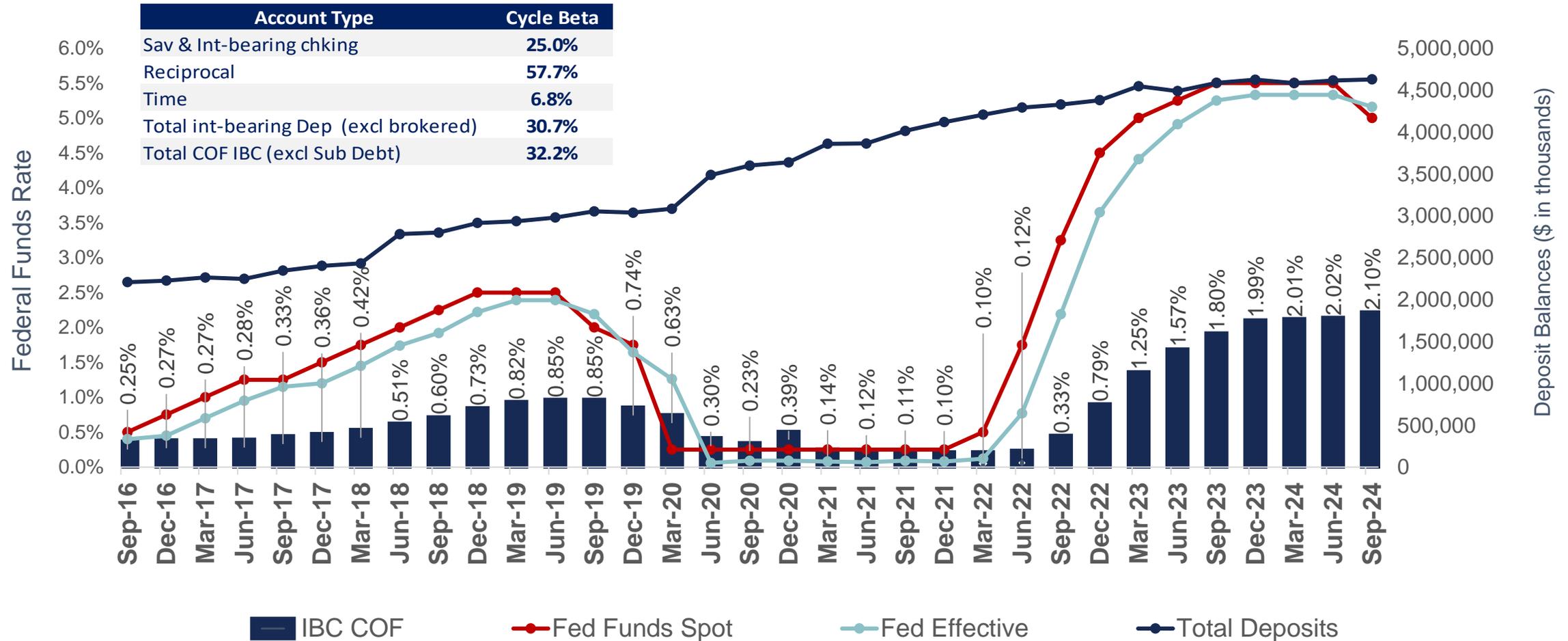
**Core Deposits: 85.7%**

**Cost of Deposits (%)/Total Deposits (\$B)**



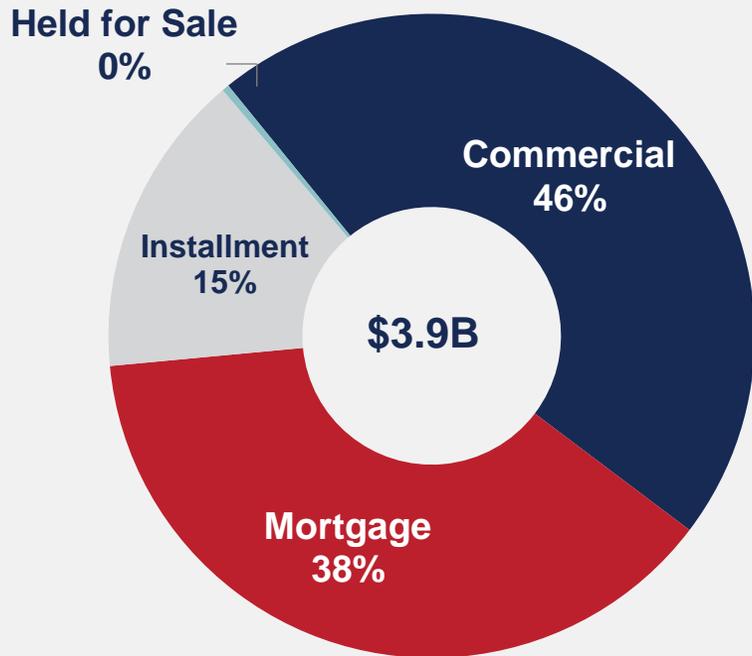
- Substantial core funding – \$3.97 billion of non-maturity deposit accounts (85.7% of total deposits).
- Core deposit increase of \$100.1 million (8.9% annualized) in 3Q'24.
- Time deposit increase of \$34.9 (23.7% annualized) million in 3Q'24.
- Total deposits increased \$4.0 million (0.1%) since 12/31/23 with non-interest bearing down \$52.4 million, savings and interest-bearing checking up \$41.9 million, reciprocal up \$163.4 million, time up \$96.1 million and brokered time down \$245.1 million.
- Deposits by Customer Type:
  - Retail – 45.8%
  - Commercial – 37.6%
  - Municipal – 16.6%

