

INDEPENDENT | BANK

Earnings Call:
Fourth Quarter 2023

January 25, 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, 2022 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 Rahn**
Executive Vice President – Commercial Banking
- Question and Answer session
- Closing Remarks

Note:

This presentation is available at www.IndependentBank.com in the Investor Relations area under the “Presentations” tab.

4Q23 Overview



4Q'23 Earnings

- Net income of \$13.7 million, or \$0.65 per diluted share
- Decline in net income from prior quarter driven by unfavorable fair value adjustment in mortgage loan servicing
- Strong profitability, prudent balance sheet management, and AOCI recapture results in further growth in tangible book value per share



Solid Loan Growth and Strong Asset Quality

- Total loans increased 5.2% annualized while maintaining conservative 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 \$0.2 million in the quarter
- Total watch credits of \$35.1 million



Positive Trends in Key Metrics

- Deposit base remains stable with short-term brokered deposits added to fund new loan production
- Continued rotation into higher yielding assets contributed to net interest margin increasing to 3.26%
- Disciplined expense control results in decline in non-interest expense from 3Q23
- Continued high level of profitability with core ROAA of 1.26% (excluding impact of fair value adjustment in MSR's)



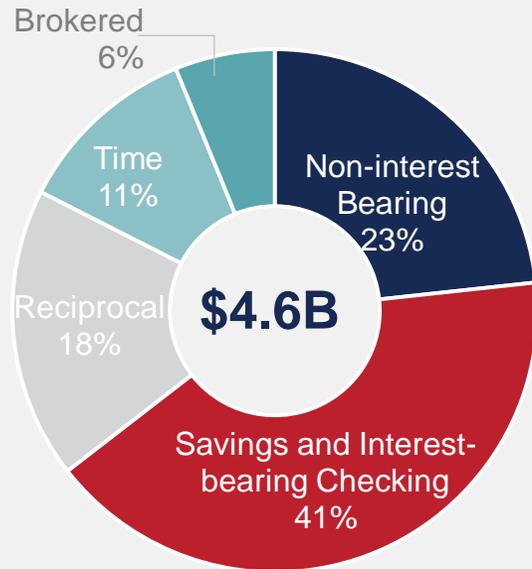
Healthy Capital & Liquidity Positions

- Total Capital Ratio increased 13 bps to 13.71%
- Tangible book value per share increased 8.7% from end of prior quarter
- Balance sheet liquidity remains strong with loan-to-deposit ratio of 82%

Low-Cost Deposit Franchise

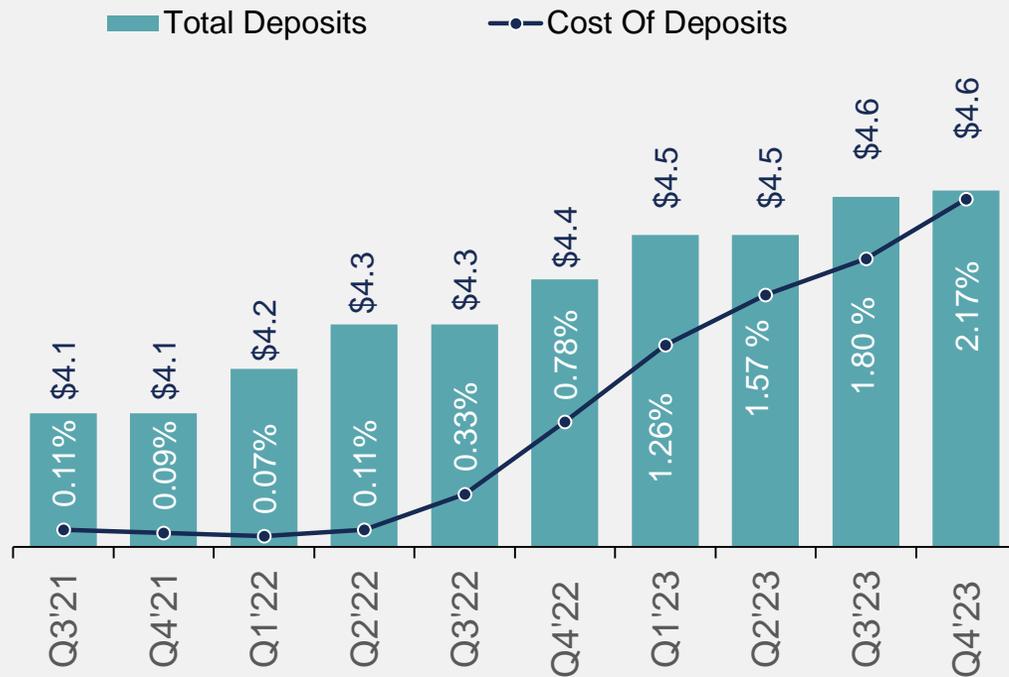
Focused on Core Deposit Growth

Deposit Composition 12/31/23



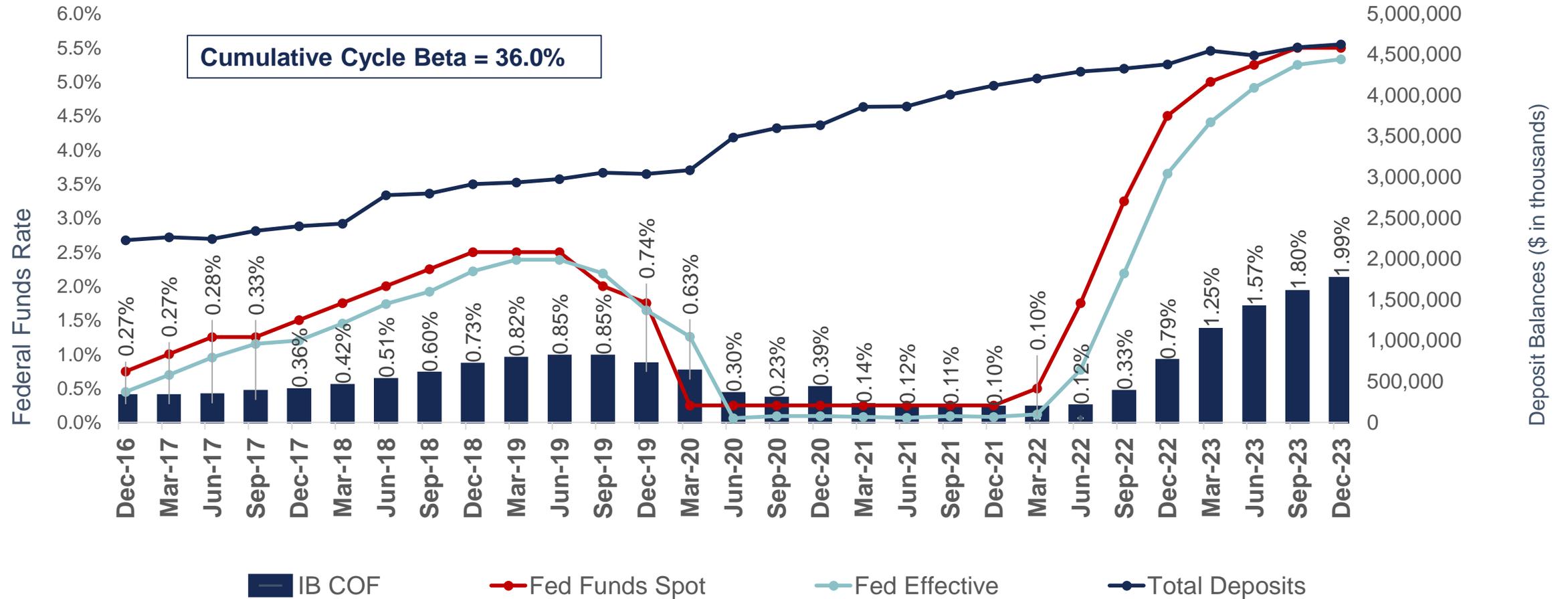
Core Deposits: 82.5%

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



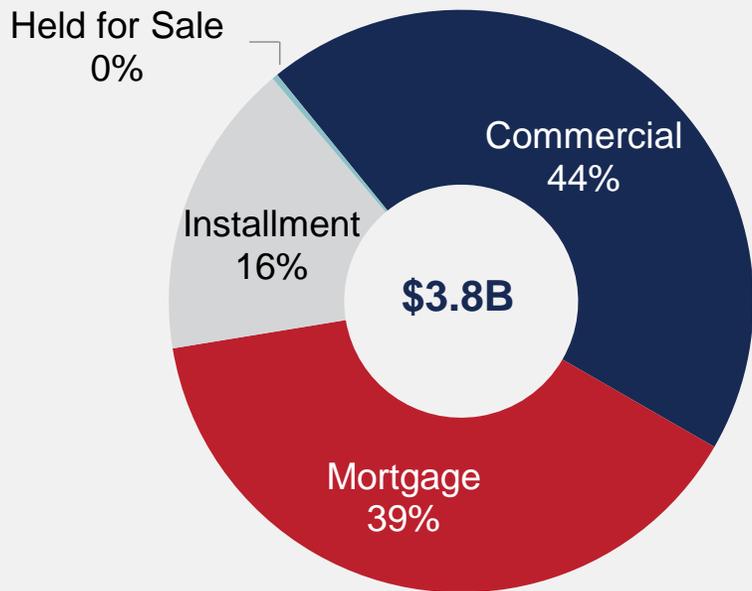
- Substantial core funding – \$3.81 billion of non-maturity deposit accounts (82.5% of total deposits).
- Core deposit decrease of \$11.3 million (1.0% annualized) in 4Q'23.
- Time deposit increase of \$46.4 (38.5% annualized) million in 4Q'23.
- Total deposits increased \$243.8 million (5.6%) since 12/31/22 with non-interest bearing down \$193.7 million, savings and interest-bearing checking down \$67.6 million, reciprocal up \$229.4 million, time up \$202.8 million and brokered time up \$72.8 million.
- Deposits by Customer Type:
 - Retail – 48.9%
 - Commercial – 35.5%
 - Municipal – 15.6%

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 12/31/23



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



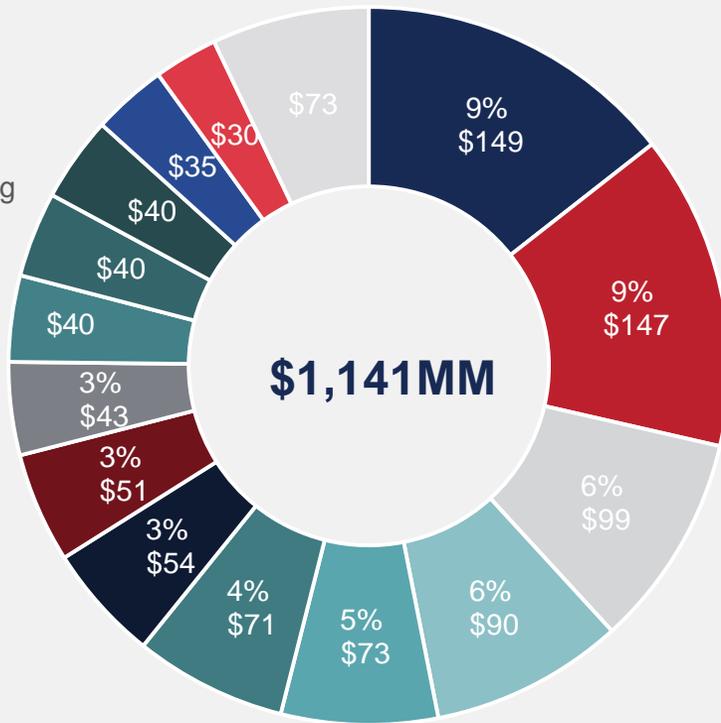
Note: Portfolio loans exclude loans HFS.

- Portfolio loan changes in 4Q'23:
 - Commercial – increased \$53.6 million.
 - ...Average new origination yield of 7.72% vs a 6.77% portfolio yield.
 - Mortgage – increased \$10.0 million.
 - ...Average new origination yield of 7.68% vs a 4.64% portfolio yield.
 - Installment – decreased \$14.2 million.
 - ...Average new origination yield of 8.68% vs a 5.44% portfolio yield.
- Mortgage loan portfolio weighted average FICO of 746 and average balance of \$183,419.
- Installment weighted average FICO of 754 and average balance of \$25,758.
- Commercial loan rate mix:
 - 50% fixed / 50% variable.
 - Indices – 51% tied to Prime, 1% tied to a US Treasury rate and 48% tied to SOFR.
- Mortgage loan (including HELOC) rate mix:
 - 61% fixed / 39% adjustable or variable.
 - 21% tied to Prime, 9% tied to a US Treasury rate and 70% tied to SOFR.

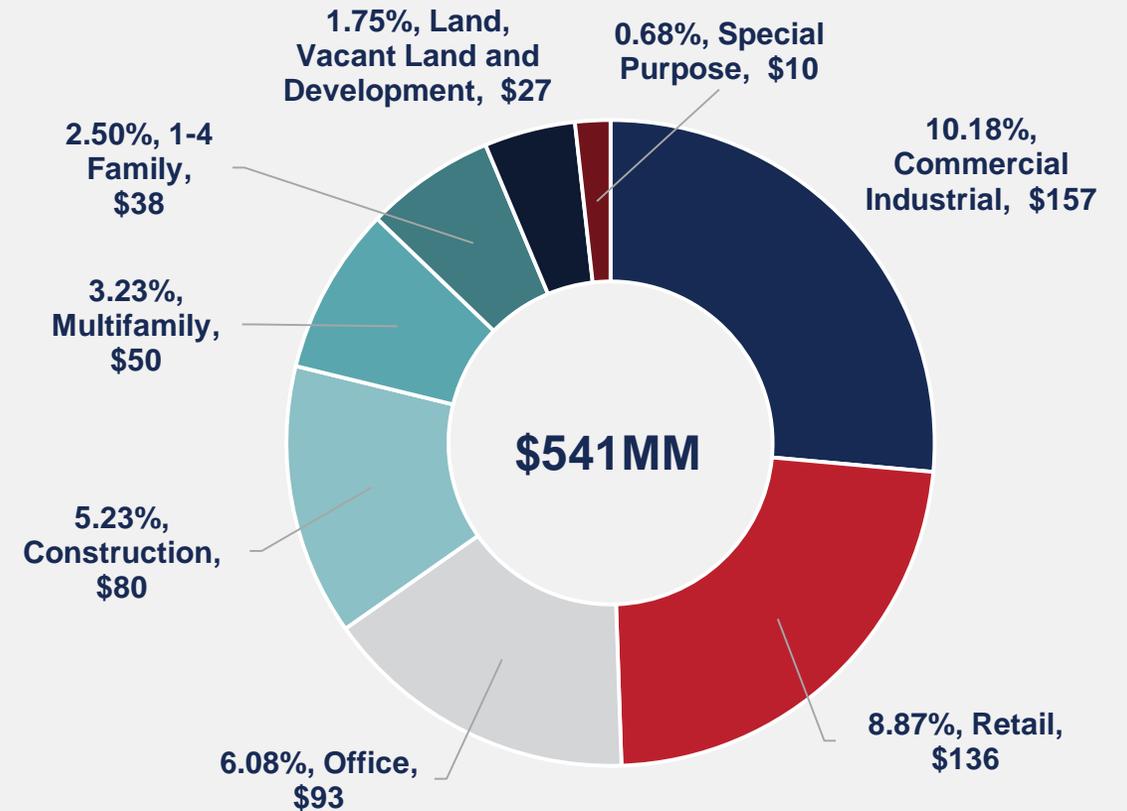
Concentrations within \$1.7B Commercial Loan Portfolio