# Historic IBC Cost of Funds (excluding sub debt) vs. the Federal Funds Rate (with Deposit Balances)

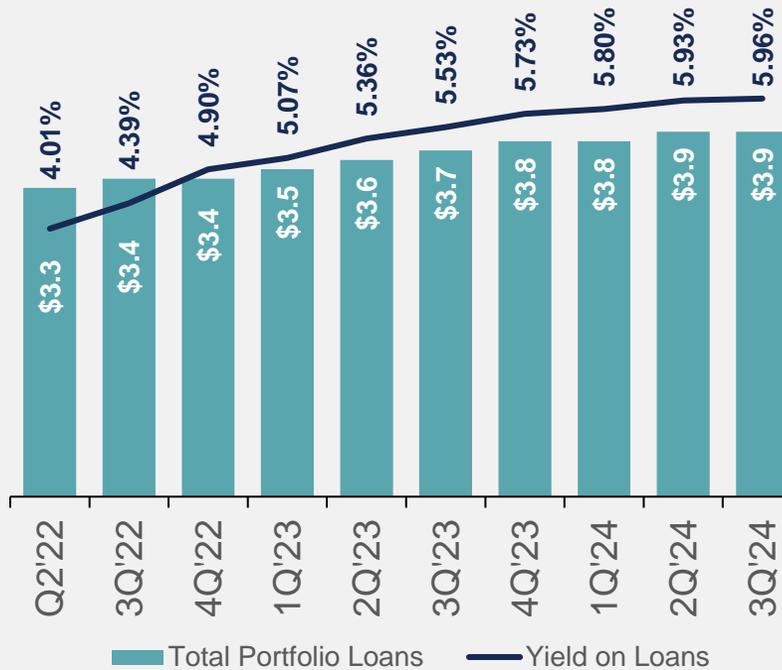


# Diversified Loan Portfolio Focused on High Quality Growth

## Loan Composition 09/30/24



## Yield on Loans (%) / Total Portfolio Loans (\$B)



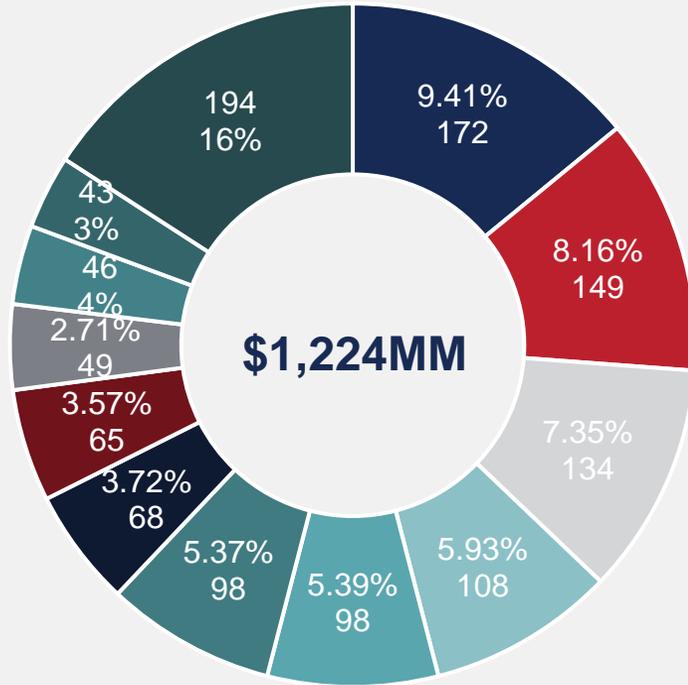
Note: Portfolio loans exclude loans HFS.

- Portfolio loan changes in 3Q'24:
  - Commercial – increased \$92.9 million.
    - ...Average new origination yield of 7.56% vs a 6.78% portfolio yield.
  - Mortgage – increased \$10.0 million.
    - ...Average new origination yield of 6.95% vs a 4.81% portfolio yield.
  - Installment – decreased \$12.5 million.
    - ...Average new origination yield of 8.28% vs a 5.11% portfolio yield.
- Mortgage loan portfolio weighted average FICO of 750 and average balance of \$185,053.
- Installment weighted average FICO of 755 and average balance of \$25,806.
- Commercial loan rate mix:
  - 44% fixed / 56% variable.
  - Indices – 44% tied to Prime, 1% tied to a US Treasury rate and 55% tied to SOFR.
- Mortgage loan (including HELOC) rate mix:
  - 64% fixed / 36% adjustable or variable.
  - 0% tied to Prime, 10% tied to a US Treasury rate and 90% tied to SOFR.

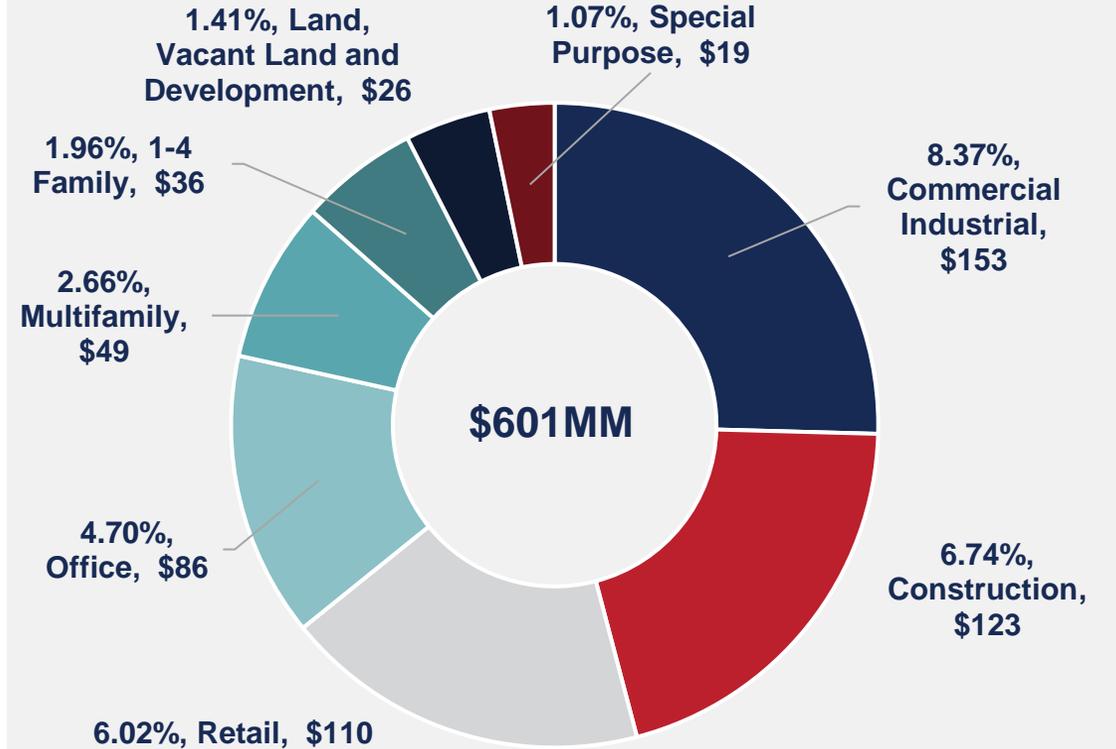
# Concentrations within \$1.8B Commercial Loan Portfolio

## C&I or Owner Occupied Loans by Industry as a % of Total Commercial Loans (\$ in millions)

- Manufacturing
- Construction
- Retail
- Health Care and Social Assistance
- Hotel and Accomodations
- Real Estate Rental and Leasing
- Other Services (except Public Administration)
- Wholesale
- Transportation
- Finance and Insurance
- Professional, Scientific, and Technical Services
- Misc



## Investor RE by Collateral Type as a % of Total Commercial Loans (\$ in millions)



Note: \$1.224 billion, or 67.1% of the commercial loan portfolio is C&I or owner occupied, while \$601 million, or 32.9% is investment real estate. The percentage concentrations are based on the entire commercial portfolio of \$1.83 billion as of September 30, 2024

# Credit Quality Summary

## Non-performing Loans (\$ in Millions)



## ORE/ORR (\$ in Millions)



## 30 to 89 Days Delinquent (\$ in Millions)

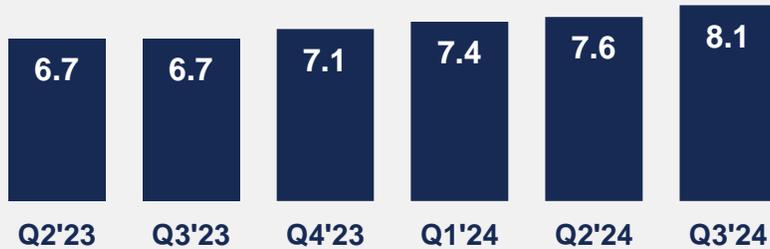


## Non-performing Assets (\$ in Millions)

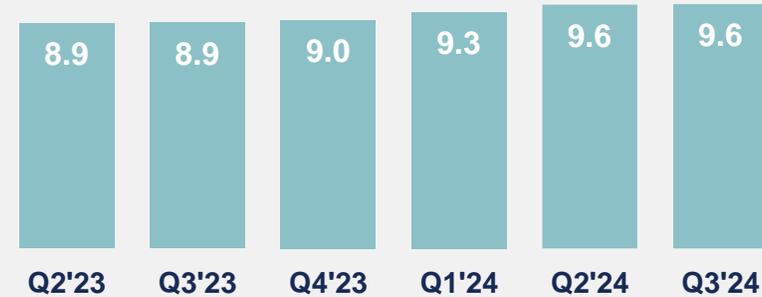


# Strong Capital Position

## TCE / TA (%)



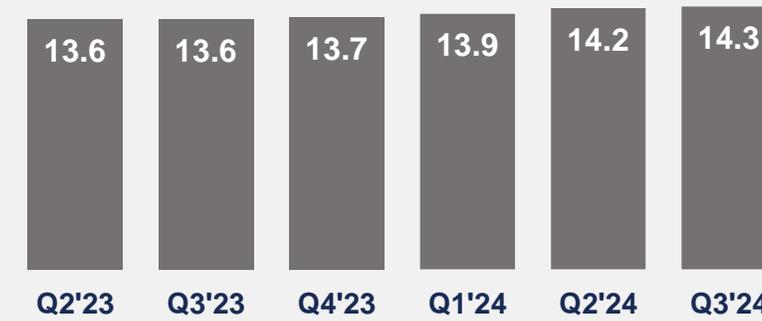
## Leverage Ratio (%)