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

- Manufacturing
- Construction
- Health Care and Social Assistance
- Retail
- Hotel and Accomodations
- Real Estate Rental and Leasing
- Transportation
- Other Services (except Public Administration)
- Wholesale
- Professional, Scientific, and Technical Services
- Arts, Entertainment, and Recreation
- Food Service
- Finance and Insurance
- Assisted Living
- Other Services



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



Note: \$1.1 billion, or 67.8% of the commercial loan portfolio is C&I or owner occupied, while \$541 million, or 32.2% is investment real estate. The percentage concentrations are based on the entire commercial portfolio of \$1.7 billion as of December 31, 2023

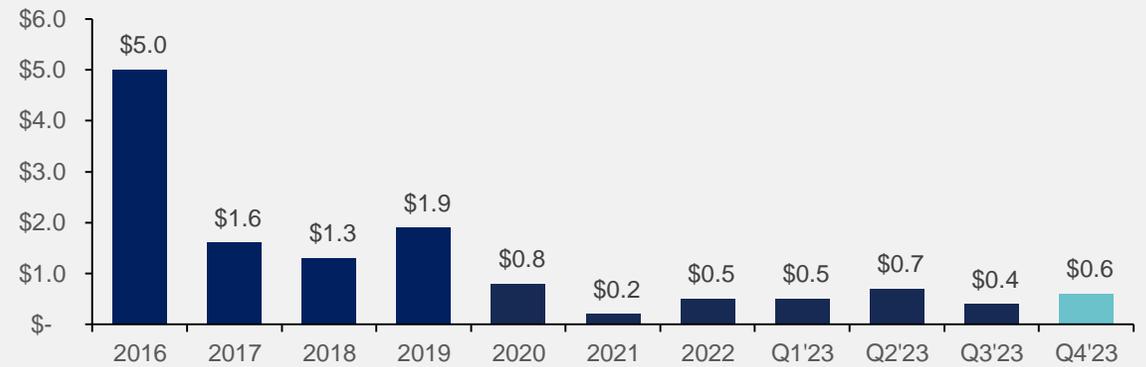


Credit Quality Summary

Non-performing Loans (\$ in Millions)



ORE/ORR (\$ in Millions)



30 to 89 Days Delinquent (\$ in Millions)

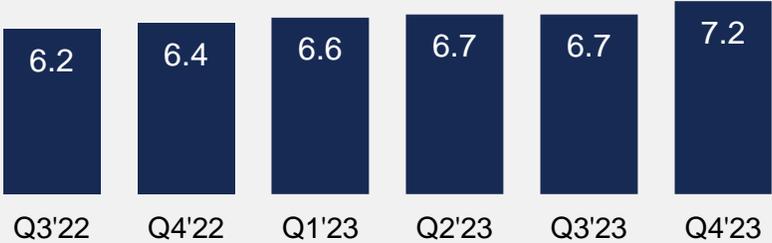


Non-performing Assets (\$ in Millions)



Strong Capital Position

TCE / TA (%)



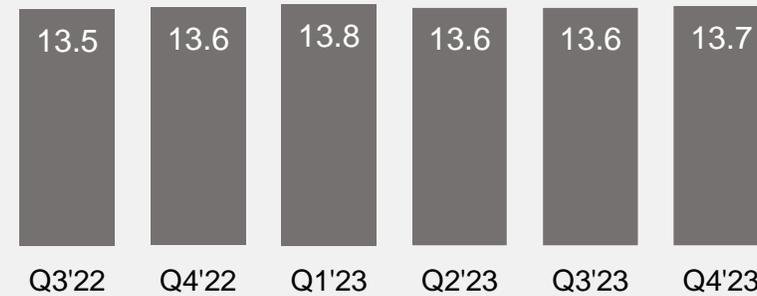
Leverage Ratio (%)



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 8.3%

Interest Margin/Income

Yields, NIM and Cost of Funds (%)



Net Interest Income (\$ in Millions)



- Net interest income was \$40.1 million in 4Q'23 compared to \$40.6 million in the prior year quarter. A decrease in the net interest margin was partially offset by an increase in average earnings assets.
- Net interest margin was 3.26% during the fourth quarter of 2023, compared to 3.52% in the year-ago quarter and 3.23% in the third quarter of 2023.

Linked Quarter Analysis

4Q'23 NIM Changes

Q3'23	3.23%
Change in earning asset mix	0.04%
Increase in loan & investment yield	0.16%
Change in funding mix	-0.05%
Increase in funding costs	-0.12%
Q4'23	3.26%

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

	4Q23			3Q23			Change		
	Avg Bal	Inc/Exp	Yield	Avg Bal	Inc/Exp	Yield	Avg Bal	Inc/Exp	Yield
Cash	\$119,884	\$1,647	5.45%	\$108,389	\$1,468	5.37%	\$11,495	\$179	0.08%
Investments	1,044,061	9,539	3.65%	1,089,285	9,729	3.57%	(45,224)	(190)	0.08%
Commercial loans	1,642,191	28,544	6.90%	1,566,874	26,804	6.79%	75,317	1,740	0.12%
Mortgage loans	1,491,933	17,759	4.76%	1,479,029	16,941	4.58%	12,904	818	0.19%
Consumer loans	630,628	8,050	5.06%	648,631	7,692	4.70%	(18,003)	358	0.36%
Earning assets	\$4,928,697	\$65,539	5.29%	\$4,892,208	\$62,634	5.10%	\$36,489	\$2,905	0.20%
Nonmaturity deposits	\$2,603,044	\$13,084	1.99%	\$2,598,170	\$12,272	1.87%	\$4,874	812	0.13%
CDARS deposits	97,709	1,065	4.32%	96,409	989	4.07%	1,300	76	0.25%
Retail Time deposits	506,534	4,880	3.82%	452,585	3,970	3.48%	53,949	910	0.34%
Brokered deposits	299,248	4,082	5.41%	267,816	3,512	5.20%	31,432	570	0.21%
Bank borrowings	50,018	659	5.23%	60,017	794	5.25%	(9,999)	(135)	-0.02%
IBC debt	79,218	1,480	7.41%	79,182	1,468	7.36%	36	12	0.06%
Cost of funds	\$3,635,771	\$25,250	2.76%	\$3,554,179	\$23,005	2.57%	\$81,592	\$2,245	0.19%
Free funds	\$1,292,926			\$1,338,029			(\$45,103)		
Net interest income		\$40,289			\$39,629			\$660	
Net interest margin			3.26%			3.23%			0.03%

Interest Rate Risk Management

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

December 31, 2023

	-200	-100	Base-rate	100	200
Net Interest Income	\$167,785	\$168,952	\$169,495	\$168,321	\$165,965
Change from Base	-1.01%	-0.32%		-0.69%	-2.08%

September 30, 2023

	-200	-100	Base-rate	100	200
Net Interest Income	\$169,475	\$171,069	\$172,118	\$171,200	\$169,245
Change from Base	-1.54%	-0.61%		-0.53%	-1.67%

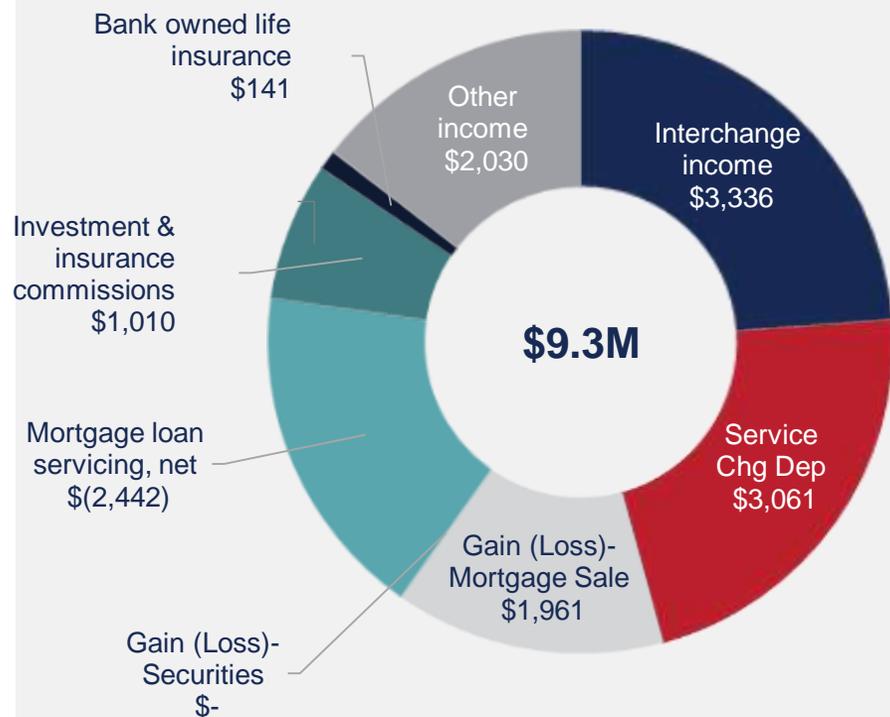
Simulation analyses calculate the change in net interest income over the next twelve months, under immediate parallel shifts in interest rates, based upon a static statement of financial condition, which includes derivative instruments, and does not consider loan fees.

- The decrease in the base case modeled NII is due to an adverse shift in the funding mix and the change in rates during the quarter which caused the yield curve to invert further. These changes were partially offset by improvement in asset mix with an increase in loans and a decline in investments and earning asset growth.
- The NII sensitivity profile is largely unchanged during the quarter for smaller rate changes of +/- 100 basis points. The exposure to rising rates increased modestly for larger rate increases. asset and liability duration both moved lower but liability duration declined more caused by the adverse shift in the funding mix.
- Base-rate is a static balance sheet applying the spot yield curve from the valuation date.
- Stable core funding base. Transaction accounts fund 37.8% of assets and other non-maturity deposits fund another 18.8% of assets. Moderate wholesale funding of just 7.9% of assets.
- 33.0% of assets reprice in 1 month and 45.9% 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

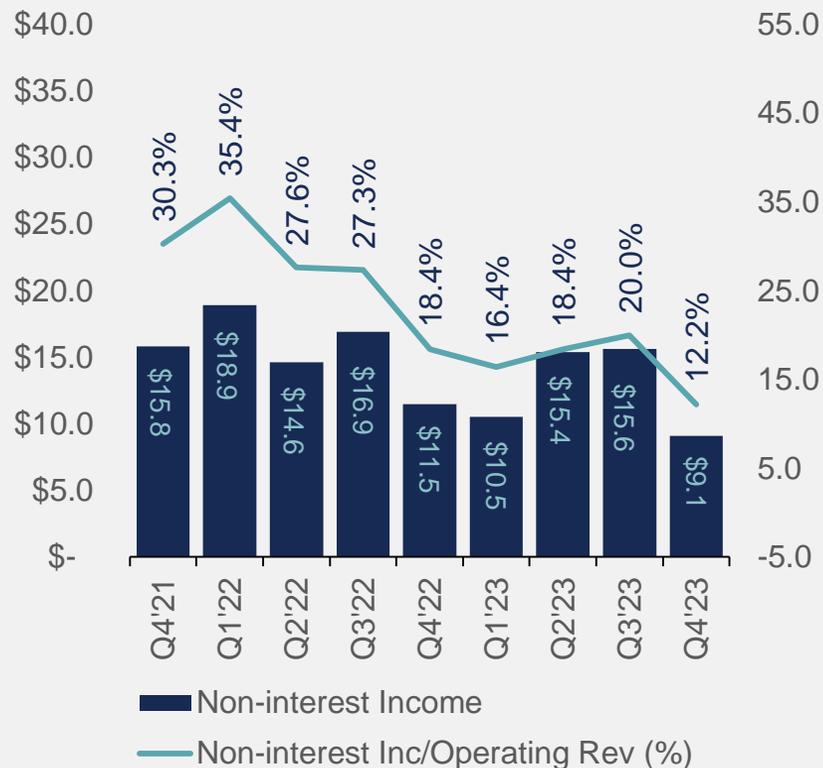
4Q23 Non-interest Income

(thousands)