## CET1 Ratio (%)



## Total RBC Ratio (%)



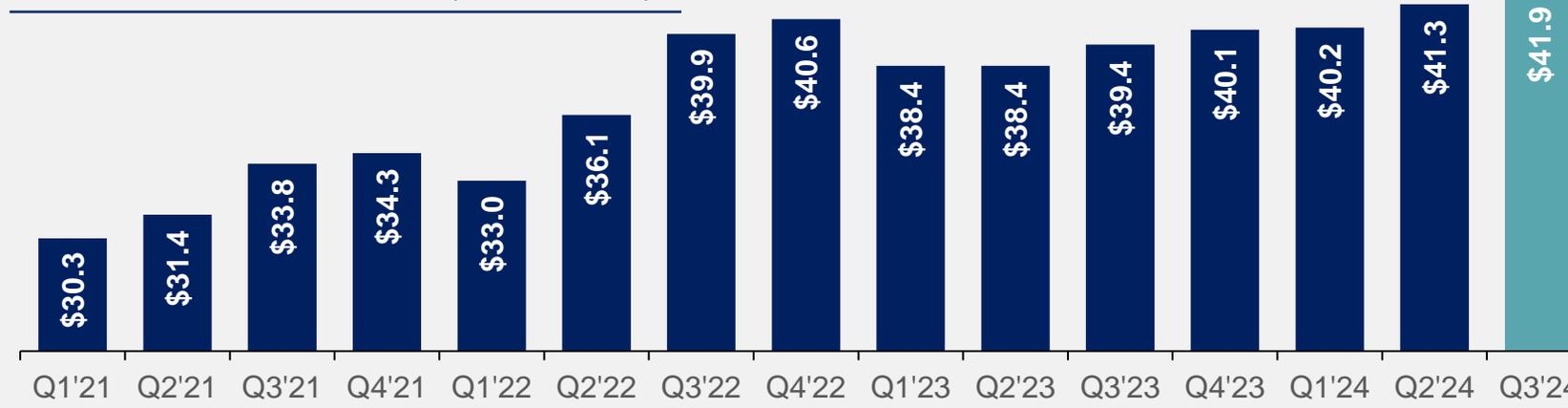
- Long-term capital Priorities: Capital retention to support organic growth, acquisitions and return of capital through strong and consistent dividends and share repurchases.
- Well capitalized in all regulatory capital measurements.
- Tangible common equity ratio excluding the impact of unrealized losses on securities AFS and HTM is 9.0%

# Interest Margin/Income

## Yields, NIM and Cost of Funds (%)



## Net Interest Income (\$ in Millions)



- Net interest income was \$41.9 million in 3Q'24 compared to \$39.4 million in the prior year quarter. The change is due to an increase in average earning assets and the net interest margin compared to the year-ago quarter.
- Net interest margin was 3.37% during the Third quarter of 2024, compared to 3.23% in the year-ago quarter and 3.40% in the second quarter of 2024.

# Linked Quarter Analysis

## 3Q'24 NIM Changes

<b>2Q'24</b>	<b>3.40%</b>
Increase in loan yield	<b>0.07%</b>
Loan Fee Accretion	<b>-0.05%</b>
Change in asset mix	<b>0.02%</b>
Increase in funding costs	<b>-0.07%</b>
<b>3Q'24</b>	<b>3.37%</b>

## Linked Quarter Average Balances and FTE Rates (\$ in thousands)

	3Q24			2Q24			Change		
	Avg Bal	Inc/Exp	Yield	Avg Bal	Inc/Exp	Yield	Avg Bal	Inc/Exp	Yield
Cash	\$126,039	\$1,717	5.42%	\$83,293	\$1,134	5.48%	\$42,746	\$583	-0.06%
Investments	949,849	8,342	3.51%	960,875	8,569	3.57%	(11,026)	(227)	-0.05%
Commercial loans	1,776,983	31,425	7.04%	1,728,157	30,627	7.13%	48,826	798	-0.09%
Mortgage loans	1,519,958	18,917	4.98%	1,505,128	18,404	4.89%	14,830	513	0.09%
Consumer loans	613,013	8,091	5.28%	615,914	7,779	5.08%	(2,901)	312	0.20%
Earning assets	\$4,985,842	\$68,492	5.48%	\$4,893,367	\$66,513	5.45%	\$92,475	\$1,979	0.03%
Nonmaturity deposits	\$2,763,558	\$15,621	2.25%	\$2,674,731	\$14,190	2.13%	\$88,827	1,431	0.11%
CDARS deposits	121,830	1,347	4.40%	119,547	1,312	4.41%	2,283	35	-0.02%
Retail Time deposits	608,441	6,486	4.24%	575,237	5,886	4.12%	33,204	600	0.13%
Brokered deposits	74,673	1,008	5.37%	112,249	1,488	5.33%	(37,576)	(480)	0.04%
Bank borrowings	41,853	552	5.25%	50,916	655	5.17%	(9,063)	(103)	0.07%
IBC debt	79,329	1,466	7.37%	79,292	1,461	7.41%	37	5	-0.04%
Cost of funds	\$3,689,684	\$26,480	2.86%	\$3,611,972	\$24,992	2.78%	\$77,712	\$1,488	0.08%
Free funds	\$1,296,158			\$1,281,395			\$14,763		
Net interest income		\$42,012			\$41,521			\$491	
Net interest margin			3.37%			3.40%			-0.03%

# Interest Rate Risk Management

## Changes in Net Interest Income (Dollars in 000's)

### September 30, 2024

	-200	-100	Base-rate	100	200
<b>Net Interest Income</b>	\$173,619	\$174,007	\$176,935	\$178,535	\$179,338
<b>Change from Base</b>	-1.87%	-1.65%		0.90%	1.34%

### June 30, 2024

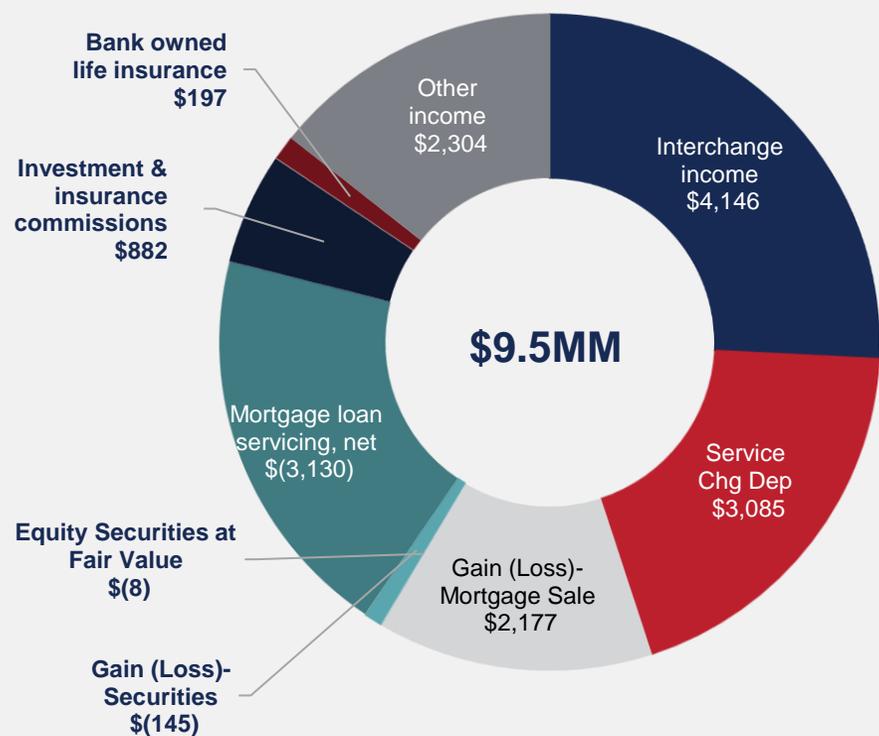
	-200	-100	Base-rate	100	200
<b>Net Interest Income</b>	\$172,352	\$172,324	\$173,917	\$174,255	\$173,319
<b>Change from Base</b>	-0.90%	-0.92%		0.19%	-0.34%

Simulation analyses calculate the change in net interest income over the next twelve months, under immediate parallel shifts in interest rates, based upon a static statement of financial condition, which includes derivative instruments, and does not consider loan fees.

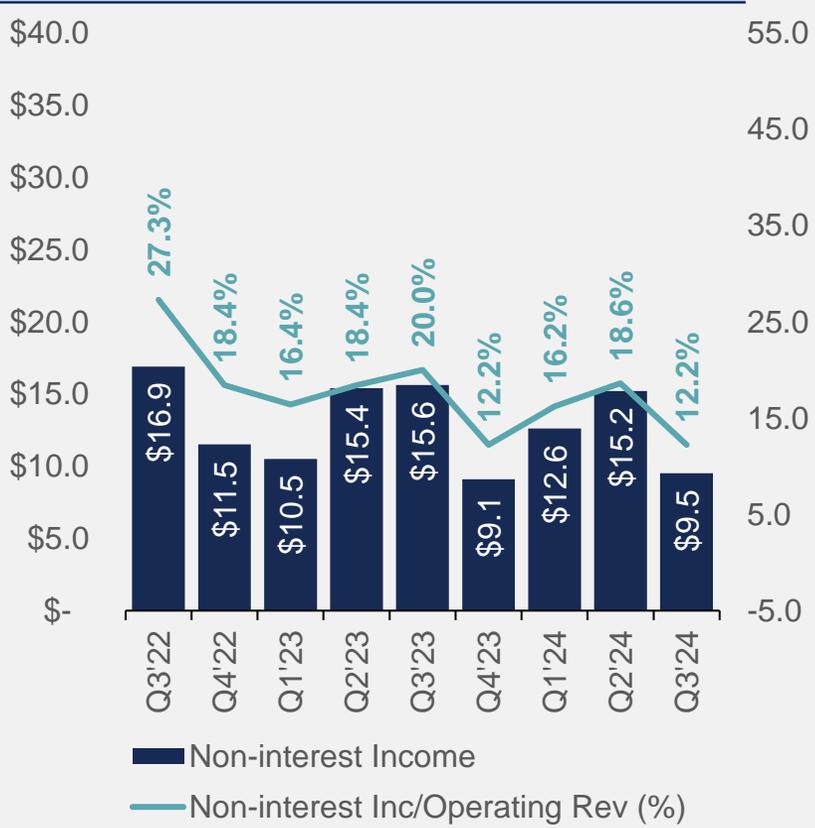
- The base case modeled NII is modestly higher during the quarter as asset yields were augmented by a shift in asset mix and liability costs also benefited from shift in mix.
- The NII sensitivity profile shifted to a more asset sensitive position during the quarter largely due to slightly faster repricing on commercial loans, a modest increase in mortgage loan repricing due to additional pay fixed swaps and a shift in non-maturity deposit beta assumptions.
- Base-rate is a static balance sheet applying the spot yield curve from the valuation date.
- Stable core funding base. Transaction accounts fund 38.1% of assets and other non-maturity deposits fund another 18.4% of assets. Low wholesale funding of just 2.3% of assets.
- 35.6% of assets reprice in 1 month and 46.8% reprice in the next 12 months.
- Continually evaluating strategies to manage NII through hedging as well as product pricing and structure.

# Strong Non-interest Income

## 3Q'24 Non-interest Income (thousands)

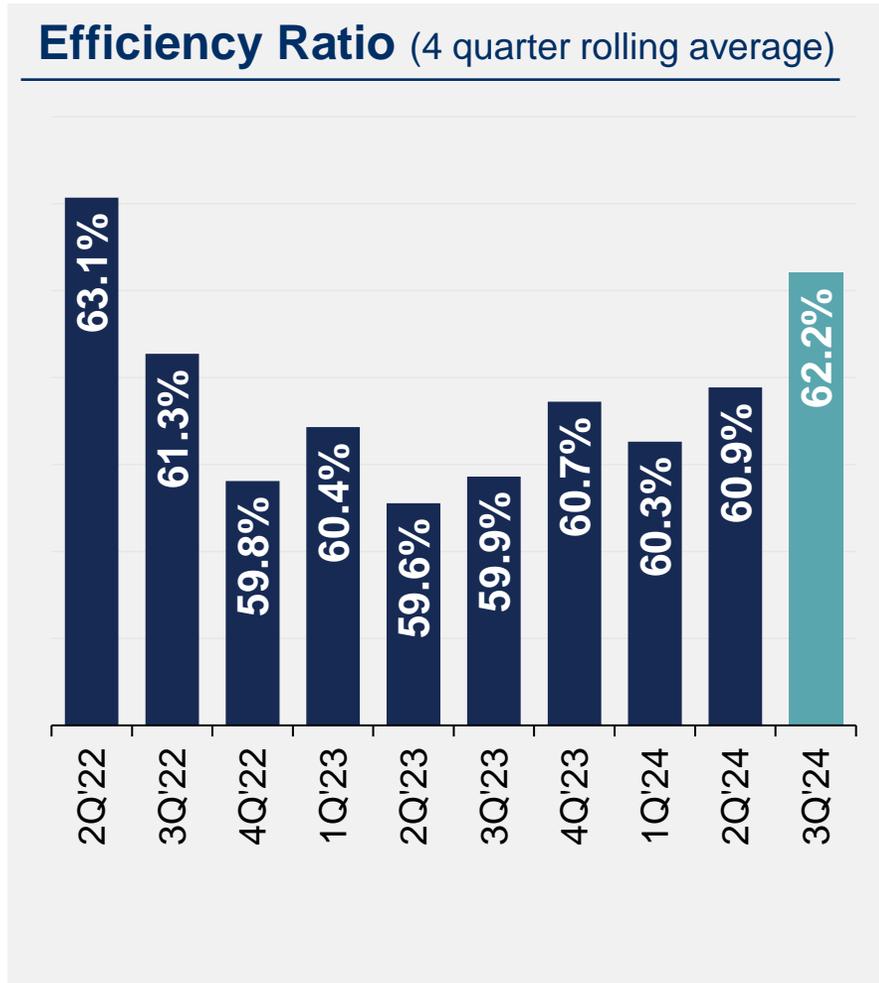
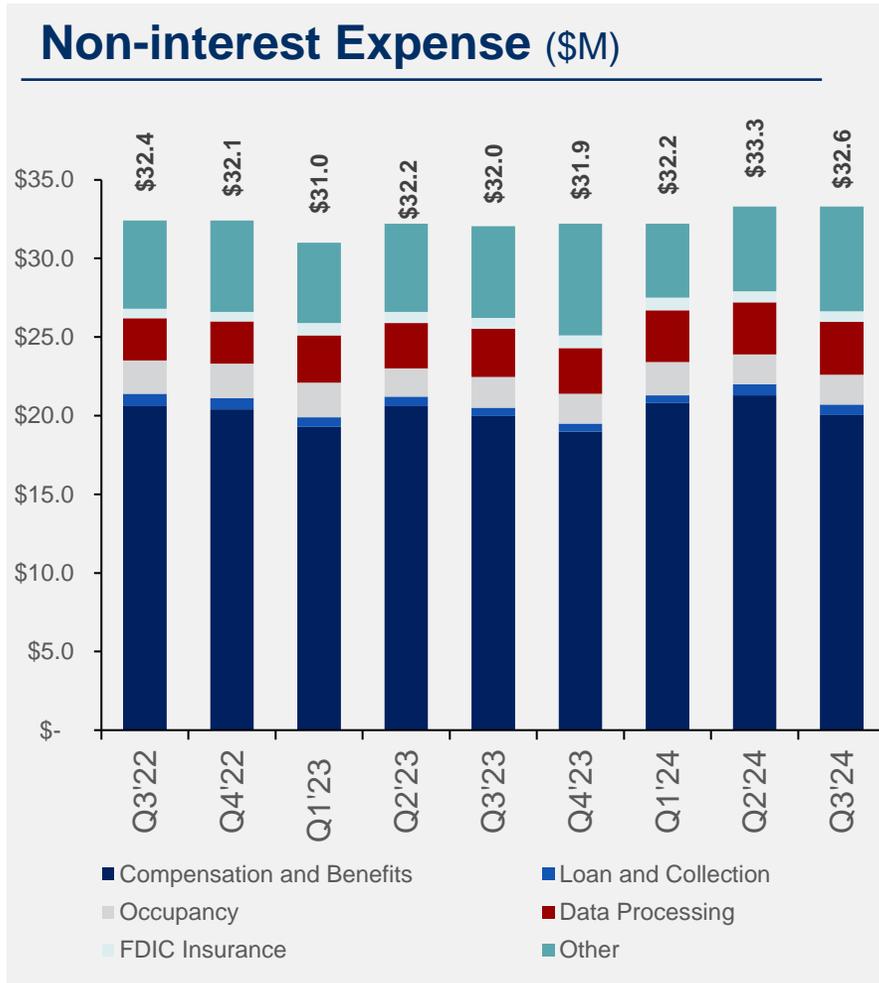