Non-interest Income Trends

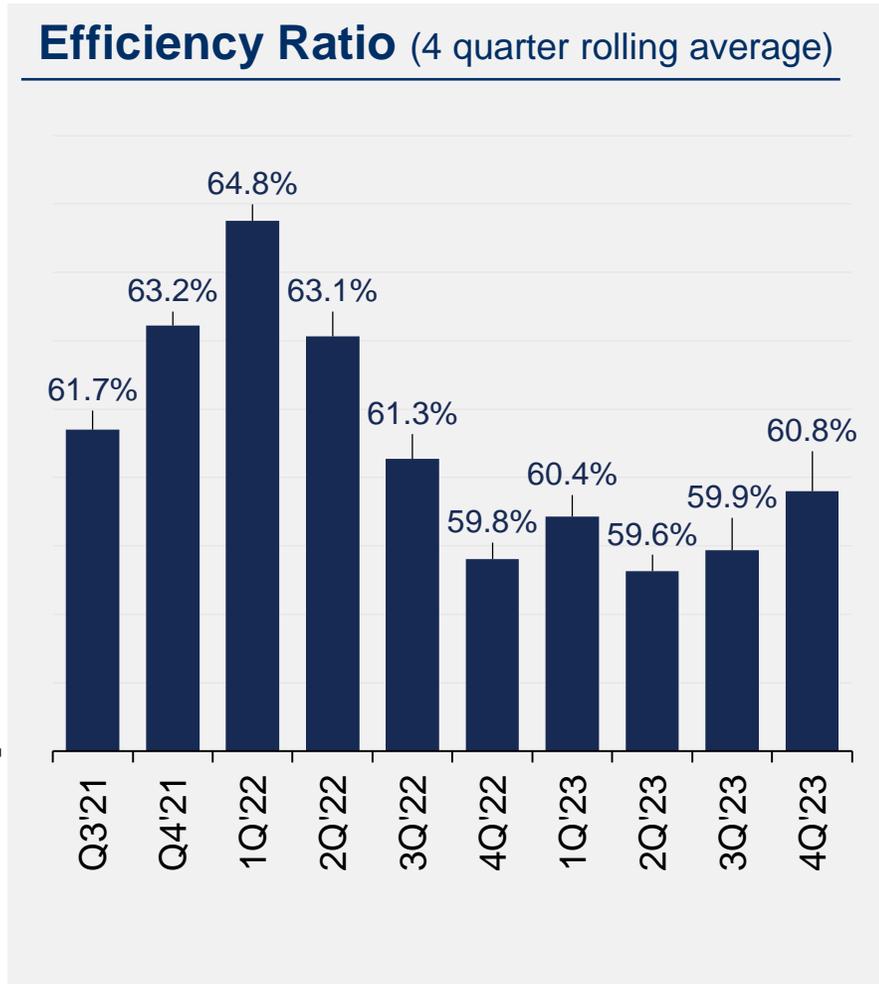
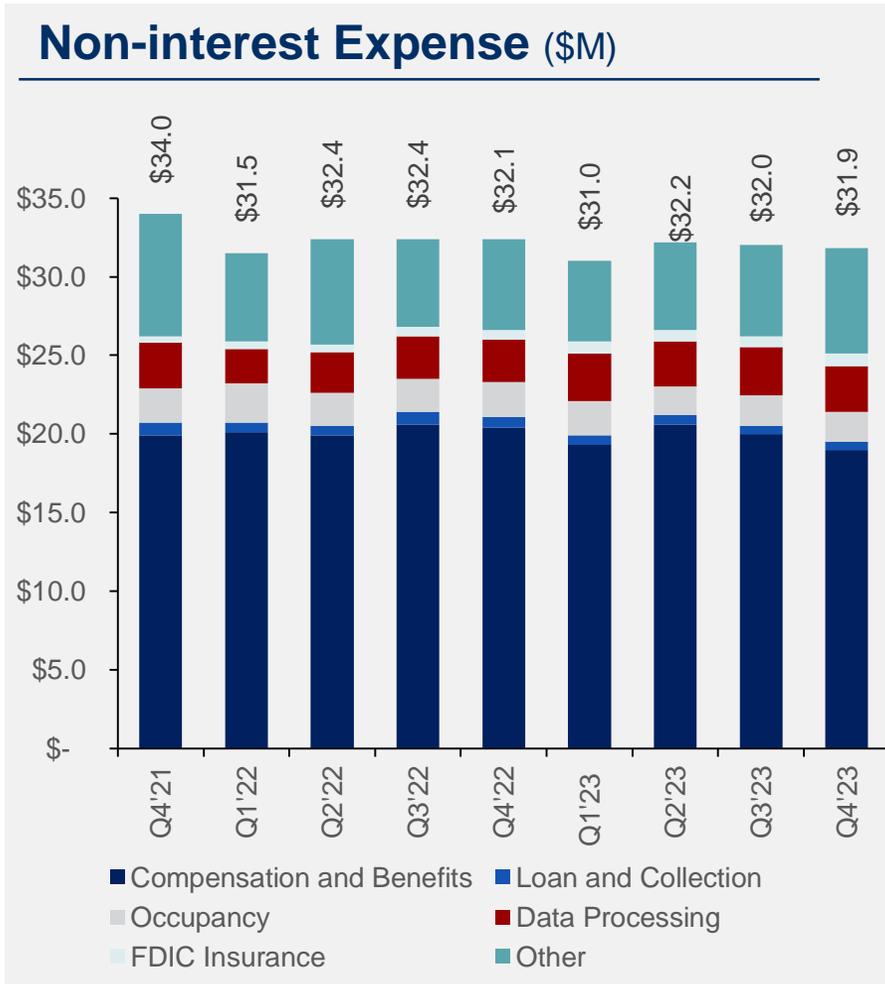
(\$M)



- The \$3.1 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:**
 - \$2.0 million in net gains on mortgage loans in 4Q'23 vs. \$1.5 million in the year ago quarter. The increase is primarily due to higher mortgage loan sales as well as increased profit margins and fair value adjustments.
 - \$108.0 million in mortgage loan originations in 4Q'23 vs. \$138.9 million in 4Q'22 and \$172.9 million in 3Q'23.
 - 4Q'23 mortgage loan servicing includes a \$3.6 million (\$0.14 per diluted share, after tax) decrease in fair value adjustment due to price compared to a decrease of \$0.5 million (\$0.02 per diluted share, after tax) in the year ago quarter.

Focus on Improved Efficiency



- 4Q'23 efficiency ratio of 64.3%.
- Compensation and employee benefits expense of \$19.0 million, a decrease of \$1.3 million from the prior year quarter.
- Compensation (salaries and wages) decreased \$0.1 million due primarily to decreases in mortgage/retail operations and branch personnel, vacation accrual true up and lower severance that were partially offset by raises.
- \$1.5 million decrease in performance-based compensation expense.
- Payroll taxes and employee benefits increased \$0.2 million primarily due to a higher healthcare related costs.
- Data processing costs increased by \$0.2 million primarily 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.

Look-Back on 2023 Forecast

	LENDING Continued growth	NET INTEREST INCOME Growth driven primarily by higher average earning assets	PROVISION FOR CREDIT LOSSES Steady asset quality metrics
Outlook for 2023 *as of January, 2023	<ul style="list-style-type: none"> • IBCP forecast of low double digit (approximately 10%-12%) 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 last three quarters of 2023. • This growth forecast also assumes a stable Michigan economy. 	<ul style="list-style-type: none"> • IBCP forecast of high single digit (7%-9%) growth is primarily supported by an increase in earning assets and a favorable shift in the earning asset base. Expect net interest margin (NIM) to be stable to slightly higher (0.05% - 0.10%) in 2023 compared to full-year 2022. • Primary driver is an increase in earning asset yield. The forecast assumes a 0.50% Fed rate increase in February, a 0.25% increase in March and a 0.25% decrease in September and December in the federal funds rate while long-term interest rates decline slightly over year-end 2022 levels. 	<ul style="list-style-type: none"> • 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. • The allowance as a percentage of total loans was at 1.51% at 12/31/22. • A full year 2023. provision (expense) for credit losses of approximately 0.25% to 0.35% of average total portfolio loans would not be unreasonable.
4Q'23 Update	<ul style="list-style-type: none"> • Total portfolio loans increased \$49.4 million (5.2% annualized) in 4Q'23 and \$325.5 million (9.4%) for the full year 2023 which is slightly lower than our forecasted range. • Commercial and mortgage loans had positive growth for the fourth quarter and full year in 2023. 	<ul style="list-style-type: none"> • 4Q'23 net interest income was \$0.5 million (4.8% annualized) lower than the prior year quarter. The net interest margin was 3.26% for the current quarter and 3.52 for the prior year quarter and up 0.03% from the linked quarter. • The \$0.5 million decrease in net interest income is due to a 0.26% decrease in net interest margin that was partially offset by a \$291.2 million increase in average earning assets. Full year 2023 increase of \$6.8 million or 4.5%. 	<ul style="list-style-type: none"> • The provision for credit losses was a credit of \$0.6 million (0.07% annualized). The 4Q'23 provision credit was primarily the result of a change in allocation rates due to subjective factors and the payoff of one problem credit (\$1.0 million). Full year 2023 provision expense was \$6.2 million or 0.17% of average total loans for the year.