## Non-interest Income Trends (\$M)



- The \$5.8 million comparative quarterly decrease in mortgage loan servicing, net is primarily attributed to changes in the fair value of capitalized mortgage loan servicing rights associated with changes in mortgage loan interest rates and expected future prepayment levels.
- **Mortgage banking:**
  - \$2.2 million in net gains on mortgage loans in 3Q'24 vs. \$2.1 million in the year ago quarter. The increase is primarily due to higher profit margins on mortgage loan sales and higher loan sales volume.
  - \$147.5 million in mortgage loan originations in 3Q'24 vs. \$172.9 million in 3Q'23 and \$142.6 million in 2Q'24.
  - 3Q'24 mortgage loan servicing includes a \$4.2 million (\$0.16 per diluted share, after tax) decrease in fair value adjustment due to price compared to a increase of \$1.6 million (\$0.06 per diluted share, after tax) in the year ago quarter.

# Focus on Improved Efficiency



- 3Q'24 efficiency ratio of 62.8%.
- Compensation and employee benefits expense of \$20.0 million, an increase of \$0.1 million from the prior year quarter.
- \$0.5 million increase in performance-based compensation expense due to a higher expected payout level in 2024.
- Payroll taxes and employee benefits decreased \$0.6 million primarily due to lower healthcare related costs.
- Data processing costs increased by \$0.3 million primarily due to core data processor annual asset growth and CPI related cost increases as well as the purchase of a new lending solution software.
- Opportunities exist to gain additional efficiencies as we continue to optimize our delivery channels.

# Outlook for 2024

	<b>LENDING</b> Continued growth	<b>NET INTEREST INCOME</b> Growth driven primarily by higher average earning assets	<b>PROVISION FOR CREDIT LOSSES</b> Steady asset quality metrics
<b>Outlook for 2024</b> *as of January, 2024	<ul style="list-style-type: none"> <li>• IBCP forecast of mid-single digit (approximately 6%-8%) overall loan growth is based on increases in commercial loans and mortgage loans with installment loans remaining flat. Expect much of this growth to occur in the first three quarters of 2024.</li> <li>• This growth forecast also assumes a stable Michigan economy.</li> </ul>	<ul style="list-style-type: none"> <li>• The forecast assumes 0.25% Fed rate cuts in May, June, August and October in the federal funds rate while long-term interest rates decline slightly over year-end 2023 levels.</li> <li>• IBCP forecast of mid-single digit (6%-8%) growth is primarily supported by an increase in earning assets and a favorable shift in the earning asset base. Expect the net interest margin (NIM) to increase (0.10% - 0.15%) in 2024 compared to full-year 2023. Primary driver is an increase in earning asset yield that is partially offset by an increase in yield on interest bearing liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Very difficult area to forecast. Future provision levels under CECL will be particularly sensitive to loan growth and mix, projected economic conditions, watch credit levels and loan default volumes.</li> <li>• The allowance as a percentage of total loans was at 1.44% at 12/31/23</li> <li>• A full year 2024 provision (expense) for credit losses of approximately 0.15%-0.25% of average total portfolio loans would not be unreasonable.</li> </ul>
<b>3Q'24 Update</b>	<ul style="list-style-type: none"> <li>• Total portfolio loans increased \$90.4 million (9.3% annualized) in 3Q'24 which is above our forecasted range.</li> <li>• Commercial loans and mortgage loans increased \$92.9 million (21.3% annualized) and \$10.0 million (2.7% annualized), respectively. Installment loans decreased \$12.5 million (-8.1% annualized) in the third quarter.</li> </ul>	<ul style="list-style-type: none"> <li>• 3Q'24 net interest income was \$2.4 million (6.2%) higher than the prior year quarter. The net interest margin was 3.37% for the current quarter and 3.23% for the prior year quarter and down 0.03% from the linked quarter.</li> <li>• The \$2.4 million increase in net interest income is due to a \$93.6 million increase in average earning assets and a 0.14% increase in the net interest margin.</li> </ul>	<ul style="list-style-type: none"> <li>• The provision for credit losses was an expense of \$1.49 million (0.15% of average loans annualized).</li> </ul>

# Outlook for 2024

	NON-INTEREST INCOME	NON-INTEREST EXPENSES	INCOME TAXES	SHARE REPURCHASES
<b>Outlook for 2024</b> *as of January, 2024	<ul style="list-style-type: none"> <li>• IBCP forecasts 2024 quarterly range of \$11.5M to \$13.0M with the total for the year down 0.5% to 1.0% from 2023 actual of \$50.7M</li> <li>• Expect mortgage loan origination volumes in 2024 to increase by approximately 7%, a decline in mortgage loan servicing net of approximately 19%, interchange income in 2024 to increase approximately 1.5% to 2.5% as compared to 2023, service charges on deposits to be collectively comparable to 2023 and other income to decline approximately 5% comparable to 2023 actuals.</li> </ul>	<ul style="list-style-type: none"> <li>• IBCP forecasts 2024 quarterly range of \$32.5M to \$33.5M with the total for the year up 3.5% to 4.25% from the 2023 actual of \$127.1M.</li> <li>• The primary driver is an increase in compensation and employee benefits, data processing, loan and collection and advertising.</li> </ul>	<ul style="list-style-type: none"> <li>• Approximately a 20% effective income tax rate in 2024 This assumes a 21% statutory federal corporate income tax rate during 2024.</li> </ul>	<ul style="list-style-type: none"> <li>• 2024 share repurchase authorization at approximately 5% (1.1 million) of outstanding shares.</li> <li>• Share repurchases will be dependent on capital levels, capital allocation options and share price trends. We are not modeling any share repurchases in 2024.</li> </ul>
<b>3Q'24 Update</b>	<ul style="list-style-type: none"> <li>• Non-interest income totaled \$9.5 million in 3Q'24, which is lower than the forecasted range.</li> <li>• Mortgage loan servicing net, generated a loss of \$3.1 million in 3Q'24.</li> </ul>	<ul style="list-style-type: none"> <li>• Total non-interest expense was \$32.6 million in the 3Q'24, which was within our forecasted range.</li> </ul>	<ul style="list-style-type: none"> <li>• Actual effective income tax rate of 20.1% for the 3Q'24.</li> </ul>	<ul style="list-style-type: none"> <li>• No shares were repurchased in the 3Q'24.</li> </ul>

# Strategic Initiatives



## GROWTH

- **Outside Sales** - Relationship banking focus thru consistent calling on prospects and COI's.
- **Inside Service/Sales** – **high retention + high cross sales**, collaboration of strategic partners.
- **Digital Marketing** - Leverage data insights, target strategically, elevate brand image, personalize the customer experience.
- **Leverage Referral Network** – Fintech (ReferLive);
- **New Products** – SMB deposit product, Business digital pmts.
- **Market Expansion** – Through existing indirect dealer network.
- **Selective and opportunistic** bank and branch acquisitions.



## PROCESS IMPROVEMENT & COST CONTROLS

- **Process Automation** – leverage core investments + Fintech partnerships: (Blend) mortgage; (Numerated) Commercial;
- **Branch Optimization** - including assessing existing locations, new locations, service hours, staffing, & workflow and leveraging technology.
- **Promotion of Self-Serve Channels** - (One Wallet, Treasury One, etc.)
- **Leverage Banker Capacity** – including on-line appointment setting.
- **Leverage Middleware + API's** – expediate new technology implementation.
- **Optimize Office Space Utilization**



## TALENT MANAGEMENT

- **Invest in our Team** – competitive C&B offering, skill training, leadership development, etc.
- **High Employee Engagement** – thru fostering a culture of purpose, opportunity, continuous learning, diversity, reward + recognition.
- **Promote Teamwork + Alignment** across all business units.
- **Invest in technology** - to enhance the employee experience + customer experience.
- **Client Service Model** – well defined and applied.



## RISK MANAGEMENT

- **Utilize three layers of defense** (business unit, risk management and internal audit). Independent & collaborative approach.
- **Consistent earnings** + maintain strong capital levels.
- **Proactive credit quality monitoring** and problem resolution.
- **Manage Liquidity and IRR.**
- **Manage Operational risk**, emphasizing cyber security, fraud prevention, and regulatory compliance.
- **Effective relationships with regulators** & other outside oversight parties. Proactive, transparent and good communication.

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# Question and Answer Session Closing Remarks

Thank you for attending  
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# Appendix

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## Additional Financial Data and Non-GAAP Reconciliations

# Historical Financial Data

(\$M except per share data)	Year Ended December 31,				Quarter Ended,				
	2020	2021	2022	2023	9/30/23	12/31/23	3/31/24	6/30/24	9/30/24
<b>Balance Sheet:</b>									
Total Assets	\$4,204	\$4,705	\$5,000	\$5,264	\$5,200	\$5,264	\$5,231	\$5,278	\$5,259
Portfolio Loans	\$2,734	\$2,905	\$3,465	\$3,791	\$3,741	\$3,791	\$3,840	\$3,852	\$3,942
Deposits	\$3,637	\$4,117	\$4,379	\$4,622	\$4,586	\$4,622	\$4,582	\$4,614	\$4,627
Tangible Common Equity	\$357	\$367	\$317	\$374	\$345	\$374	\$385	\$400	\$422
<b>Profitability:</b>									
Pre-Tax, Pre-Provision Income	\$81.9	\$75.4	\$83.7	\$79.9	\$23.0	\$17.3	\$20.6	\$23.2	\$18.8
Pre-Tax, Pre-Prov / Avg. Assets	2.08%	1.69%	1.72%	1.56%	1.76%	1.31%	1.59%	1.80%	1.43%
Net Income <sup>(1)</sup>	\$56.2	\$62.9	\$63.8	\$59.1	\$17.5	\$13.7	\$16.0	\$18.5	\$13.8
Diluted EPS	\$2.53	\$2.88	\$2.97	\$2.79	\$0.83	\$0.65	\$0.76	\$0.88	\$0.65
Return on Average Assets <sup>(1)</sup>	1.43%	1.41%	1.32%	1.15%	1.34%	1.04%	1.24%	1.44%	1.04%
Return on Average Equity <sup>(1)</sup>	15.7%	16.1%	18.5%	16.0%	18.7%	14.4%	16.0%	18.0%	12.5%
Net Interest Margin (FTE)	3.34%	3.10%	3.32%	3.26%	3.25%	3.26%	3.30%	3.40%	3.37%
Efficiency Ratio	59.2%	62.9%	59.4%	60.8%	57.5%	64.3%	60.3%	61.5%	62.8%
<b>Asset Quality:</b>									
NPAs / Assets	0.21%	0.11%	0.08%	0.11%	0.10%	0.11%	0.09%	0.10%	0.11%
NPAs / Loans + OREO	0.32%	0.18%	0.12%	0.15%	0.14%	0.15%	0.12%	0.14%	0.15%
ACL / Total Portfolio Loans	1.30%	1.63%	1.51%	1.44%	1.48%	1.44%	1.47%	1.46%	1.46%
NCOs / Avg. Loans	0.11%	(0.07%)	0.00%	0.01%	0.00%	0.01%	0.02%	0.02%	0.00%
<b>Capital Ratios:</b>									
TCE Ratio	8.6%	7.9%	6.4%	7.2%	6.7%	7.2%	7.4%	7.6%	8.1%
Leverage Ratio	9.2%	8.8%	8.8%	9.0%	8.9%	9.0%	9.3%	9.6%	9.6%
Tier 1 Capital Ratio	13.3%	12.1%	11.4%	11.5%	11.4%	11.5%	11.7%	12.0%	12.1%
Total Capital Ratio	16.0%	14.5%	13.7%	13.7%	13.6%	13.7%	13.9%	14.2%	14.2%