Look-Back on 2023 Forecast

	NON-INTEREST INCOME	NON-INTEREST EXPENSES	INCOME TAXES	SHARE REPURCHASES
Outlook for 2023 *as of January, 2023	<ul style="list-style-type: none"> • IBCP forecasted 2023 quarterly range of \$11M to \$13M with the total for the year down 20% to 25% from 2022 actual of \$61.9M • Expect mortgage loan origination volumes in 2023 to be down by approximately 20%, a decline in mortgage loan servicing net of approximately 80%, interchange income in 2023 to increase approximately 2.0% to 3.0% as compared to 2022 and service charges on deposits to be collectively comparable to 2022 (a decline in NSF fees to be largely offset by an increase in treasury management related service charges). 	<ul style="list-style-type: none"> • IBCP forecasted 2023 quarterly range of \$32.0M to \$33.5M with the total for the year up 1.5% to 2.5% from the 2022 actual of \$128.3M. • The primary driver is an increase in data processing and FDIC deposit insurance premiums. 	<ul style="list-style-type: none"> • Approximately an 18.8% effective income tax rate in 2023. This assumes a 21% statutory federal corporate income tax rate during 2023. 	<ul style="list-style-type: none"> • 2023 share repurchase authorization at approximately 5% (1.1 million) of outstanding shares. • Share repurchases will be dependent on capital levels, capital allocation options and share price trends. We are not modeling any share repurchases in 2023.
4Q'23 Update	<ul style="list-style-type: none"> • Non-interest income totaled \$9.1 million in 4Q'23, which was below the forecasted range. 4Q'23 mortgage loan originations, sales and gains totaled \$108.0 million, \$86.5 million and \$2.0 million, respectively. • Mortgage loan servicing net, generated a loss of \$2.4 million in 4Q'23. • Full year 2023 mortgage originations decreased \$381.3 million (40.8%). • Full year 2023 quarterly average of \$13.4 million which is above our original forecast. 	<ul style="list-style-type: none"> • Total non-interest expense was \$31.9 million in the 4Q'23, which was below our forecasted range. • The comparative quarterly decrease is primarily due to declines in compensation and employee benefits, occupancy, net, communications expense and loan and collection expense that were partially offset by increases in data processing, FDIC insurance expense, advertising and costs related to unfunded lending commitments. The decrease in compensation and employee benefits is primarily related to a lower expected level of incentive compensation. Full year 2023 quarterly average of \$31.8 million. 	<ul style="list-style-type: none"> • Actual effective income tax rate of 23.4% and 19.8% for the 4Q'23 and full year, respectively. 	<ul style="list-style-type: none"> • 10,200 shares were repurchased in the fourth quarter of 2023 at a average share price of \$19.08. 298,601 shares at an average share price of 17.27 have been repurchased for the full year of 2023.

Outlook for 2024

	<p>LENDING Continued growth</p>	<p>NET INTEREST INCOME Growth driven primarily by higher average earning assets</p>	<p>PROVISION FOR CREDIT LOSSES Steady asset quality metrics</p>
<p>Outlook for 2024 *as of January, 2024</p>	<ul style="list-style-type: none"> • 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. • This growth forecast also assumes a stable Michigan economy. 	<ul style="list-style-type: none"> • 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. • 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. 	<ul style="list-style-type: none"> • 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. • The allowance as a percentage of total loans was at 1.44% at 12/31/23 • A full year 2024 provision (expense) for credit losses of approximately 0.15%-0.25% of average total portfolio loans would not be unreasonable.

Outlook for 2024

	NON-INTEREST INCOME	NON-INTEREST EXPENSES	INCOME TAXES	SHARE REPURCHASES
Outlook for 2024 *as of January, 2024	<ul style="list-style-type: none"> • 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 • 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. 	<ul style="list-style-type: none"> • 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. • The primary driver is an increase in compensation and employee benefits, data processing, loan and collection and advertising. 	<ul style="list-style-type: none"> • Approximately a 20% effective income tax rate in 2024 This assumes a 21% statutory federal corporate income tax rate during 2024. 	<ul style="list-style-type: none"> • 2024 share repurchase authorization at approximately 5% (1.1 million) of outstanding shares. • Share repurchases will be dependent on capital levels, capital allocation options and share price trends. We are not modeling any share repurchases in 2024.

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
NASDAQ: IBCP

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Appendix

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	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23
Balance Sheet:									
Total Assets	\$4,204	\$4,705	\$5,000	\$5,264	\$5,000	\$5,139	\$5,136	\$5,200	\$5,264
Portfolio Loans	\$2,734	\$2,905	\$3,465	\$3,791	\$3,465	\$3,510	\$3,631	\$3,741	\$3,791
Deposits	\$3,637	\$4,117	\$4,379	\$4,622	\$4,379	\$4,545	\$4,488	\$4,586	\$4,622
Tangible Common Equity	\$357	\$367	\$317	\$374	\$317	\$317	\$345	\$345	\$374
Profitability:									
Pre-Tax, Pre-Provision Income	\$81.9	\$75.4	\$83.7	\$79.9	\$19.9	\$18.0	\$21.5	\$23.0	\$17.3
Pre-Tax, Pre-Prov / Avg. Assets	2.08%	1.62%	1.74%	1.56%	1.61%	1.43%	1.71%	1.77%	1.32%
Net Income ⁽¹⁾	\$56.2	\$62.9	\$63.8	\$59.1	\$15.1	\$13.0	\$14.8	\$17.5	\$13.7
Diluted EPS	\$2.53	\$2.88	\$2.97	\$2.79	\$0.71	\$0.61	\$0.70	\$0.83	\$0.65
Return on Average Assets ⁽¹⁾	1.43%	1.41%	1.32%	1.15%	1.21%	1.06%	1.18%	1.34%	1.04%
Return on Average Equity ⁽¹⁾	15.7%	16.1%	18.5%	16.0%	17.9%	14.8%	16.3%	18.7%	14.4%
Net Interest Margin (FTE)	3.34%	3.10%	3.32%	3.26%	3.52%	3.33%	3.26%	3.25%	3.26%
Efficiency Ratio	59.2%	62.9%	59.4%	60.8%	60.8%	62.1%	59.3%	57.5%	64.3%
Asset Quality:									
NPAs / Assets	0.21%	0.11%	0.08%	0.11%	0.08%	0.09%	0.09%	0.10%	0.11%
NPAs / Loans + OREO	0.32%	0.18%	0.12%	0.15%	0.12%	0.12%	0.13%	0.14%	0.15%
ACL / Total Portfolio Loans	1.30%	1.63%	1.51%	1.44%	1.51%	1.44%	1.49%	1.48%	1.44%
NCOs / Avg. Loans	0.11%	(0.07%)	0.00%	0.01%	0.00%	0.12%	0.00%	0.00%	0.01%
Capital Ratios:									
TCE Ratio	8.6%	7.9%	6.4%	7.2%	6.4%	6.6%	0.1%	6.7%	7.2%
Leverage Ratio	9.2%	8.8%	8.8%	9.0%	8.8%	8.9%	0.1%	8.9%	9.0%
Tier 1 Capital Ratio	13.3%	12.1%	11.4%	11.5%	11.4%	11.5%	0.1%	11.4%	11.5%
Total Capital Ratio	16.0%	14.5%	13.7%	13.7%	13.7%	13.8%	0.1%	13.7%	13.7%

Historic Financial Performance

(\$M except per share data)	Year Ended December 31,						5 Year CAGR
	2018	2019	2020	2021	2022	2023	
Balance Sheet:							
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%
Profitability:							
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%	1.62%	1.68%	1.56%	-
Net Income ⁽¹⁾	\$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⁾	1.27%	1.35%	1.43%	1.41%	1.31%	1.15%	-
Return on Average Equity ⁽¹⁾	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%	-
Asset Quality:							
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%	-
Capital Ratios:							
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%	-
Shareholder Value:							
TBV/Share	\$ 12.90	\$ 14.08	\$ 16.33	\$ 17.33	\$ 15.04	\$ 17.90	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

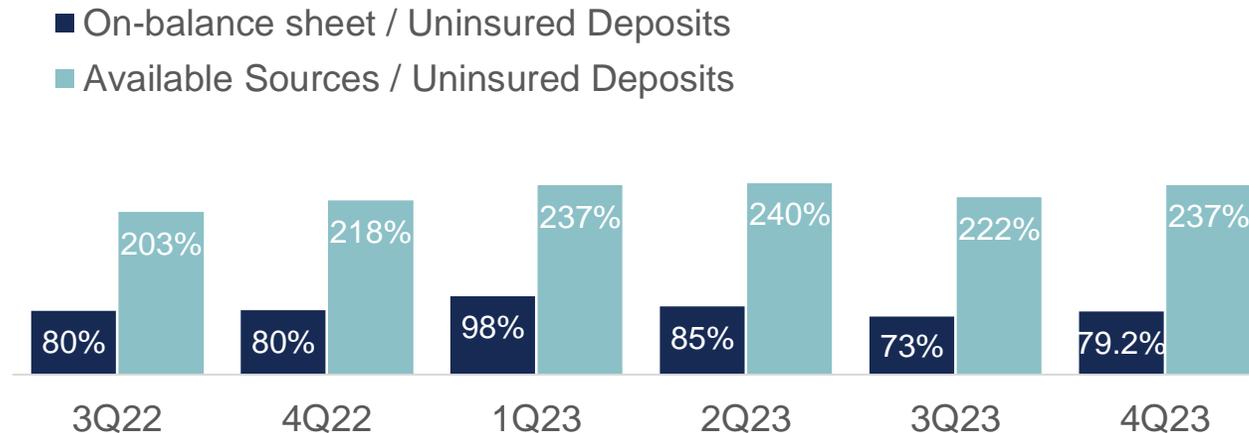
Sources of Liquidity		4Q 2023
Current On-balance sheet		
Excess reserves at the Fed	\$	101.6
Unpledged AFS Securities	\$	660.8
Total On-balance sheet	\$	762.4

On balance sheet liquidity to total deposits 15%

Available Sources of Liquidity		
Unused FHLB & FRB (including BTFP)	\$	1,529.8
Borrow capacity on unpledged bonds	\$	754.6
Total Available Sources	\$	2,284.4

Sources of Liquidity to total deposits 49%

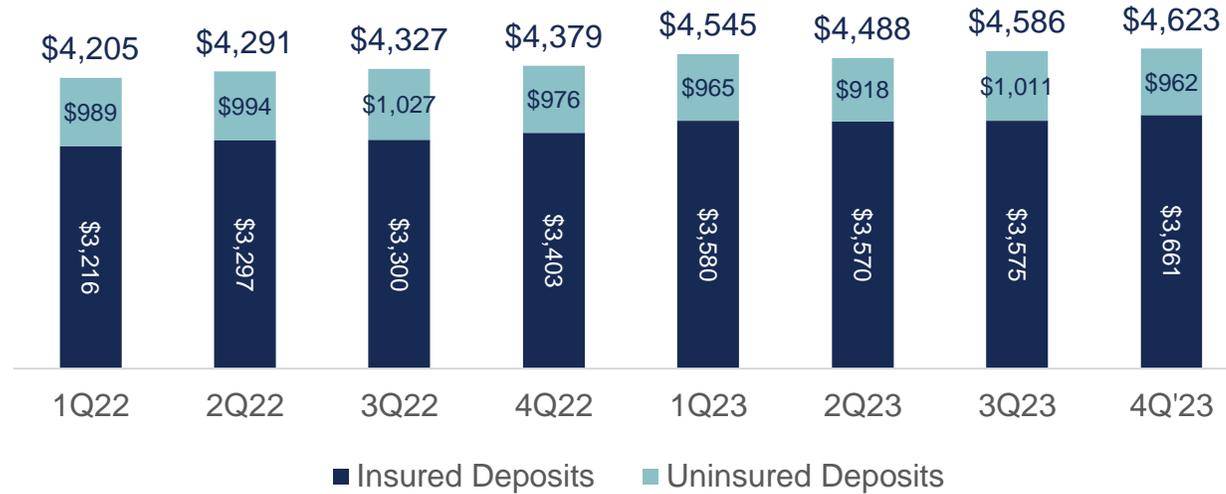
Liquidity / Uninsured Deposits



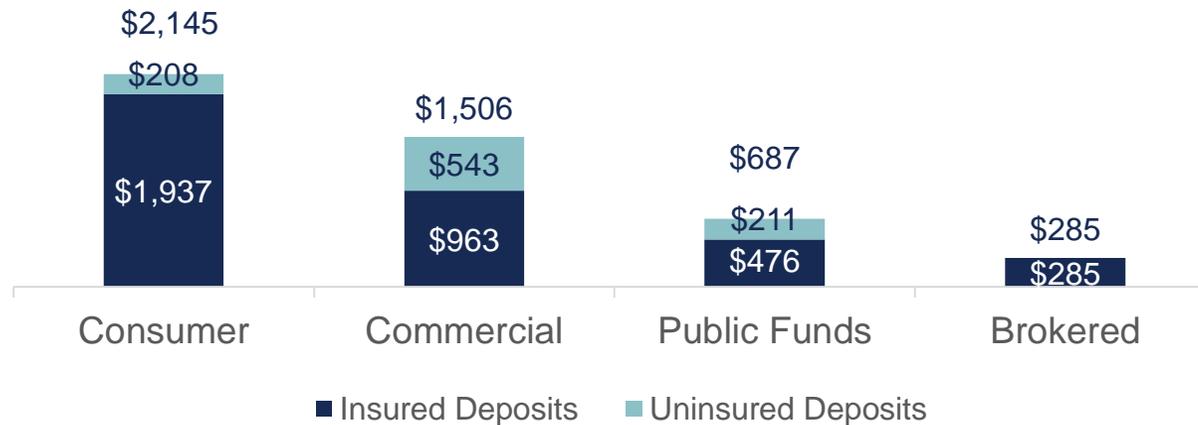
- Significant liquidity position to manage the current environment.
- Total available liquidity significantly exceeds (237%) estimated uninsured deposit balances.
- Established access and tested the BTFP, no borrowings at 12/31/23.
- Attractive loan to deposit ratio of 81.5%.
- Uninsured deposit to total deposits of approximately 20.8%, excluding brokered time deposits.