# Historic Financial Performance

(\$M except per share data)	Year Ended December 31,						5 Year CAGR
	2018	2019	2020	2021	2022	2023	
<b>Balance Sheet:</b>							
Total Assets	\$3,353	\$3,565	\$4,204	\$4,705	\$5,000	\$5,264	9.4%
Portfolio Loans	\$2,583	\$2,725	\$2,734	\$2,905	\$3,465	\$3,791	8.0%
Deposits	\$2,913	\$3,037	\$3,637	\$4,117	\$4,379	\$4,623	9.7%
Tangible Common Equity	\$304	\$317	\$357	\$367	\$317	\$374	4.2%
<b>Profitability:</b>							
Pre-Tax, Pre-Provision Income	\$50.6	\$58.6	\$81.9	\$75.4	\$83.1	\$79.9	9.6%
Pre-Tax, Pre-Prov / Avg. Assets	1.62%	1.70%	2.08%	1.69%	1.72%	1.56%	-
Net Income	\$39.8	\$46.4	\$56.2	\$62.9	\$63.4	\$59.1	8.2%
Diluted EPS	\$1.68	\$2.00	\$2.53	\$2.88	\$2.97	\$2.79	10.7%
Return on Average Assets	1.27%	1.35%	1.43%	1.41%	1.31%	1.15%	-
Return on Average Equity	12.38%	13.63%	15.68%	16.13%	18.41%	16.04%	-
Net Interest Margin (FTE)	3.88%	3.80%	3.34%	3.10%	3.32%	3.26%	-
Efficiency Ratio	67.20%	64.90%	59.24%	62.87%	59.71%	60.76%	-
<b>Asset Quality:</b>							
NPAs / Assets	0.29%	0.32%	0.21%	0.11%	0.08%	0.11%	-
NPAs / Loans + OREO	0.38%	0.42%	0.32%	0.18%	0.12%	0.15%	-
Reserves / Total Loans	0.96%	0.96%	1.30%	1.63%	1.51%	1.44%	-
NCOs / Avg. Loans	(0.03%)	(0.02%)	0.11%	(0.07%)	0.00%	0.01%	-
<b>Capital Ratios:</b>							
TCE Ratio	9.2%	9.0%	8.6%	7.9%	6.4%	7.2%	-
Leverage Ratio	10.5%	10.1%	9.2%	8.8%	8.8%	9.1%	-
Tier 1 Capital Ratio	13.3%	12.7%	13.3%	12.2%	11.4%	11.6%	-
Total Capital Ratio	14.3%	13.7%	16.0%	14.7%	13.7%	13.8%	-
<b>Shareholder Value:</b>							
TBV/Share	\$ 12.90	\$ 14.08	\$ 16.33	\$ 17.33	\$ 15.04	\$ 17.96	6.8%
Dividends Paid per Share	\$ 0.60	\$ 0.72	\$ 0.80	\$ 0.84	\$ 0.88	\$ 0.92	8.9%
Value of Shares Repurchased	\$ 12.68	\$ 26.3	\$ 14.2	\$ 17.3	\$ 4.0	\$ 5.2	-

# Strong Liquidity Position

## Sources of Liquidity

### Sources of Liquidity 3Q 2024

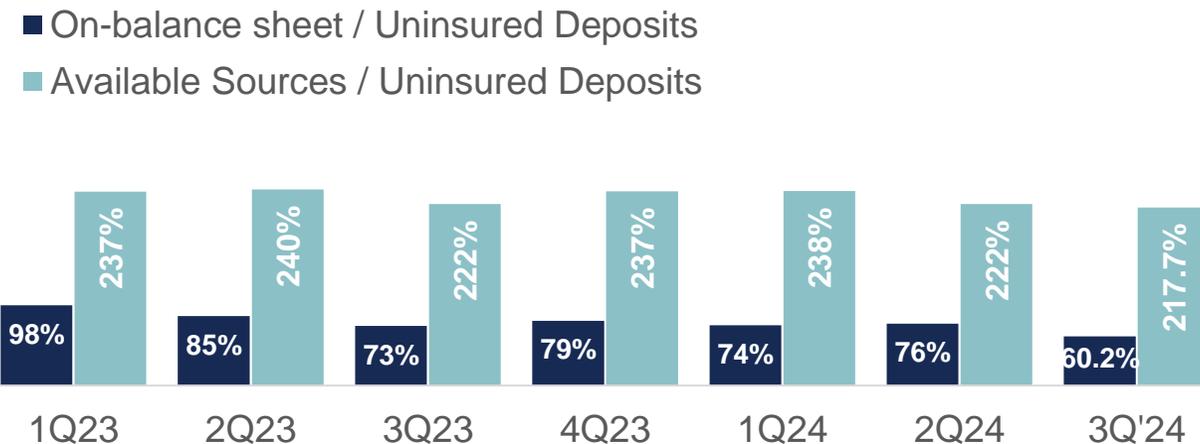
<b>Current On-balance sheet</b>	
Excess reserves at the Fed	\$ 60.1
Unpledged AFS Securities	\$ 576.5
<b>Total On-balance sheet</b>	<b>\$ 636.6</b>

On balance sheet liquidity to total deposits 14%

<b>Available Sources of Liquidity</b>	
Unused FHLB & FRB (including BTFP)	\$ 1,583.0
Borrow capacity on unpledged bonds	\$ 718.0
<b>Total Available Sources</b>	<b>\$ 2,301.0</b>

Sources of Liquidity to total deposits 50%

## Liquidity / Uninsured Deposits



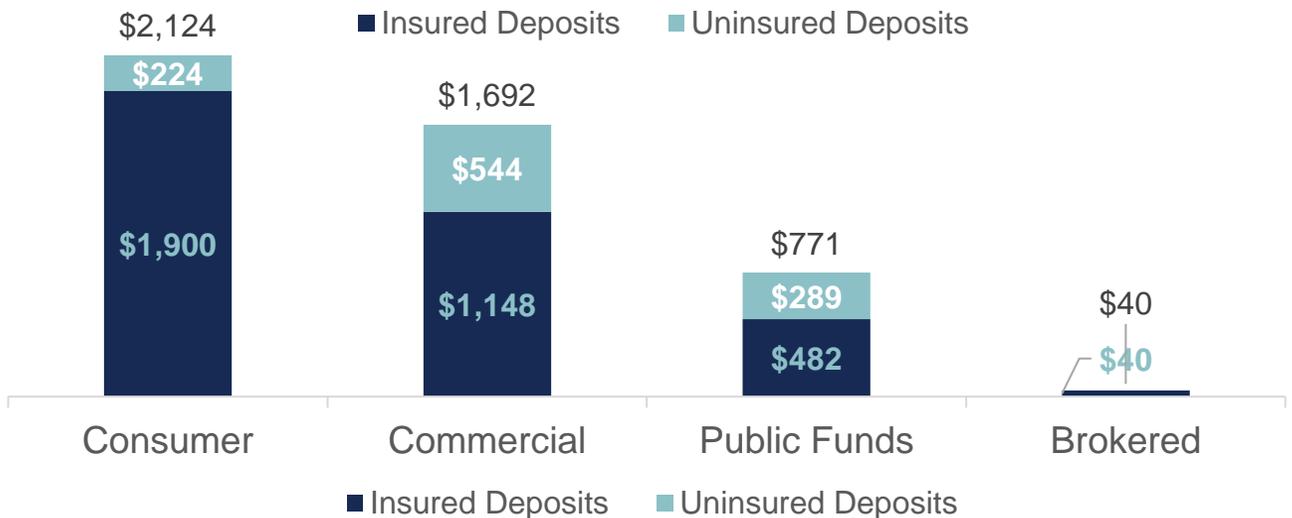
- Significant liquidity position to manage the current environment.
- Total available liquidity significantly exceeds (217%) estimated uninsured deposit balances.
- Attractive loan to deposit ratio of 85.7%.
- Uninsured deposit to total deposits of approximately 22.8%, excluding brokered time deposits.

# Granular Deposit Base

Uninsured Deposit Trend (\$MM)



Uninsured Deposit by Segment (9/30/24)



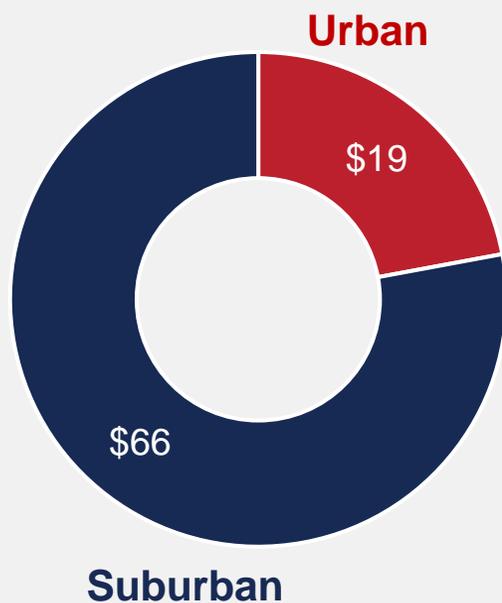
- Average deposit account balance of approximately \$21,905.
- Average deposit balance excluding reciprocal deposit of \$17,231.
- Average Commercial deposit balance of \$102,170.
- Average retail deposit balance of \$11,182.
- 10 largest deposit accounts total \$448.9 million or 9.70% of total deposits.
  - \$358.2 million in ICS with FDIC coverage.
- 100 largest deposit accounts total \$1.14 billion or 24.74% of total deposits.
  - \$719.8 million in ICS with FDIC coverage.

Note: Uninsured deposit calculation is an approximation.

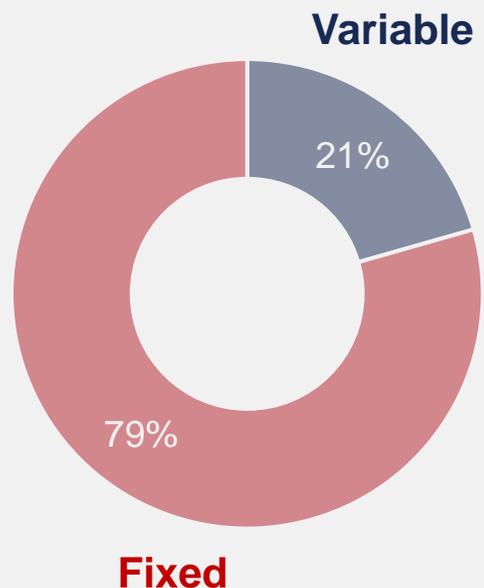


# CRE – Office Metrics

## Geographic Location (millions)



## CRE - Office Fixed vs. Variable



## Maturing Exposure (millions)



- 19.7% of portfolio is medical office buildings.
- 78% of portfolio is in suburban geographies.
- 80.5% of CRE – Office mature after 2026.
- Average loan size of \$1.3 million.

# Non-GAAP to GAAP Reconciliation

	Year Ended December 31,				Quarter Ended				
	2023	2022	2021	2020	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30 2023
	(Dollars in thousands)								
Net interest income	\$156,329	\$149,561	\$129,765	\$123,612	\$41,854	\$41,346	\$40,197	\$40,111	\$39,427
Non-interest income	50,676	61,909	76,643	80,745	9,508	15,172	12,561	9,097	15,611
Non-interest expense	127,119	128,341	131,023	122,413	32,583	33,333	32,193	31,878	32,036
Pre-Tax, Pre-Provision Income	79,886	83,129	75,385	81,944	\$18,779	\$23,185	20,565	17,330	23,002
Provision for credit losses	6,210	5,341	(1,928)	12,463	1,488	19	744	(617)	1,350
Income tax expense	14,609	14,437	14,418	13,329	3,481	4,638	3,830	4,204	4,109
Net income	<u>\$59,067</u>	<u>\$63,351</u>	<u>\$62,895</u>	<u>\$56,152</u>	<u>\$13,810</u>	<u>\$18,528</u>	<u>\$15,991</u>	<u>\$13,743</u>	<u>\$17,543</u>
Average total assets	<u>\$5,115,624</u>	<u>\$4,825,723</u>	<u>\$4,465,577</u>	<u>\$3,933,655</u>	<u>\$5,275,623</u>	<u>\$5,181,317</u>	<u>\$5,201,452</u>	<u>\$5,233,666</u>	<u>\$5,192,114</u>
Performance Ratios									
Return on average assets	<u>1.15%</u>	<u>1.31%</u>	<u>1.41%</u>	<u>1.43%</u>	<u>1.04%</u>	<u>1.44%</u>	<u>1.24%</u>	<u>1.04%</u>	<u>1.34%</u>
Pre-tax, Provision return on average assets	<u>1.56%</u>	<u>1.72%</u>	<u>1.69%</u>	<u>2.08%</u>	<u>1.42%</u>	<u>1.80%</u>	<u>1.59%</u>	<u>1.31%</u>	<u>1.76%</u>

# Reconciliation of Non-GAAP Financial Measures

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
<b>Net Interest Margin, Fully Taxable Equivalent ("FTE")</b>				
Net interest income	\$41,854	\$39,427	\$123,397	\$116,218
Add: taxable equivalent adjustment	158	202	513	722
Net interest income - taxable equivalent	<u>\$42,012</u>	<u>\$39,629</u>	<u>\$123,910</u>	<u>\$116,940</u>
Net interest margin (GAAP) (1)	<u>3.35%</u>	<u>3.21%</u>	<u>3.34%</u>	<u>3.25%</u>
Net interest margin (FTE) (1)	<u>3.37%</u>	<u>3.23%</u>	<u>3.35%</u>	<u>3.26%</u>

(1) Quarter to date are annualized.

# Reconciliation of Non-GAAP Financial Measures (continued)

## Tangible Common Equity Ratio

	Year Ended December 31,				Quarter Ended				
	2023	2022	2021	2020	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
	(Dollars in thousands)								
Common shareholders' equity	\$ 404,449	\$ 347,596	\$ 398,484	\$ 389,522	\$ 452,369	\$ 430,459	\$ 415,570	\$ 404,449	\$ 374,998
Less:									
Goodwill	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300
Other intangibles	2,004	2,551	3,336	4,306	1,617	1,746	1,875	2,004	2,141
Tangible common equity	<u>\$ 374,145</u>	<u>\$ 316,745</u>	<u>\$ 366,848</u>	<u>\$ 356,916</u>	<u>\$ 422,452</u>	<u>\$ 400,413</u>	<u>\$ 385,395</u>	<u>\$ 374,145</u>	<u>\$ 344,557</u>
Total assets	\$5,263,726	\$4,999,787	\$4,704,740	\$4,204,013	\$ 5,259,268	\$5,277,500	\$ 5,231,255	\$ 5,263,726	\$ 5,200,018
Less:									
Goodwill	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300
Other intangibles	2,004	2,551	3,336	4,306	1,617	1,746	1,875	2,004	2,141
Tangible assets	<u>\$5,233,422</u>	<u>\$4,968,936</u>	<u>\$4,673,104</u>	<u>\$4,171,407</u>	<u>\$ 5,229,351</u>	<u>\$5,247,454</u>	<u>\$ 5,201,080</u>	<u>\$ 5,233,422</u>	<u>\$ 5,169,577</u>
Common equity ratio	<u>7.68%</u>	<u>6.95%</u>	<u>8.47%</u>	<u>9.27%</u>	<u>8.60%</u>	<u>8.16%</u>	<u>7.94%</u>	<u>7.68%</u>	<u>7.21%</u>
Tangible common equity ratio	<u>7.15%</u>	<u>6.37%</u>	<u>7.85%</u>	<u>8.56%</u>	<u>8.08%</u>	<u>7.63%</u>	<u>7.41%</u>	<u>7.15%</u>	<u>6.67%</u>