Granular Deposit Base

Uninsured Deposit Trend (\$MM)



Uninsured Deposit by Segment (12/31/23)



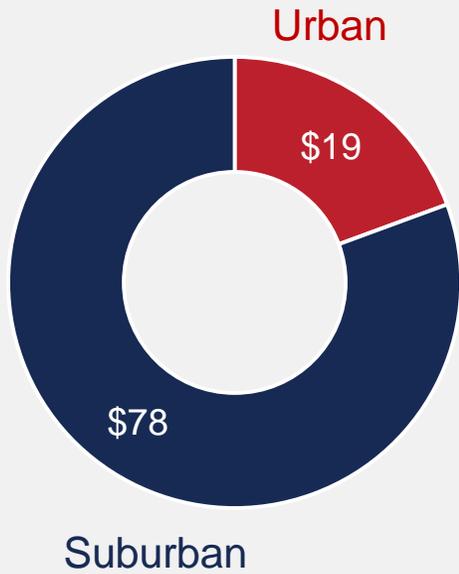
- Average deposit account balance of approximately \$20,375.
- Average deposit balance excluding reciprocal deposit of \$16,541.
- Average Commercial deposit balance of \$90,935.
- Average retail deposit balance of \$10,962.
- 10 largest deposit accounts total \$288.9 million or 6.25% of total deposits.
 - \$245.0 million in ICS with FDIC coverage.
- 100 largest deposit accounts total \$890.3 million or 19.26% of total deposits.
 - \$559.2 million in ICS with FDIC coverage.

Note: Uninsured deposit calculation is an approximation.

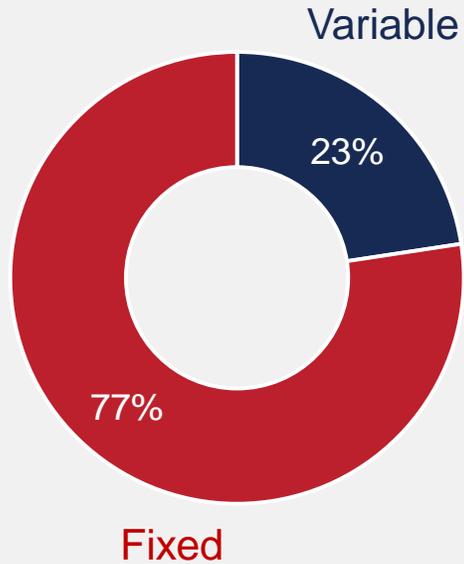


CRE – Office Metrics

Geographic Location (millions)



CRE - Office Fixed vs. Variable



Maturing Exposure (millions)



- 25.3% of portfolio is medical office buildings.
- 92% of portfolio are located in suburban geographies.
- 72.3% 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	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	(Dollars in thousands)								
Net interest income	\$ 156,329	\$ 149,561	\$ 129,765	\$ 123,612	\$ 40,111	\$ 39,427	\$ 38,350	\$ 38,441	\$ 40,602
Non-interest income	50,676	61,909	76,643	80,745	9,097	15,611	15,417	10,551	11,468
Non-interest expense	127,119	128,341	131,023	122,413	31,878	32,036	32,248	30,957	32,091
Pre-Tax, Pre-Provision Income	79,886	83,129	75,385	81,944	17,330	23,002	21,519	18,035	19,979
Provision for credit losses	6,210	5,341	(1,928)	12,463	(617)	1,350	3,317	2,160	1,390
Income tax expense	14,609	14,437	14,418	13,329	4,204	4,109	3,412	2,884	3,503
Net income	<u>\$ 59,067</u>	<u>\$ 63,351</u>	<u>\$ 62,895</u>	<u>\$ 56,152</u>	<u>\$ 13,743</u>	<u>\$ 17,543</u>	<u>\$ 14,790</u>	<u>\$ 12,991</u>	<u>\$ 15,086</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>\$ 5,233,666</u>	<u>\$ 5,192,114</u>	<u>\$ 5,044,746</u>	<u>\$ 4,988,440</u>	<u>\$ 4,934,859</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>1.34%</u>	<u>1.18%</u>	<u>1.06%</u>	<u>1.21%</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>1.31%</u>	<u>1.76%</u>	<u>1.71%</u>	<u>1.47%</u>	<u>1.61%</u>

Reconciliation of Non-GAAP Financial Measures

Reconciliation of Non-GAAP Financial Measures

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
	(Dollars in thousands)			
Net Interest Margin, Fully Taxable Equivalent ("FTE")				
Net interest income	\$ 40,111	\$ 40,602	\$ 156,329	\$ 149,561
Add: taxable equivalent adjustment	178	453	900	1,878
Net interest income - taxable equivalent	<u>\$ 40,289</u>	<u>\$ 41,055</u>	<u>\$ 157,229</u>	<u>\$ 151,439</u>
Net interest margin (GAAP) ⁽¹⁾	<u>3.25%</u>	<u>3.48%</u>	<u>3.24%</u>	<u>3.28%</u>
Net interest margin (FTE) ⁽¹⁾⁽²⁾	<u>3.26%</u>	<u>3.52%</u>	<u>3.26%</u>	<u>3.32%</u>

(1) Quarter to date are annualized.

(2) 2023 taxable equivalent adjustments have been updated

Reconciliation of Non-GAAP Financial Measures (continued)

Tangible Common Equity Ratio

	Year Ended December 31,				Quarter Ended				
	2023	2022	2021	2020	December 31, September 30,		June 30,	March 31,	December 31,
					2023	2023	2023	2023	2022
(Dollars in thousands)									
Common shareholders' equity	\$ 404,449	\$ 347,596	\$ 398,484	\$ 389,522	\$ 404,449	\$ 374,998	\$ 375,162	\$ 367,714	\$ 347,596
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	2,004	2,141	2,278	2,415	2,551
Tangible common equity	<u>\$ 374,145</u>	<u>\$ 316,745</u>	<u>\$ 366,848</u>	<u>\$ 356,916</u>	<u>\$ 374,145</u>	<u>\$ 344,557</u>	<u>\$ 344,584</u>	<u>\$ 336,999</u>	<u>\$ 316,745</u>
Total assets	\$ 5,263,726	\$ 4,999,787	\$ 4,704,740	\$ 4,204,013	\$ 5,263,726	\$ 5,200,018	\$ 5,135,564	\$ 5,138,934	\$ 4,999,787
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	2,004	2,141	2,278	2,415	2,551
Tangible assets	<u>\$ 5,233,422</u>	<u>\$ 4,968,936</u>	<u>\$ 4,673,104</u>	<u>\$ 4,171,407</u>	<u>\$ 5,233,422</u>	<u>\$ 5,169,577</u>	<u>\$ 5,104,986</u>	<u>\$ 5,108,219</u>	<u>\$ 4,968,936</u>
Common equity ratio	<u>7.68%</u>	<u>6.95%</u>	<u>8.47%</u>	<u>9.27%</u>	<u>7.68%</u>	<u>7.21%</u>	<u>7.31%</u>	<u>7.16%</u>	<u>6.95%</u>
Tangible common equity ratio	<u>7.15%</u>	<u>6.37%</u>	<u>7.85%</u>	<u>8.56%</u>	<u>7.15%</u>	<u>6.67%</u>	<u>6.75%</u>	<u>6.60%</u>	<u>6.37%</u>